



## STAFF REPORT ACTION REQUIRED

### Procurement Authorization – Supply of Genuine OEM Cummins Parts For Buses

<b>Date:</b>	November 30, 2016
<b>To:</b>	TTC Board
<b>From:</b>	Chief Executive Officer

#### Summary

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The purpose of this report is to obtain authorization for the award of contracts for a three (3) year term for the supply of genuine Cummins' Original Equipment Manufacturer (OEM) parts that are required to support the TTC's bus engine maintenance needs.

#### Recommendations

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It is recommended that the Board authorize the award of inventory supplier blanket contracts for the supply of genuine OEM Cummins parts for the period of approximately December 2016 to December 2019 in the following upset limit amounts (including applicable taxes and a 20% contingency) to the following companies:

- 1) Ashcon International Inc. for the supply of 7 parts in the total upset limit amount of \$237,700 USD (which is equivalent to approximately \$314,000 CDN, based on the exchange rate of 1.3209 dated October 20, 2016).
- 2) The Aftermarket Parts Canada, LLC DBA New Flyer Parts for the supply of 10 parts in the total upset limit amount of \$155,500
- 3) Elreg Distributors Ltd. for the supply of 1 part in the total upset limit amount of \$24,700
- 4) Wajax Power Systems for the supply of 4 parts in the total upset limit amount of \$275,400
- 5) Cummins Eastern Canada LP for the supply of 478 parts in the total upset limit amount of \$23,331,300
- 6) Mohawk Mfg. & Supply Co. for the supply of 1 part in the total upset limit amount of \$262,500

- 7) CBM N.A. Inc. for the supply of 73 parts in the total upset limit amount of \$1,053,600
- 8) City View Bus Sales & Services Ltd for the supply of 5 parts in the total upset limit amount of \$455,400

## **Financial Summary**

Sufficient funds are included in the 2016 TTC Operating Budget and will be included in future Operating Budgets as appropriate. These inventory items will be charged to the appropriate department budget at the time of issuance from Stores.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

## **Issue Background**

TTC has an ongoing requirement for various genuine OEM Cummins diesel engine parts (injectors, compressors, pumps, gaskets, etc.) that are used as maintenance stock to maintain the TTC's Orion 7 Hybrid and Clean Diesel bus fleets. These parts are manufactured by Cummins in the USA and are available through various dealers/distributors.

## **Accessibility/Equity Matters**

Not having parts to maintain our buses may result in these vehicles being held back from service which has a direct impact on our customers.

## **Comments**

A Request for Bid (RFB) was issued on August 25, 2016 for the supply of genuine OEM Cummins parts as summarized in the attached Appendix A. The RFB requested pricing for 606 parts for a 3 year term.

Forty-one of the items being recommended for award are considered remanufactured (or reconditioned / exchange) parts. When purchasing a remanufactured item, a damaged or worn unit (a core) is required by the applicable company. The company will then supply a remanufactured unit by either repairing that particular core, or supplying an existing unit that has previously been repaired. Where TTC does not have a core to supply the company when purchasing a remanufactured part, an additional core charge will be applied. The RFB contained a Price Schedule 2 - Core Price Schedule, for bidders to quote core prices for the applicable items.

Unless otherwise stated below, the bidders did not state any exceptions or qualifications to TTC's terms and conditions and are considered commercially compliant.

Ashcon International Inc. (Ashcon) submitted prices on 603 items. However, 4 items quoted did not include a lead time as required in the RFB. Therefore, the bid for these items was considered commercially non-compliant and not considered further. Ashcon was the lowest bidder for 7 items. Ashcon quoted in US funds and was converted to Canadian funds using the exchange rate of 1.3209 for evaluation purposes only. Ashcon is recommended for award of these 7 items.

The Aftermarket Parts Canada, LLC DBA New Flyer Parts (New Flyer) submitted prices on 418 items and was the lowest bidder for 10 items. New Flyer is recommended for award of these 10 items.

Elreg Distributors Ltd. (Elreg) submitted prices on 4 items. However, 3 items were based on alternatives and as the RFB did not permit this, the bid for these items was considered commercially non-compliant and not considered further. Elreg was the lowest bidder for 1 item and is recommended for award of this 1 item.

Wajax Power Systems (Wajax) submitted prices on 567 items and was the lowest bidder for 4 items. Wajax is recommended for award of these 4 items.

Cummins Eastern Canada LP (Cummins) submitted prices on 601 items and was the lowest bidder for 476 items, and the second lowest bidder for 2 items. Cummins is recommended for award of these 478 items.

Mohawk Mfg. & Supply Co. (Mohawk) submitted prices on 31 items. However, 29 items quoted were based on alternatives and as the RFB did not permit this, the bid for these items was considered commercially non-compliant and not considered further. Mohawk was the lowest bidder for 1 item and is recommended for award of 1 item.

CBM N.A. Inc. (CBM) submitted prices on 79 items and was the low bidder for 73 items and the apparent low bidder for 2 repairable core items. As CBM did not provide core pricing on Price Schedule 2 for these 2 repairable core items as requested on the RFB, the bid for these items was considered commercially non-compliant and not considered further. Staff recommends that these items be awarded to the next lowest bidder Cummins. CBM is recommended for award of these 73 items.

City View Bus Sales & Service Ltd. (City View) submitted prices on 598 items and was the lowest bidder for 5 items and is recommended for award of these 5 items.

A price comparison revealed an overall decrease of 5.38 % during the first year of the contract compared to the last buy price, an overall increase of 3.27% in the second year of the contract compared to the first year prices and an overall increase of 3.43% in the third year of the contract compared to the second year prices.

Out of 606 items requested to be quoted, 2 items were deselected from the evaluation as subsequent to the RFB being issued it was discovered that the specification changed (i.e. manufacturer part number change); therefore these items were deselected and removed

from the evaluation. 8 items were deselected from the evaluation as bidders could not identify the part number requested and quoted on alternatives and 17 items were only quoted as alternatives. As a result, 579 items are recommended for award. The remaining 27 items will be re-bid in the future.

These contracts include a contingency of approximately 20% for variances between forecasted and actual usage and new parts yet to be identified which may be added to the contract during the contract term.

## **Contact**

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## **Attachments**

Appendix A

**APPENDIX A**

**SUPPLY OF GENUINE OEM CUMMINS PARTS FOR BUSES**

Supplier Name	Total Quoted Parts	Total Quoted Value (CAD)*	Total Quoted Value (USD)	Total Recommended Parts	Total Recommended Upset Limit Amount (Includes Contingencies) CAD*	Total Recommended Value (Includes Contingencies) USD
ASHCON INTERNATIONAL, INC.	603	\$ 32,648,147.17	\$24,716,592.60	7	\$ 314,000	\$237,700
THE AFTERMARKET PARTS CANADA, LLC DBA NEW FLYER PARTS	418	\$ 8,461,178.16		10	\$ 155,500	
ELREG DISTRIBUTORS LTD.	4	\$ 38,709.30		1	\$ 24,700	
WAJAX POWER SYSTEMS	567	\$ 29,409,717.80		4	\$ 275,400	
CUMMINS EASTERN CANADA LP.	601	\$ 23,161,702.30		478	\$ 23,331,300	
MOHAWK MFG. & SUPPLY CO.	31	\$ 1,877,922.09		1	\$ 262,500	
CBM N.A. INC.	79	\$ 19,151,185.53		73	\$ 1,053,600	
CITY VIEW BUS SALES & SERVICES LTD	598	\$ 24,675,171.90		5	\$ 455,400	
<b>TOTAL</b>				<b>579</b>	<b>\$ 25,609,900</b>	

\*Ashcon International Inc. quoted in U.S. funds and was converted to Canadian Funds for evaluation purposes only.

