



Procurement Authorization – Supply of Mobile Climate Control Parts

Date: June 16, 2021
To: TTC Board
From: Interim Chief Financial Officer

Summary

The purpose of this report is to obtain procurement authorization for the supply of Mobile Climate Control (MCC) parts for a three-year term. These parts are required to maintain the TTC's fleet of Nova and Orion VII buses.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of contracts for the supply of various MCC parts for a three-year period commencing July 1, 2021 to six companies in the upset limit amounts as follows, inclusive of HST:
 - a. Reefer Sales and Service for the supply of 73 parts in the total upset limit amount of \$4,057,000 USD (which is equivalent to \$5,103,000 CAD).
 - b. CBM N.A. Inc. for the supply of 19 parts in the total upset limit amount of \$2,316,000.
 - c. Ashcon International Inc. for the supply of six parts in the total upset limit amount of \$421,000 USD (which is equivalent to \$529,000 CAD).
 - d. Prevest, A Division of Volvo Group Canada Inc. for the supply of two parts in the total upset limit amount of \$56,000.
 - e. The Aftermarket Parts Company, LLC for the supply of 12 parts in the total upset limit amount of \$43,000.
 - f. Baker Transit Parts Inc. for the supply of three parts in the total upset limit amount of \$3,000.

Financial Summary

Sufficient funds are included in the TTC's 2021 Operating Budget approved by the TTC Board on December 21, 2021 and City Council on February 18, 2021. Funds will be included in future budgets based on each year's anticipated usage requirements and is subject to annual budget approvals.

These inventory parts will be charged to the Bus Maintenance budget at the time of issuance from TTC Stores. Upgraded air filters as part of the COVID-19 response have been, and will be, funded to the end of 2021 through the Safe Restart Agreement, and ongoing funding will be required for 2022 and onwards. This requirement will be incorporated into the 2022 Operating Budget.

Anticipated usage requirements under these contracts by year, are shown in the following table. Regular part requirements are expected to increase in each year of the contract in alignment with the current fleet plan and an anticipated increase in the number of Nova buses requiring the parts at the expiry of their warranty period.

	2021	2022	2023	2024	Total
Anticipated regular part requirements	\$599,000	\$1,321,000	\$1,550,000	\$826,000	\$4,296,000
COVID-19 Response: Upgraded Air Filters	\$468,000	\$960,000	\$1,007,000	\$516,000	\$2,951,000
Rebate portion of HST	\$118,000	\$253,000	\$283,000	\$149,000	\$803,000
Total	\$1,185,000	\$2,534,000	\$2,840,000	\$1,491,000	\$8,050,000

Equity/Accessibility Matters

No equity or accessibility impacts were identified.

Decision History

The current MCC contracts cover the supply of 48 parts over a three-year period, which ends June 30, 2021. The contracts were awarded to two companies under staff authority as a result of a competitive bid process. The individual contract award

amounts were \$1,453,800 USD (Neopart Transit LLC) and \$38,300 (Prevost, A Division of Volvo Group Canada Inc.).

A contract amendment was issued to Neopart Transit LLC to add funds under staff authority to cover increased forecasted demands for one item. This contract now has a total upset limit of \$1,638,800 USD to cover the supply of 45 parts.

The increase in forecasted expenditure for MCC parts is due to the following:

- New upgraded filters to be used in buses for internal air filtration as a COVID-19 response measure.
- Increased fleet size of Nova buses requiring additional parts.

To date, the TTC has procured approximately \$700,000 worth of upgraded filters under the CEO's delegated authority approved by the Board in 2020 as one of the TTC's safety measures taken in response to COVID-19.

Issue Background

The TTC has an ongoing requirement for various MCC parts (blowers, motors, compressors, filters, etc.), which are inventoried and used to maintain and repair the TTC's fleet of Orion VII and Nova buses. MCC parts are used in the heating, ventilating and air conditioning (HVAC) systems of TTC buses.

Repetitively ordered inventory parts are grouped by staff into categories, such as MCC 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 blanket contracts has been endorsed by the City of Toronto's Auditor General in her 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 116 various Mobile Climate Control parts for up to a three-year term. In addition, 25 companies were notified of the requirement, nine companies downloaded the bid documents from MERX. Six 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 MCC parts are pre-approved by engineering/technical staff based on the designs and recommendations of the original equipment manufacturer and, as noted
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above, are used in HVAC systems on TTC buses; any substitution or alternate parts would require design review and approval from TTC engineering/technical staff as well as in-field testing. The City's Auditor General, in the abovementioned 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.

Reefer Sales and Service (Reefer) submitted pricing on 114 items. Reefer quoted in US funds and its bid price was converted to Canadian funds at the exchange rate of \$1.00 USD = \$1.2578 CAD for evaluation purposes. Reefer submitted the lowest-priced bid on 73 items and is recommended for award for those items.

CBM N.A. Inc. (CBM) submitted pricing on 103 items. CBM submitted the lowest-priced bid on 19 items and is recommended for award for those items.

Ashcon International Inc. (Ashcon) submitted pricing on 103 items. Ashcon quoted in US funds and its bid price was converted to Canadian funds at the exchange rate note above. Ashcon submitted the lowest-priced bid on six items and is recommended for award for those items.

Prevost, A Division of Volvo Group Canada Inc. (Prevost) submitted pricing on 112 items. Prevost submitted the lowest-priced bid on two items and is recommended for award for those items.

The Aftermarket Parts Company, LLC (otherwise known as New Flyer) submitted pricing on 94 items. New Flyer submitted the lowest-priced bid on 12 items and is recommended for award for those items.

Baker Transit Parts Inc. (Baker) submitted pricing on 102 items. Baker submitted the lowest-priced bid on three items and is recommended for award for those items.

The quoted prices for three 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 three alternative parts would result in approximately \$3,700 in annual savings based on the present forecast.

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 decrease of 4.95% during the first year of the contract, a 4.05% increase in year two compared to the year one pricing and a 4.11% increase in year three compared to year two pricing.

Out of 116 items requested to be quoted, 115 items are recommended for award. One item was not considered for evaluation as no compliant bid was received for this item.

The recommended contract amounts include an approximate 10% contingency to cover variances between forecasted and actual usage over the contract period and new parts not yet identified, which may be added during the contract term.

Contact

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Signature

Josie La Vita
Interim Chief Financial Officer

Attachments

Appendix A – Supply of Mobile Climate Control Parts

APPENDIX A
SUPPLY OF MOBILE CLIMATE CONTROL PARTS

Bidder Name	Total Quoted Parts	Total Quoted Value (CAD)	Total Quoted Value (USD)	Total Recommended Parts	Total Recommended Value (CAD) including contingency	Total Recommended Value (USD) including contingency
* Reefer Sales and Service	114	\$7,569,292.33	\$6,017,882.28	73	\$5,103,000	\$4,057,000
CBM N.A. Inc.	103	\$7,721,933.66		19	\$2,316,000	
* Ashcon International Inc.	103	\$6,611,539.24	5,256,437.26	6	\$529,000	\$421,000
Prevost, A Division of Volvo Group Canada Inc.	112	\$11,156,742.00		2	\$56,000	
The Aftermarket Parts Company, LLC	94	\$8,059,069.20		12	\$43,000	
Baker Transit Parts Inc.	102	\$7,902,631.54		3	\$3,000	
TOTAL				115	\$8,050,000	

* Reefer Sales and Service and Ashcon International Inc. quoted in US funds and their bid pricing was converted to Canadian funds using the exchange rate of \$1.00 USD = \$1.2578 CAD.