



## **Streetcar Vehicle Cleaning and Servicing**

**Date:** September 15, 2021  
**To:** TTC Board  
**From:** Chief Vehicles Officer

### **Summary**

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The purpose of this report is to obtain procurement authorization for the award of a contract for streetcar vehicle services. The duration of the contract shall be from notification of award to December 31, 2023 with the option to extend two additional one-year terms.

Streetcar vehicle services includes the daily servicing and detailed cleaning of the Low Floor Light Rail Vehicles (LFLRVs). It also includes detailed cleaning of the TTC's legacy streetcar fleet which includes the Articulated Light Rail Vehicles (ALRVs) and Canadian Light Rail Vehicles (CLRVs), the President Conference Cars (PCC) and the Peter Witt.

A similar scope of work was outsourced in 2013 for bus cleaning and servicing. The initiative implemented across the bus fleet has been considered successful. The work continues to be delivered by an alternate service provider today that has realized an estimated annual savings of \$1 million across seven city bus garages and improved vehicle cleanliness for the TTC.

The second sourcing of daily servicing and detailed cleaning for the LFLRV is extending lessons learned and industry best practices from the bus fleet to the streetcar fleet. The benefits provide the lowest possible cost to ensure public funds are used in the most efficient and effective manner as it enables the TTC to focus on core services, avoids overhead costs and introduces managed competition.

### **Recommendations**

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It is recommended that the TTC Board:

1. Authorize the award of the contract to TBM Service Group Inc. in the amount of \$3,715,000.00 (inclusive of all applicable taxes) for streetcar servicing and detailed cleaning at three TTC streetcar carhouses (Leslie Barns, Roncesvalles Carhouse and Russell Carhouse) from notification of award to December 31, 2023 with the option to extend for two additional one-year terms.

## Implementation Points

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The daily servicing and detailed cleaning on the LFLRV are unique processes which are required all year round within operational time constraints to meet daily schedule and service requirements.

TBM Service Group Inc. (TBM) will be provided approximately two months to initiate and implement the work at three streetcar carhouses: Leslie Barns, Roncesvalles Carhouse and Russell Carhouse. Considering TBM currently performs similar work at the TTC's bus garages, there is confidence regarding their ability to commence the work for the start of the new contract.

## Financial Summary

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The requested contract authority of \$3.71 million, including HST, is based on the contract cost for the TTC's current fleet plus an allowance to account for streetcars estimated to be delivered in 2023. The contract cost net of HST rebate is \$3.24 million, as summarized in the following table.

*Table 1: Upset Limit Breakdown*

<b>Cost (\$Millions)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
TBM Cost based on current fleet	0.25	1.48	1.51	3.24
Contingency allowance for streetcars to delivered in 2023	-	-	0.10	0.10
Rebatable portion of HST	0.03	0.16	0.18	0.37
Contract Authority, inclusive of HST	0.27	1.65	1.79	3.71

The existing cost to deliver daily servicing and cleaning for the existing streetcar fleet at the 3 Carhouses over the life of the contract of 2 years and 2 months is \$5.1 million. This was used as the basis for evaluating both the vendor cost and alternative union proposal from a cost perspective. In addition, consideration was also given to each proposal's ability to improve current performance targets, tracking at below 90%.

In evaluating the vendor cost against in-house alternatives, \$3.31 million was used. This is comprised of the vendor cost based on servicing the TTC's current fleet of \$3.24 million as well as the \$0.07 million in costs to be incurred to administer and monitor the contract.

The recommended TBM contract will achieve a savings of \$1.79 million over the 2 year and 2-month contract term, when compared to current in house resources. This represents a 35.1% reduction in costs over the term of the contract as summarized in the following table.

Table 2: In House Resources (Status Quo) versus Third Party Contractor

<b>(\$Millions)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
In House Resources	0.38	2.34	2.38	5.10
Third Party Contractor	0.26	1.51	1.54	3.31
<b>(Savings) achieved through TBM Contract</b>	<b>(0.12)</b>	<b>(0.83)</b>	<b>(0.84)</b>	<b>(1.79)</b>
<b>% Savings achieved through TBM Contract</b>	<b>31.58%</b>	<b>35.47%</b>	<b>35.29%</b>	<b>35.10%</b>

The cost of TTC supervision has been excluded from the in-house cost estimate quoted above. Direct supervision of current staff will no longer be required for this function. However, this does not eliminate the supervisor complement but rather provides the TTC the ability to redirect supervisory efforts to other value-added tasks, providing additional benefits and value. In addition, this freed-up capacity avoids further costs in the future given the planned fleet growth in 2023.

Sufficient funds are included in the TTC's 2021 Operating Budget to fund streetcar cleaning services as approved by the TTC Board on December 21, 2020 and by City Council on February 18, 2021. The necessary funds required to cover the contract costs will be included in the 2022 Operating Budget, along with the resultant savings.

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

## **Equity/Accessibility Matters**

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A cornerstone of the TTC's Corporate Plan 2018-2022 is accessibility, and as a proud leader in providing accessible public transit in the city of Toronto, we are committed to ensuring reliable, safe and inclusive transit services for all our customers. This is supported through the second sourcing of cleaning and daily servicing activities on LFLRV vehicles.

## **Decision History**

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This is the first request to contract out work associated with the streetcar service lines. Similar requests and approvals have been made in the past to outsource work associated with the bus service line, which is similar in nature.

In September 2012, the Board approved the award of contracts to Hallcon Corporation and to Topnotch Building Maintenance Ltd. for the supply of bus servicing and cleaning at two garages, both for a period of 27 months. The Board also authorized a total expenditure of up to \$23.2 Million for bus servicing and cleaning at the TTC's remaining six garages. The contract award was estimated to allow the TTC to achieve an average annual savings of \$4.3 Million when fully implemented.

Procurement Authorization: Bus Servicing and Cleaning (September 2012):  
[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2012/September 27/Reports/Procurement Authoriz.PDF](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2012/September%2027/Reports/Procurement%20Authoriz.PDF)

In July 2014, the Board approved contract amendments worth a total of \$38.5 million to Topnotch Building Maintenance Ltd. (\$23 Million) and Hallcon Corporation (\$15.5 Million) for bus servicing and cleaning services at the TTC's seven bus garages (approximately 1,800 buses). The three-year contract extension expired at the end of 2017.

Procurement Authorization Amendment – Bus Servicing and Cleaning (July 2014):  
[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2014/July 23/Reports/PAA - Bus Servicing and Cleaning.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2014/July%2023/Reports/PAA%20-%20Bus%20Servicing%20and%20Cleaning.pdf)

In November 2017, the Board approved a new contract award for Bus Servicing and Cleaning to TBM Services Inc. in the amount of \$91.5 Million (inclusive of all applicable taxes), over seven TTC city bus garage facilities for a period of 75 months. This contract expires December 31, 2023.

Bus Servicing and Cleaning – Procurement Authorization (November 2017):  
[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/November 13/Reports/12 Bus Servicing and cleaning Procurement Authorization.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/November%2013/Reports/12%20Bus%20Servicing%20and%20cleaning%20Procurement%20Authorization.pdf)

This contract was recently extended to Lakeshore Garage in 2020 for the Wheel-Trans bus fleet.

## **Issue Background**

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### Opportunity Analysis

In February 2020, the Streetcar Maintenance Department, in partnership with the Business Transformation Office (BTO), identified daily servicing and detailed cleaning activities of the TTC's streetcar fleet as a potential transformational initiative. Similar transformational changes have already been implemented and proven in the TTC's Bus Maintenance Department with the outsourcing of the bus and Wheel-Trans service lines.

Quantitative and qualitative benefits of outsourcing the bus service lines included but were not limited to:

- Estimated savings per year of approximately \$1 million annually across seven city bus garages;
- Eliminating the need to backfill positions related to cleaning and fuelling of buses with technicians when there are unexpected absences;
- Improving the quality of bus and Wheel-Trans cleanliness consistently exceeding quality of cleanliness targets of 90%; and,
- Enabling technical staff to focus on improving vehicle reliability and availability.

To explore similar efficiencies in the Streetcar Maintenance Department, staff investigated second sourcing of the daily servicing and detailed clean of the LFLRV streetcar fleet. Work to be included as part of the daily servicing and detailed cleaning of streetcars include interior and exterior cleaning, sanding and basic functional checks of the vehicles. The scope of work does not include any driving of the LFLRV, which will remain the work of Amalgamated Transit Union Local 113 (ATU) employees at this time.

As part of this initiative, staff reviewed internal costs against known costs of daily servicing and detailed cleaning of the city bus fleet. Preliminary analysis suggested similar cost savings and qualitative benefits seen in the second sourcing of bus servicing and cleaning.

Based on the opportunity analysis, a Request for Bid (RFB) was posted to determine actual market costs and potential cost savings for second sourcing the streetcar daily servicing and detailed cleaning work.

### Procurement Process

A RFB was publicly advertised on the MERX and TTC websites as of September 14, 2020. The length of the contract was posted from the notification of award to December 31, 2023, with an option to extend two additional one-year terms.

Sixteen (16) companies downloaded copies of the bid document, out of which five (5) submitted a bid by the closing date of December 15, 2020. During the bid period, four (4) addenda were issued. The original bid validity expired on April 14, 2021 however an extension to September 30, 2021 was obtained from the bidders. Submissions from the following five companies were received by the specified closing date:

- 2298679 Ontario Inc.
- E-Safe Cleaning Inc. (E-Safe)
- Hallcon Corporation
- SQM Janitorial Services Inc.
- TBM Service Group Inc. (TBM)

All bids received were reviewed for commercial compliancy and all bids that appeared to be compliant were evaluated. It was pre-determined that any bidder who passed the qualitative evaluation with a minimum of 70 points out of the maximum 100 would be considered qualified and only then would the pricing information be considered as a factor in the evaluation and selection process. The pricing component for each qualified bid would be evaluated to determine a total evaluated price based on estimated annual quantities assigned. These extended amounts will be added together and the total estimated cost for the price schedule component shall be arrived at for each year and then each year will be added together to determine the total evaluated price. The basis of award is the lowest evaluated price of all qualified Bids. It was pre-determined and stated in the bid document that the TTC intended to award one contract with upset limit amounts to be determined at the sole discretion of the TTC based on the total evaluated price plus applicable contingencies (for 2023 fleet growth) to ensure cost minimization.

Upon completion of the evaluation process, the proposal submitted by TBM had the lowest total evaluated bid price and did not state any exceptions or qualifications and their bid is considered commercially acceptable. TBM has satisfactorily completed work of a similar size and nature for the TTC in the past.

2298679 Ontario Inc., had the second lowest total evaluated bid price and did not state any exceptions or qualifications and their bid is considered commercially acceptable.

Hallcon Corporation had the third lowest total evaluated bid price and did not state any exceptions or qualifications and their bid is considered commercially acceptable.

Throughout the evaluation process, E-Safe's bid was determined to be unacceptable based on some discrepancies within their bid submission and was not evaluated further.

The recommended upset limit amount includes the total evaluated bid price for Year 1 to Year 3 and includes a contingency for anticipated vehicle deliveries anticipated in 2023.

A detailed financial analysis was completed to compare the costs of providing the cleaning and daily services in-house in comparison to the bid submission price, as referenced in the financial summary.

### Union Process

The outsourcing of streetcar cleaning and daily servicing is work normally performed by the TTC employees represented by the ATU. The proposed initiative will impact twenty-three (23) Carhouse Operator (CHO) positions. In accordance with Collective Bargaining Agreement (CBA), the TTC complied with all requirements when considering the contracting out of work normally performed by employees represented by the ATU. A tentative decision letter was provided to the ATU and a consultation took place in relation to the ATU's suggested alternatives.

Through additional financial and business analysis of the ATU's suggested alternatives, the TTC was not satisfied that the ATU's suggested alternatives met all the factors set out in the CBA. Despite this fact, on a without prejudice basis (not required by the CBA), the TTC gave due consideration to the ATU's suggested alternatives. Overall, the TTC determined that they were not sufficient to alter TTC's tentative decision to contract out this work.

### **Comments**

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In an effort to ensure continued stewardship of taxpayer dollars, the TTC is continuously looking at ways to modernize and improve its operations. This includes identifying operational efficiencies and potential cost reduction strategies.

This initiative aligns with the TTC's Corporate Plan "Advancing to the next level, 2018-2022 & beyond" that aims to help the TTC in the delivery of a world-class public transit system for Toronto over the next five years and beyond. More specifically, this initiative

aligns with Critical Path #1 – Transform for Financial Sustainability, which aims to close the gap between revenue and the expected increases in expenditures.

The second sourcing of streetcar daily servicing and detailed cleans also supports the Transformative Review & Service Optimization objective under Critical Path #1. The TTC is undertaking a comprehensive review of the services provided, to determine what needs to be completed in-house, what others can do to help focus the TTC on core services, and where partnerships can be formed to maintain or improve service quality while ensuring value for money for taxpayers.

Contracting out streetcar pre-service activities and cleaning will better allow the TTC to focus its workforce's efforts on providing safe, efficient, and reliable transportation for its customers.

With modernization in mind, the TTC has established a permanent BTO to actively challenge the status quo and support the entire TTC in modernizing its operations. Transformation at the TTC is being explored from both a union and non-union perspective. It is important to note that no employees will be laid off as a result of this second sourcing initiative.

As noted above, a similar scope of work was contracted out in 2013 for bus cleaning and servicing. The initiative implemented across the bus fleet has been considered successful and the work continues to be contracted out today. Bus Maintenance is now in its eighth year of outsourcing the service lines and an estimated \$1 million in annual savings has been realized over the seven city bus garages. The quality of cleanliness on the bus fleet significantly improved and now consistently meets or exceeds the vehicle cleanliness target of 90%. This achievement has improved both the customer and operator experiences.

In addition, the second sourcing of bus cleaning and servicing has allowed the TTC's workforce to focus on improving preventative maintenance programs to increase vehicle availability and reliability. This is reflected in key performance indicators whereby the bus fleet consistently achieves 110% availability; exceeds reliability targets of 20,000 MBDF and 30,000 MBDF for the diesel and hybrid buses; and, meets chargeable Road Calls and Change Offs (RCCO) targets of less than 1.5% of daily service. Similar benefits are expected to be realized in streetcar maintenance as a result of this initiative.

As a partner to the TTC, TBM promotes fair and equitable treatment of its employees. TBM staff are covered by a collective agreement, provides competitive wages and offers its employees a comprehensive pension plan. In TBM's Transit Division, the average reported wage is \$16.95 per hour plus benefits which is higher than the City of Toronto's 2016-2019 Fair Wage Schedule for Light Duty Cleaners at \$14.00 per hour. TBM's minimum wage rate is \$15.60 per hour for cleaners and their highest wage rate is \$20.60 per hour for lead hands. TBM's CBA expires December 31, 2021 and increases to wages and benefits are expected. In addition, TBM has demonstrated recruitment practices that support a diverse workforce. TBM reports workforce demographics, in their Transit Division, to consist of 54% female employees and more than 94% visible minorities.

A contract term of award date to December 31, 2023 was chosen as the initial contract length for this streetcar pre-servicing and cleaning contract as to coincide with the end of the similar bus cleaning contract; with the intent that cleaning and daily services for both bus and streetcar fleet will be explored at that time to leverage additional cost efficiencies.

## **Contact**

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## **Signature**

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