

Item 7



For Action

Supply of Genuine OEM Cummins Parts

Date: December 12, 2019
To: TTC Board
From: Chief Executive Officer

Summary

The purpose of this report is to obtain procurement authorization for the supply of Genuine Cummins Original Equipment Manufacturer (OEM) parts for a three-year term. These parts are required to maintain TTC bus engines.

Recommendations

It is recommended that the TTC Board:

1. Authorize issuing contracts for the supply of Genuine OEM Cummins parts for the three-year period from January 1, 2020 to December 31, 2022 to 10 companies in the upset limit amounts as follows, which include applicable taxes:
 - a. Rush Truck Centres of Canada Ltd. for the supply of 594 parts in the total upset limit amount of \$30,975,000 CDN.
 - b. The Aftermarket Parts Company, LLC for the supply of 181 parts in the total upset limit amount of \$3,518,000 CDN.
 - c. City View Bus Sales & Service Ltd. for the supply of 39 parts in the total upset limit amount of \$2,018,000 CDN.
 - d. Mississauga Bus, Coach & Truck Repairs Inc. for the supply of four parts in the total upset limit amount of \$1,828,000 CDN.
 - e. North American Transit Supply Corp. for the supply of seven parts in the total upset limit amount of \$1,691,000 CDN.
 - f. Toromont Material Handling for the supply of 11 parts in the total upset limit amount of \$738,000 CDN.
 - g. Integrated Distribution Systems L.P. for the supply of three parts in the total upset limit amount of \$79,000 CDN.

- h. Mohawk Mfg. & Supply Co. for the supply of three parts in the total upset limit amount of \$5,000 CDN.
- i. Tokmakjian Inc. dba Tok Performance for the supply of two parts in the total upset limit amount of \$4,000 CDN.
- j. Kenworth Montreal, Division of Paccar Canada for the supply of one part in the total upset limit amount of \$1,000 CDN.

Financial Summary

Sufficient funds are included in the TTC's 2020 Operating Budget submission that will be considered by City Council in February 2020. Funds will be included in future budgets based on each year's anticipated usage requirements and subject to annual budget approvals. The inventory parts will be charged to the appropriate department budget at the time of issuance from TTC Stores. Anticipated usage requirements, under these contracts by year are as follows:

	2020	2021	2022	Total
Anticipated part requirements	\$10,577,000	\$12,516,000	\$13,700,000	\$36,793,000
Rebateable portion of HST	\$1,168,000	\$1,383,000	\$1,513,000	\$4,064,000
Total	\$11,745,000	\$13,899,000	\$15,213,000	\$40,857,000.00

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

Equity/Accessibility Matters

No equity or accessibility impacts were identified.

Decision History

At its meeting on November 30, 2016, the TTC Board authorized the award of three-year contracts for the supply of Genuine OEM Cummins Parts to eight companies.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2016/November 30/Reports/19 Procurement Authorization Supply of Genuine OEM Cummins P.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2016/November%2030/Reports/19%20Procurement%20Authorization%20Supply%20of%20Genuine%20OEM%20Cummins%20P.pdf)

Issue Background

The TTC has an ongoing requirement for various Genuine OEM Cummins diesel engine parts (injectors, compressors, pumps, gaskets, turbo chargers, etc.) that are inventoried and used to maintain and repair the TTC's fleet of Orion VII and Nova hybrid diesel/clean diesel buses.

Repetitively ordered inventory parts are grouped by staff into categories, such as OEM Cummins parts, whereby the basket of parts are competitively tendered, where possible, in order to set up multi-year contracts with suppliers. These "supplier blanket" contracts leverage aggregated quantities to maximize supplier volume discounts. Furthermore, the purchasing function is largely automated under a supplier blanket, which results in improved effectiveness and efficiency.

Comments

A Request for Bid (RFB) was publicly advertised on the MERX website for the supply of 845 various Genuine OEM Cummins parts for up to a three-year term. In addition, 22 companies were notified of the requirement, 17 companies downloaded the bid documents from MERX. Thirteen companies submitted bids, out of which 11 bids were considered commercially and technically acceptable, and two bids were non-compliant. Refer to the attached Appendix A for details regarding the bid values and recommended award amounts.

These Cummins parts are pre-approved by engineering/technical staff based on the designs and recommendations of the original equipment; any substitution or alternate parts would require design review and approval from TTC engineering/technical staff as well as in-field testing. Therefore, the RFB indicated that only the approved parts listed in the bid solicitation would be considered by the TTC for award under this bid request, and any proposed alternates would be subject to review and may be considered for future bid requests.

The RFB documents stated that the bidder must be an authorized distributor of the Cummins parts or be obtaining the products from Cummins directly in order to be considered for award of a contract.

Rush Truck Centres of Canada Ltd. (Rush Truck) submitted pricing on 814 items. Rush Truck submitted the lowest bid price on 594 items and is recommended for award of a contract for those items.

The Aftermarket Parts Company, LLC (otherwise known as New Flyer) submitted pricing on 836 items. New Flyer submitted the lowest bid price on 181 items and is recommended for award of a contract for those items.

City View Bus Sales & Service Ltd. (City View) submitted pricing on 844 items. City View submitted the lowest bid price on 39 items and is recommended for award of a contract for those items.

Mississauga Bus, Coach & Truck Repairs Inc. (Mississauga Bus) submitted pricing on 840 items. Mississauga Bus submitted the lowest bid price on four items and is recommended for award of a contract for those items.

North American Transit Supply Corp. (Natsco) submitted pricing on 27 items. Natsco submitted the lowest bid price on seven items and is recommended for award of a contract for those items.

Toromont Material Handling (Toromont) submitted pricing on 845 items. Toromont submitted the lowest bid price on 11 items and is recommended for award of a contract for those items.

Integrated Distribution Systems L.P. (otherwise known as Wajax) submitted pricing on 839 items. Wajax submitted the lowest bid price on three items and is recommended for award of a contract for those items.

Mohawk Mfg. & Supply Co. (Mohawk) submitted pricing on 90 items. Mohawk submitted the lowest bid price on three items and is recommended for award of a contract for those items.

Tokmakjian Inc. dba Tok Performance (Tokmakjian) submitted pricing on 816 items. Tokmakjian submitted the lowest bid price on two items and is recommended for award of a contract for those items.

Kenworth Montreal, Division of Paccar Canada (Kenworth) submitted pricing on 841 items. Kenworth submitted the lowest bid price on one item and is recommended for award of a contract for that item.

Cummins Canada ULC (Cummins) submitted pricing on 841 items. Cummins did not submit the lowest bid price on any items and is not recommended for the award of any items.

CBM N.A. Inc. (CBM) and Ashcon International Inc. (Ashcon) submitted pricing on 17 and 520 items respectively. However, neither bidder could provide evidence that they were authorized distributors of Cummins parts or are obtaining the products from the OEM. As a result, both bids were considered commercially non-compliant and were not considered further.

The quoted prices for 78 alternative products were lower compared to the lowest bid prices for the approved parts. The alternative part information received from this bid process has been sent to appropriate staff for review and future consideration. Following a design review and in-field testing process, the TTC's approval of all 78 alternative parts would result in approximately \$362,000 in annual savings based on the present forecast.

A price comparison of the bid prices with the last purchase prices of the

recommended items was conducted and revealed an overall decrease of 0.70% during the first year of the contract, a 4.82% increase in year two compared to the year one pricing, and a 4.74% increase in year three compared to year two pricing.

Contact

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Signature

Richard J. Leary
Chief Executive Officer

Attachments

Appendix A – Supply of Genuine OEM Cummins Parts

APPENDIX A
SUPPLY OF GENUINE OEM CUMMINS PARTS

Bidder Name	Total Quoted Parts	Total Quoted Value (CDN)	Total Recommended Parts	Total Recommended Value (CDN)
Rush Truck Centres of Canada Ltd.	814	\$41,957,894.80	594	\$30,975,000.00
The Aftermarket Parts Company, LLC	836	\$50,030,021.10	181	\$3,518,000.00
City View Bus Sales & Service Ltd.	844	\$45,056,136.50	39	\$2,018,000.00
Mississauga Bus, Coach & Truck Repairs Inc.	840	\$44,764,019.20	4	\$1,828,000.00
North American Transit Supply Corp.	27	\$2,109,029.55	7	\$1,691,000.00
Toromont Material Handling	845	\$51,313,159.00	11	\$738,000.00
Integrated Distribution Systems L.P.	839	\$50,899,484.10	3	\$79,000.00
Mohawk Mfg. & Supply Co.	90	\$4,197,592.07	3	\$5,000.00

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SUPPLY OF GENUINE OEM CUMMINS PARTS

Bidder Name	Total Quoted Parts	Total Quoted Value (CDN)	Total Recommended Parts	Total Recommended Value (CDN)
Tokmakjian Inc. dba Tok Performance	816	\$51,713,413.80	2	\$4,000.00
Kenworth Montreal, Division of Paccar Canada	841	\$49,974,717.00	1	\$1,000.00
Cummins Canada ULC	841	\$45,758,047.30	0	
CBM N.A. Inc.	17	\$1,428,169.19	0	
*Ashcon International Inc.	520	\$50,053,469.47	0	
TOTAL			845	\$40,857,000.00

* Ashcon International Inc. quoted in US funds (total bid value of \$37,642,678.40 USD) and its bid pricing was converted to Canadian funds using the exchange rate of \$1.00 USD = \$ 1.3297 CDN.