



Procurement Authorization – Supply of Bus Tires

Date: January 19, 2023
To: TTC Board
From: Chief Financial Officer

Summary

The purpose of this report is to obtain authorization for the supply of bus tires based on a leasing program for up to a seven-year term.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of the contract to Bridgestone Canada Inc. (Bridgestone) in the total amount of \$11,600,049.67 (including applicable taxes) for the above stated contract on the basis of lowest compliant bid, for an initial contract term of two years commencing May 1, 2023 and ending April 30, 2025.
2. Delegate authority to the Chief Executive Officer to extend the contract yearly, up to five years (for successive periods of various time), and up to \$36,249,178.43 CAD including applicable taxes to the contract with Bridgestone to cover the cost of tires during the maximum optional extension term (May 1, 2025 to April 30, 2030).
3. Authorize an amendment to the existing bus tire contract with Goodyear Canada Inc. to extend the contract by 15 months, from April 30, 2023 to July 31, 2024, and add an additional \$6,300,000 CAD including applicable taxes for the transition period.

Financial Summary

If all options are exercised, the award to Bridgestone Canada Inc. will total \$47,849,229 or \$43,089,713, net of HST rebate as summarized in the following table:

	2023 (Starting May 1, 2023)	2024	2025	2026
Bridgestone Award Amount	\$3,770,373	\$5,848,180	\$6,345,356	\$6,768,782
Rebatable HST	\$(375,035)	\$(581,713)	\$(631,166)	\$(673,284)
Net Budget Impact	\$3,395,338	\$5,266,467	\$5,714,190	\$6,095,498

	2027	2028	2029	2030 (Ending April 30, 2030)	Total
Bridgestone Award Amount	\$7,114,667	\$7,478,226	\$7,860,364	\$2,663,280	\$47,849,229
Rebatable HST	\$(707,689)	\$(743,852)	\$(781,863)	\$(264,914)	\$4,759,516
Net Budget Impact	\$6,406,978	\$6,734,374	\$7,078,501	\$2,398,366	\$43,089,713

The proposed contract includes a price adjustment mechanism that would be utilized during the optional extension period (or periods) in the form of a formula that incorporates the Industrial Product Price Index (IPPI) and Indexes of Business Section Labor Productivity (IBSLP) price change data. This allows TTC and the awarded company to review pricing on a semi-annual basis and negotiate price changes (increase or decrease), as applicable. This adjustment mechanism will take effect after the initial two-year base contract term on a semi-annual basis which applies to the lease prices (\$/km) for the four types of required tires. All other costs would be negotiated based on mutual agreed upon increases, if applicable.

Since the successful bidder is not the same as the incumbent supplier, a transitional provision within the existing contract will be exercised, with total authority of \$6,300,000 requested, to enable TTC to run out the remaining life of all of the tires procured through the current contract with Goodyear. To the extent this transitional provision is utilized, the requirements under the Bridgestone award will be reduced.

	2023 (Starting May 1, 2023)	2024	Total
Goodyear Transitional Provision Award	\$3,360,000	\$2,940,000	\$6,300,000
Rebatable HST	\$(334,216)	\$(294,439)	\$(628,655)
Net of HST Rebate	\$3,025,784	\$2,645,561	\$5,671,345

Sufficient funds are included in the TTC's 2023 Operating Budget approved by the TTC Board on January 9, 2023 and to be considered by City Council on February 14, 2023. 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 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 tires 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 via the MERX website to a diverse group of vendors consisting of a variety of sizes and scales of operations to ensure an open, fair and transparent procurement process.

Decision History

The Board authorized the award of a contract to Goodyear Canada Inc. for the supply of bus tires (leasing program) in the total amount of \$11,000,000.00 CAD (including applicable taxes) for an initial two-year period commencing May 1, 2016 and ending on April 30, 2018. Delegated authority was given to the CEO to add up to \$35,000,000.00 CAD (including applicable taxes) to the contract to cover the cost of tires during the five-year period from May 1, 2018 to April 30, 2023, as the contract allows TTC staff to exercise contract extension options up to a maximum of five years beyond the expiration of the initial two-year term.

Report: [March 2016 - Procurement Authorization - Supply of Bus Tires](#)

Decision: [Procurement Authorization - Supply of Bus Tires](#)

Staff subsequently exercised all available extension options, extending the contract up to April 30, 2023, and adding an additional aggregate amount of \$24,886,000.00 under the CEO-delegated authority granted at the time of the contract award, bringing the revised contract amount to \$35,886,000.00.

Issue Background

The TTC has an ongoing requirement for the supply of bus tires in order to operate its fleet of approximately 2,058 buses. Goodyear Canada Inc. (Goodyear) is the TTC's current bus tire supplier, and tires are supplied based on a leasing program whereby the TTC is charged based on the number of kilometres travelled per tire. Additionally, the TTC pays for leased tires that become damaged or unusable (i.e. sidewall, tread damage, etc.) based on the remaining tread depth, repairs, etc. In 2021, the TTC received more than 8,500 bus tires for use from Goodyear.

Prior to the issuance of the Request for Bid (RFB), staff conducted research regarding the possibility of purchasing tires as opposed to leasing tires, which included a review of the tire supply practices of some major transit agencies in North America. The same review was conducted in 2016 and staff learned that the industry standard has not changed. Staff learned that comparable transit authorities continued to lease tires (i.e. New York, Mississauga and Hamilton) while others continued to purchase tires (i.e. Ottawa and Montreal) and those that purchase tires consider it viable only if the tires undergo a re-treading process. TTC staff continues to affirm that re-treaded tires are of a lesser quality compared to new tires and are not technically acceptable to the TTC. As such, it is recommended that the leasing approach should be used once again.

Comments

An RFB was publicly advertised on MERX starting on August 26, 2022. Ten companies were notified of this requirement and six companies downloaded the bid documents, out of which two submitted a bid by the closing date of October 7, 2022.

During the bid period, Procurement and Category Management staff held a non-mandatory pre-bid meeting on September 23, 2022, to outline the requirements, the evaluation process, and to provide an opportunity for questions and answers to be collected and addressed. This is a critically important contract for the TTC and staff wanted to ensure there was an engagement opportunity with potential bidders in case there were questions or clarifications that were required within the document and/or the procurement process being conducted. Goodyear Canada Inc. and Bridgestone Canada Inc. attended the meeting, which began at 9:52 a.m. and ended at 10:36 a.m. (approx. 44 minutes).

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

The TTC stated that the term of the contract shall be for up to a two-year period with options to renew (under the same terms and conditions and at the sole discretion of the TTC) for successive periods of various time periods so that the aggregate term, with optional term renewals, does not exceed seven years in total.

Bridgestone submitted the lowest compliant bid. Bridgestone is recommended for award of the contract in the upset limit amount of \$11,600,049.67, for the initial two-year term, with one-year extension options up to five years to be exercised at the TTC's sole discretion in the total amount of \$36,249,178.43.

The TTC will continue to run out the remaining life of all of the tires procured through the current contract to allow transition from the incumbent (Goodyear) to the successful bidder (Bridgestone). Since the successful bidder is not the same as the incumbent supplier, it is recommended that the transition provision in the contract is exercised.

A price comparison of Bridgestone's bid price against the current contract price with Goodyear revealed an approximate 10.25% decrease (\$615,329.00 in savings) in the first year of the contract. Bridgestone's year two pricing revealed an approximate 5.11% increase compared to Bridgestone's year one pricing. The savings is attributable to conducting a competitive process and the efforts of staff in achieving a clear and concise scope of work/procurement process.

The recommended upset limit includes a contingency of approximately 5% for the base term and 10% for the optional extension periods (up to a five-year period), to cover variance in usage.

Contact

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Signature

Josie La Vita
Chief Financial Officer

Attachments

Appendix A – Bid Summary

APPENDIX A – BID SUMMARY

SUPPLY OF BUS TIRES			
Bidder Name	Initial Two-Year Term Total (A)	Aggregate Five Year Optional Total (B)	Seven-Year Grand Total
Bridgestone Canada Inc.	*\$11,047,666.36	**\$32,953,798.58	\$44,001,464.93
Goodyear Canada Inc.	\$11,799,011.70	-	-

*This value does not include an approximate 5% contingency for variances between forecasted and actual usage and is not rounded.

** This value does not include an approximate 10% contingency for variances between forecasted and actual usage and is not rounded.