



Procurement Authorization – Supply of Cummins Factory-Remanufactured Engines – EPA 17

Date: July 14, 2022
To: TTC Board
From: Chief Financial Officer

Summary

The purpose of this report is to obtain procurement authorization for the supply of 103 Cummins factory-remanufactured engines. These parts are required for the first phase of the 2023 Nova 40-foot bus rebuild project.

Recommendations

It is recommended that the TTC Board:

1. Authorize the contract award to City View Bus Sales and Service Ltd. in the amount of \$6,182,889.37 (inclusive of HST and core charges) for the supply of 103 Cummins Factory remanufactured engines for the TTC’s Nova 40-foot buses.

Financial Summary

All 103 Cummins remanufactured engines acquired through this procurement will be used for bus overhauls scheduled to be completed in 2023. To ensure stock is readily available to meet the needs of the rebuild program starting in Q4 2022, and cover any production issues, 39 engines are expected to be delivered in 2022. The remaining 64 engines will be delivered in 2023 to meet the rebuild production schedule. The resulting contract authority requirements as outlined below:

	2022	2023	Total
Engine Deliveries	39	64	103
Requested Contract Authority	\$2,341,094.03	\$3,841,795.34	\$6,182,889.37

The requested contract authority includes rebateable HST and core charges. The TTC is eligible for a core credit as cores from replaced engines are returned to City View Bus Sales and Service. This is expected to occur in 2023 and therefore the net financial

impact after accounting for rebateable HST and core credits for the 103 engines is \$4.86 million as shown in the following table:

	2022	2023	Total
Requested Contract Authority	\$2,341,094.03	\$3,841,795.34	\$6,182,889.37
Core Credits	-	(\$783,013.73)	(\$783,013.73)
Subtotal	\$2,341,094.03	\$3,058,781.62	\$5,399,875.65
Rebateable portion of HST	(\$232,866.34)	(\$304,254.03)	(\$537,120.37)
Net Financial Impact	\$2,108,227.69	\$2,754,527.59	\$4,862,755.27

Funds for this expenditure are included in the TTC's 2022-2031 Capital Budget and Plan as approved by the TTC Board on December 21, 2021 and by City Council on February 17, 2022 under Program 4.13 – Bus Overhaul Program – Orion Diesel and Nova Artic Bus Rebuild.

The 2022-2031 Capital Budget and Plan includes \$97.9 million in approved funding for the Orion Diesel and Nova Artic Bus Rebuild project, including \$59.2 million budgeted to be spent this year. Of the approved funding in the 2022-2031 Capital Budget and Plan, approximately \$20.05 million has been committed to date.

Equity/Accessibility Matters

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. The vehicle parts being recommended for award of this contract will ensure that the TTC can continue to offer reliable, safe and inclusive transit services for all customers.

The TTC is also committed to promoting equitable opportunities and removing barriers within our supply chain and procurement initiatives. The tender was open for bidding to a diverse group of vendors consisting of a variety of size and scale of operations via the MERX website to ensure an open, fair and transparent procurement process.

Decision History

The current contracts for the supply of Cummins Engines for the 2022 Nova 40-foot bus rebuild project cover the supply of 190 engines: 180 engines to meet project requirements, plus 10 engines to be maintained in inventory. The contracts were awarded under staff delegated authority in three separate competitive procurement events.

The individual contract awards (including rebateable HST and core charges) were:

1. \$2,158,926.59 awarded to City View Bus Sales and Service for the supply of 43 EPA 16 Engines in September 2021;

2. \$3,709,086.12 awarded to City View Bus Sales and Service for the supply of 73 EPA 17 Engines in September 2021; and
3. \$4,019,969.61 awarded to Cummins Canada ULC for the supply of 74 EPA 17 Engines in April 2022.

Issue Background

The TTC performs bus midlife overhauls on up to 180-200 buses per year at Duncan and Harvey Shops, with parts required to complete the midlife overhaul procured in the form of kits, single parts and complete sub-assemblies.

Engines for the NOVA 40-foot rebuild project in 2021, for the Nova 60-foot rebuild in 2019-2020, and prior years, were rebuilt in the Duncan Shop using single parts (Pistons, rings, pots, bearings, etc.). As part of a cost-saving project in 2021-2022, engines were procured as a complete reconditioned engine.

Through the 2023 bus overhaul program, 205 buses are scheduled to be overhauled. This procurement addresses engine requirements for the first 103 buses. Requirements for the remaining 102 buses will be procured later in the year with award approval to be sought by the Board through delegated authority being requested in the companion Delegation of Authority for the remainder of the 2018-2022 Board Term report.

Duncan Shop, where this work is performed, is currently undergoing a bus hoist replacement project in conjunction with the midlife overhaul program. Due to constraints in the supply of construction material and potential project delays, it was determined that the midlife overhaul schedule may be affected. The overhaul for the remaining 102 buses is to be scheduled at a later date based on the progress of the hoist replacement project.

Comments

A Request for Bids (RFB) was publicly advertised on the MERX website for the supply of 103 Cummins Factory-remanufactured engines (TTC part number 080772; Cummins part number DR7782RX) to be used on the TTC's 40-foot Nova buses (as part of the Nova 40-foot bus rebuild project in 2023). In addition, 22 companies were notified of the requirement, out of which eight companies downloaded the bid documents from MERX. Six companies submitted bids, each of which was considered commercially and technically acceptable.

A comprehensive list of bid results is attached in Appendix A.

The RFB document set out a delivery schedule for this item whereby the first 23 units would be delivered to the TTC on November 7, 2022, and 16 units per month thereafter until April 2023 for a total quantity of 103 units. In addition, the RFB document also specified a two-year, 160,953 km full coverage warranty to begin upon installation.

The engine being recommended for award is considered a remanufactured (or reconditioned/exchange) part. When purchasing a remanufactured item, the used item

(core) that was removed from the bus 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. If the TTC does not have a core to supply to the Company when purchasing a remanufactured part, an additional core charge will be applied. The RFB required bidders to quote a core price for the requested item, but stated that the TTC would return cores to the Company under the same purchase order at a later date (within 365 days) for core credit at the quoted core charge.

As the TTC currently does not have any cores on hand to supply to the Company, the core charges will apply. These charges have been factored into the total recommended award value and the bid totals, as detailed in the attached Appendix A. The TTC anticipates to be able to return 103 engine cores, in good rebuildable condition, to the Company within 365 days for core credits. Therefore the bid evaluation and determination of the lowest-priced bid under the current request is based on the bidder's submitted pricing for the remanufactured engine unit alone, irrespective of the core charges quoted.

Excluding core charges, for which a credit is expected, City View Bus Sales and Service Ltd. (City View) submitted the lowest total bid amount of \$5,399,875.64, inclusive of HST and complies with the TTC's requested delivery schedule. It should be noted that if the core charges were included in the evaluation the recommended company would still be the lowest bidder. City View is therefore recommended for award of this contract.

A price comparison with the last purchase price and the recommended bid revealed a 12.21% increase whereby 74 engines were purchased from Cummins Canada ULC on April 22, 2022.

The price increase compared to the previous price is mainly attributed to the following key factors:

- Cummins, the Original Equipment Manufacturer (OEM), declined to submit a bid in response to this RFB;
- Escalation in cost of logistics as a result of fuel price increases; and
- Depreciation of the Canadian dollar (2.5%) against the US dollar.

Contact

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Signature

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Chief Financial Officer

Attachments

Appendix A – Supply of Cummins Factory Remanufactured Engines – EPA 17

APPENDIX A
SUPPLY OF CUMMINS FACTORY REMANUFACTURED ENGINES – EPA 17

Bidder Name	Total Quoted Value for 103 Engines (including HST) (A)	Core Charges for 103 Engines (including HST) (B)	Total (including HST and core charges) (C=A+B)	Total Recommended Value (including HST and core charges)
City View Bus Sales and Service Ltd.	\$5,399,875.64	\$783,013.73	\$6,182,889.37	\$6,182,889.37
Mississauga Bus, Coach and Truck Repairs Inc.	\$5,515,232.10	\$788,251.28	\$6,303,483.38	-
Integrated Distribution Systems Limited Partnership, Operating as Wajax	\$6,044,342.20	\$795,060.09	\$6,839,402.29	-
Tokmakjian Inc.dba TOK Performance	\$6,241,760.59	\$783,013.73	\$7,024,774.32	-
Brandt Tractor Ltd. – Truck and Trailer	\$6,250,143.00	\$795,060.09	\$7,045,203.09	-
Rush Truck Centres of Canada Limited.	\$7,332,570.00	\$841,307.66	\$8,173,877.66	-
TOTAL				\$6,182,889.37