



Procurement Authorization – Supply of RECARO Parts

Date: May 18, 2022
To: TTC Board
From: Chief Financial Officer

Summary

The purpose of this report is to obtain procurement authorization for the award of contracts to 3 vendors, each for a three-year contract term for the supply of RECARO parts that have a cumulative value of \$8,075,000, inclusive of all taxes. These parts are required to maintain the operator seating systems of TTC's fleet of Revenue Vehicles.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of contracts for the supply of various RECARO parts for a three-year period commencing August 19, 2022 to three companies with the following upset limit amounts, inclusive of HST:
 - a. North American Transit Supply Corporation for the supply of 32 parts with a total upset limit amount of \$6,264,000 USD (which is equivalent to \$8,012,000 CAD).
 - b. The Aftermarket Parts Company, LLC DBA New Flyer Parts for the supply of two parts with a total upset limit amount of \$42,000.
 - c. Prevest, a Division of Volvo Group Canada Inc., for the supply of three parts with a total upset limit amount of \$21,000.

Financial Summary

The annual costs based on anticipated usage requirements under these contracts are shown in the table below:

	2022*	2023	2024	2025	Total
Anticipated regular part requirements	\$774,000	\$2,357,000	\$2,455,000	\$1,685,000	\$7,271,000
Rebatable portion of HST	\$86,000	\$260,000	\$272,000	\$186,000	\$804,000
Total	\$860,000	\$2,617,000	\$2,727,000	\$1,871,000	\$8,075,000

*Amount for 2022 for August 19 to December 31, 2022 only. Requirements prior to August 19 are addressed under the existing contract.

Inventory parts will be charged to the appropriate department budget at the time of issuance from TTC Stores. Sufficient funds for 2022 requirements are included in the TTC's 2022 Operating Budget approved by the TTC Board on December 20, 2021 and City Council on February 17, 2022. Funds will be included in future budgets based on each year's anticipated usage requirements and is subject to annual budget approvals.

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 on this three-year 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 contract was open to bidding from all vendors of different sizes via the MERX website and we continue to ensure, and improve on, a fair and equitable procurement process.

Decision History

The current contracts for RECARO parts cover the supply of 43 items over a three-year period, which ends August 18, 2022. The contracts were awarded to four companies under staff authority as a result of a competitive bid process. The individual contract award amounts were \$3,150,200 USD to North American Transit Supply Corporation; \$1,867,000 to The Aftermarket Parts Company, LLC DBA New Flyer Parts; \$604,000 to Baker Transit Parts Inc.; and \$508,000 to Prevost, a Division of Volvo Group Canada Inc.

The increase in forecasted expenditures for RECARO parts is due to the following two key factors:

- Prior to 2020, several operator seats were covered under the New Vehicle Warranty, which has come to an end, and parts are now required for repairs at TTC garages; and,
- Enhanced cleaning methods have introduced an increased probability of malfunction due to cleaning liquids coming into contact with electrical components.

Issue Background

The TTC has an ongoing requirement for RECARO parts (including, but not limited to seats, switches, foam, etc.) that are inventoried and used to maintain and repair the TTC's fleet of vehicles. RECARO parts are used in the seating systems of the TTC's revenue vehicles (Bus, Wheel-Trans, Streetcar and Subway).

Repetitively ordered inventory parts are grouped by staff into categories, such as RECARO 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 supplier blanket contracts for repetitive purchases to take advantage of volume discounts was recommended 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 Bids (RFB) was publicly advertised on the MERX website for the supply of 38 various RECARO parts for up to a three-year term. In addition, 28 companies were notified of the requirement and six companies downloaded the bid documents from MERX. Three companies submitted bids, each of which were considered commercially and technically acceptable. Refer to the attached Appendix A for details regarding the bid values and recommended award amounts.

These RECARO 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 maintain the seating systems in the TTC's revenue vehicles; any substitution or alternative parts would require design review and approval from TTC engineering/technical staff as well as in-field testing. The TTC had previously investigated alternative manufacturers for the RECARO seat assemblies and components. However, due to their proprietary nature, these items are not candidates for alternative parts.

The Auditor General, in the above-mentioned report, recognized that alternative parts should not be procured without proper technical review and testing prior to their use but did also note that the suitability of alternatives 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 alternatives would be subject to review and may be considered for future bid requests. One proposed alternative part was identified, which will be reviewed and tested for suitability in time for the next procurement of these parts.

North American Transit Supply Corporation (NATSCO) submitted pricing on 35 items. NATSCO quoted its bid prices in US funds, which was converted to Canadian funds at the exchange rate of \$1.00 USD = \$1.279 CAD for evaluation purposes. NATSCO submitted the lowest-priced bid on 32 items and is recommended for award for 32 items.

The Aftermarket Parts Company, LLC DBA New Flyer Parts (New Flyer), submitted pricing on 31 items. New Flyer submitted the lowest-priced bid on two items and is recommended for award for those items.

Prevost, a Division of Volvo Group Canada Inc. (Prevost), submitted pricing on 28 items. Prevost submitted the lowest-priced bid on three items and is recommended for award for those items.

A price comparison of the recommended items to the last purchase prices (in Canadian funds) revealed an overall increase of 0.32% during the first year of the contract, a 3.55% increase in year two compared to the year one pricing and a 3.50% increase in year three compared to year two pricing.

Out of 38 items requested to be quoted, 37 items are recommended for award. One item was found to be a duplicate part and was removed from the evaluation.

The recommended contract amounts include an approximate 10% contingency to cover variances between forecasted and actual usage over the contract period.

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Signature

Jose La Vita
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Attachments

Appendix A – Supply of RECARO Parts

APPENDIX A
SUPPLY OF RECARO 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
North American Transit Supply Corporation *	35	\$7,325,005.30	\$5,727,134.72	32	\$8,012,000	\$6,264,000
The Aftermarket Parts Company, LLC	31	\$8,216,039.03		2	\$42,000	
Prevost, A Division of Volvo Group Canada Inc.	28	\$7,281,346.43		3	\$21,000	
TOTAL				37	\$8,075,000	

* North American Transit Supply Corporation quoted in US funds and its bid pricing was converted to Canadian funds using the exchange rate of \$1.00 USD = \$1.279 CAD.