



Supply of BAE Parts

Date: May 13, 2020
To: TTC Board
From: Chief Executive Officer

Summary

The purpose of this report is to obtain procurement authorization for the supply of various BAE parts for a three-year term. These parts are required to maintain the TTC's fleet of Nova and Orion Hybrid buses.

Recommendations

It is recommended that the TTC Board:

1. Authorize issuing contracts for the supply of various BAE parts for a three-year period commencing upon notification of award (May 2020) to two companies in the upset limit amounts as follows, which include applicable taxes:
 - a. City View Bus Sales & Service Ltd. for the supply of 62 parts in the total upset limit amount of \$7,892,000 USD (which is equivalent to \$11,250,000 CDN).
 - b. Prevost, A Division of Volvo Group Canada Inc. for the supply of 12 parts in the total upset limit amount of \$1,283,000 CDN.

Financial Summary

Sufficient funds are included in the TTC's 2020 Operating Budget approved by City Council on February 19, 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	2023	Total
Anticipated part requirements	\$2,883,000	\$4,201,000	\$3,261,000	\$941,000	\$11,286,000
Rebateable portion of HST	\$318,000	\$464,000	\$361,000	\$104,000	\$1,247,000
Total	\$3,201,000	\$4,665,000	\$3,622,000	\$1,045,000	\$12,533,000

The Interim 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 July 11, 2016, the TTC Board authorized the award of a three-year contract for the supply of BAE Propulsion Parts to BAE Systems Control Inc.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2016/July 11/Reports/Decisions1/PA Supply of BAE Propulsion Parts for the Hybrid Bus Fleet.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2016/July%2011/Reports/Decisions1/PA%20Supply%20of%20BAE%20Propulsion%20Parts%20for%20the%20Hybrid%20Bus%20Fleet.pdf)

The contract was extended to December 31, 2019 under staff authority and no additional funds were added as sufficient funds remained in the contract.

Issue Background

The TTC has an ongoing requirement for various BAE propulsion system parts that are inventoried and used to maintain and repair TTC's fleet of Hybrid buses (Nova and Orion). The main components of the Hybrid system are propulsion control systems, traction motors, and generators; these are the essential parts needed to move the bus and represent the majority of the value of this requirement.

Repetitively ordered inventory parts are grouped by staff into categories, such as BAE parts, whereby the basket of parts is 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.

The practice of establishing these types of supplier blankets has been endorsed by the City of Toronto Auditor General in its report dated May 15, 2017 - Review of Toronto Transit Commission Procurement Policies and Practices: Improving Materials Management and Purchasing Policies Can Potentially Result in Significant Savings

Comments

A Request for Bid (RFB) was publicly advertised on the MERX website for the supply of 79 various BAE parts for up to a three-year term. In addition, 26 companies were notified of the requirement, eight companies downloaded the bid documents from MERX. Five companies submitted bids, each of which was considered commercially and technically acceptable. Refer to the attached Appendix A for details regarding the bid values and recommended award amounts.

These BAE parts are pre-approved by engineering/technical staff based on the designs and recommendations of the original equipment manufacturer and as noted above are used to control the propulsion system for Nova and Orion Hybrid buses; any substitution or alternate parts would require design review and approval from TTC engineering/technical staff as well as in-field testing. The AG, in its above-mentioned report, recognized alternate parts should not be procured without proper technical review and testing, but suitability of alternates should be reviewed for future purchases in light of potential cost savings. 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.

This particular BAE solicitation did not identify any lower-cost alternate parts, however under a previous alternate sourcing solicitation staff have identified an alternate BAE item that is currently undergoing testing on a bus. This testing is expected to be completed in Q4 2020, if successful, the alternate part would result in savings of approximately \$90K annually. The duration of testing periods for alternate parts is dependent upon the specific part/application and can be up to a year or longer.

Five 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 vendor. The company will then supply a remanufactured unit by either repairing that particular core, or supplying an existing unit that has previously been repaired. If the TTC does not have a core to supply the company when purchasing a remanufactured part, an additional core charge will be applied. Core pricing was obtained but not factored into the comparison among bidders as the TTC anticipates it will have cores available to supply the company when purchasing reconditioned parts.

City View Bus Sales & Service Ltd. (City View) submitted pricing on 76 items. City View quoted in US funds and its bid price was converted to Canadian funds at an exchange rate of \$1.00 USD = \$1.4255 CDN for evaluation purposes. City View submitted the lowest bid price on 62 items and is recommended for award of a contract for those items.

Prevost, A Division of Volvo Group Canada Inc. (Prevost) submitted pricing on 77 items. Prevost submitted the lowest bid price on 12 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 62 items. New Flyer did not submit the lowest bid price for any items and is not recommended for award.

BAE Systems Controls Inc. (BAE) submitted pricing on 76 items. BAE's bid was quoted in US funds and was converted to Canadian funds at the exchange rate noted above for evaluation purposes. BAE quoted FOB origin, meaning the TTC would be responsible for freight and custom charges. As a result, 5% was added to their overall bid pricing to cover freight and customs charges. BAE did not submit the lowest bid price on any items and is not recommended for the award of any items.

North American Transit Supply Corporation (Natsco) submitted pricing on 64 items. Natsco quoted in US funds and its bid price was converted to Canadian funds at the exchange rate noted above. Natsco did not submit the lowest bid price on any items and is not recommended for the award of any items.

A price comparison of the bid prices with the last purchase prices of the recommended items in Canadian funds was conducted and revealed an overall increase of 10.65% during the first year of the contract, a 1.43% increase in year two compared to the year one pricing, and a 1.43% increase in year three compared to year two pricing.

The 10.65% increase in Year 1 compared to the last purchase price, which covers orders from March 2017 onward, is mainly attributed to fluctuations in the exchange rate during the review period. BAE parts are sold based on US currency, the \$1.00 USD = \$1.4255 CDN conversion rate utilized in this report is the weakest Canadian dollar position relative to the US dollar in the last 3 years. The average exchange rate during the review period was \$1.00 USD = \$1.3074 CDN, the current exchange rate equates to an approximate 8.3% depreciation of the Canadian dollar in comparison to the US dollar. The recommended upset limit contract amounts include a contingency of approximately 20% to cover potential core charges and 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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Signature

Richard J. Leary
Chief Executive Officer

Attachments

Appendix A – Supply of BAE Parts

APPENDIX A
SUPPLY OF BAE PARTS

Bidder Name	Total Quoted Parts	Total Quoted Value (CDN)	Total Quoted Value (USD)	Total Recommended Parts	Total Recommended Value (CDN) including contingency	Total Recommended Value (USD) including contingency
* City View Bus Sales & Service Ltd.	76	\$11,244,066.69	\$7,887,805.47	62	\$11,250,000	\$7,892,000
Prevost, A Division of Volvo Group Canada Inc.	77	\$11,573,393.09		12	\$1,283,000	
The Aftermarket Parts Company, LLC	62	\$3,632,156.86		0		
* BAE Systems Controls Inc.	76	\$11,300,569.54	\$7,927,442.68	0		
* North American Transit Supply Corporation	64	\$5,150,672.81	\$3,613,239.43	0		
TOTAL				74	\$12,533,000	

* City View Bus Sales & Service Ltd., BAE Systems Controls Inc. and North American Transit Supply Corporation quoted in US funds and their bid pricing was converted to Canadian funds using the exchange rate of \$1.00 USD = \$1.4255 CDN.