



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

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

## Summary

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The purpose of this report is to obtain procurement authorization for the supply of 117 Cummins factory-remanufactured engines. These parts are required for the second phase of the 2023 Nova 12-metre (40-foot) bus rebuild project.

## Recommendations

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It is recommended that the TTC Board:

1. Authorize the contract award to City View Bus Sales and Service Ltd. in the amount of \$7,268,107.25 (inclusive of HST and core charges) for the supply of 117 Cummins factory-remanufactured Engines for the TTC’s Nova 12-metre (40-foot) buses on the basis of the lowest compliant bid received.

## Financial Summary

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All 117 Cummins remanufactured engines acquired through this procurement will be used for bus overhauls scheduled to be completed in 2023. The 117 engines will be delivered in 2023 to meet the rebuild production schedule. The resulting contract authority requirements are as outlined below:

	<b>2023 Total</b>
<b>Engine Deliveries</b>	117
<b>Requested Contract Authority</b>	\$7,268,107.25

The requested contract 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 Ltd. The return of cores from replaced engines and the subsequent issuing of credit to the TTC is expected to occur in 2023 and therefore the net financial impact, after accounting for rebateable HST and core credits for the 117 engines, is \$5.731 million as shown in the following table:

	<b>2023 Total</b>
<b>Requested Contract Authority</b>	<b>\$7,268,107.25</b>
Core Credits	\$ (903,126.51)
<b>Sub-Total</b>	<b>\$ 6,364,980.74</b>
Rebateable portion of HST	\$ (633,118.44)
<b>Net Financial Impact</b>	<b>\$ 5,731,862.30</b>

Funds for this expenditure are included in the TTC’s 2023-2032 Capital Budget and Plan under Program 4.13 – Bus Rebuild Program which was approved by the TTC Board at its meeting on January 9, 2023 and will be before City Council for consideration on February 14, 2023. The 2023-2032 Capital Budget and Plan includes \$505.7 million in approved funding for the Bus Rebuild Program, including \$59 million budgeted to be spent this year. Of the approved funding in the 2023-2032 Capital Budget and Plan, approximately \$26 million has committed to date.

**Equity/Accessibility Matters**

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A cornerstone of the TTC’s current 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 of our customers. The vehicle parts being recommended for award of this contract will ensure that the TTC can continue to offer reliable, safe, accessible 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

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At its meeting on July 14, 2022, the TTC Board authorized the award of a contract to City View Bus Sales and Service Ltd. for the supply of 103 Cummins factory-remanufactured engines for the TTC's Nova 40-foot buses.

Report: [July 2022 - Procurement Authorization Supply of Cummins Factory Remanufactured Engines - EPA17](#)

Decision: [Procurement Authorization Supply of Cummins Factory Remanufactured Engines](#)

## Issue Background

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The TTC performs bus midlife overhauls on up to 220 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, such as pistons, rings, pots, and bearings. As part of a cost-saving project in 2021-2022, engines were procured as a complete reconditioned engine.

The Duncan Shop where this work is performed was also undergoing a bus hoist replacement project in conjunction with the midlife overhaul program. Due to constraints in the supply of construction materials and potential project delays, it was determined that the midlife overhaul schedule may be affected. As such, the overhaul project was split into two phases.

Through the 2023 bus overhaul program, 220 buses are scheduled to be overhauled. Engine requirements for the first 103 buses have already been procured, this procurement fulfils the engine requirements for the remaining 117 buses.

## Comments

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A Request for Bids (RFB) was publicly advertised on the MERX website for the supply of 117 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. Two companies submitted bids, each of which was considered commercially and technically acceptable.

A comprehensive list of bid results is contained in Appendix A. The engines being recommended for award are considered as remanufactured (or reconditioned/exchanged) parts. When purchasing a remanufactured item, a damaged or worn unit (a core) is required by the applicable vendor in exchange over a period of

365 days. The Company will then supply a remanufactured unit by either repairing the received 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 on the attached Spreadsheet Analysis. The TTC anticipates to be able to return 117 engine cores in good rebuildable condition to the vendor within 365 days for core credits. The bid evaluation and determination of the lowest-priced bid under the current request is therefore based on the bidder's submitted pricing for the remanufactured engine unit alone, irrespective of the core charges quoted.

City View Bus Sales and Service Ltd. submitted the lowest total bid amount of \$6,364,980.74 plus total core charges of \$903,126.51 for a total award value of \$7,268,107.25, inclusive of HST and quoted a lead time of 90 calendar days after notification of award for the first scheduled delivery, which would be expected before April 19, 2023. It should be noted that if the core charges had been included in the evaluation, the recommended company would still be the lowest bidder. City View Bus Sales and Service Ltd. is therefore recommended for award of this contract.

A price comparison with the last buy price and the recommended bid revealed a 3.77% increase where 103 engines which were purchased from City View Bus Sales and Service Ltd. on July 22, 2022.

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

- Depreciation of the Canadian dollar by 2.83% against the US dollar as per Bank of Canada dated September 2022.
- The price of aluminum has increased by 2.94% over the last three months as per London Metal Exchange dated September 2022.

## Contact

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## **Signature**

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Josie La Vita  
Chief Financial Officer

## **Attachments**

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Appendix A – Bid Summary

## APPENDIX A – BID SUMMARY

<b><u>SUPPLY OF CUMMINS FACTORY-REMANUFACTURED ENGINES –</u></b> <b><u>EPA 17</u></b>				
Bidder Name	Total Quoted Value for 117 Engines (including HST) (A)	Core Charges for 117 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.	\$6,364,980.74	\$903,126.51	\$7,268,107.25	\$7,268,107.25
Mississauga Bus, Coach & Truck Repairs Inc.	\$6,834,878.88	\$903,126.51	\$7,738,005.39	-
<b>TOTAL</b>				<b>\$7,268,107.25</b>