



Procurement Authorization – Supply of Cummins Parts

Date: November 22, 2023
To: TTC Board
From: Chief Financial Officer

Summary

The TTC requires Cummins Original Equipment Manufacturer (OEM) parts for the ongoing state of good repair of the TTC's fleet of 1,361 diesel and 646 hybrid buses. These OEM parts are procured, inventoried and issued throughout the year, as required, as part of the TTC's fleet maintenance activities.

The purpose of this report is to obtain Board authorization to award contracts to eight companies totaling \$16,322,000 for a one-year term, commencing January 1, 2024, for the supply of 664 Cummins parts

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of contracts for the supply of Cummins parts, for a one-year period commencing January 1, 2024, for a total upset limit of \$16,322,000, inclusive of HST, to the following eight companies, in accordance with their respective upset limits, inclusive of HST:
 - a. Rush Truck Centres of Canada Limited for the supply of 534 parts in the total upset limit amount of \$10,787,000;
 - b. CBM NA Inc. for the supply of 59 parts in the total upset limit amount of \$1,657,000;
 - c. Tokmakjian Inc. dba TOK Performance for the supply of 27 parts in the total upset limit amount of \$1,505,000;
 - d. J. D. White Associates, Inc. dba White Associates for the supply of five parts in the total upset limit amount of \$861,000 USD (which is equivalent to \$1,140,000 CAD);
 - e. Ashcon International Inc. for the supply of 32 parts in the total upset limit amount of \$489,000 USD (which is equivalent to \$647,000 CAD);
 - f. Brandt Tractor Ltd. - Truck & Trailer for the supply of five parts in the total upset limit amount of \$478,000;
 - g. Neopart Transit LLC for the supply of one part in the total upset limit amount of \$75,000 USD (which is equivalent to \$97,000 CAD); and

- h. Mississauga Bus, Coach & Truck Repairs Inc. for the supply of one part in the total upset limit amount of \$11,000 CAD.

Financial Summary

Funds will be included for these expenditures in the TTC's 2024 Operating Budget submission based on anticipated usage requirements. The inventory parts will be charged to the appropriate departmental budget at the time of issuance from TTC Stores.

The recommended contract covers the period from January 1, 2024 to December 31, 2024; parts pricing during this period is 17.14% higher compared to the previous purchase prices.

The TTC continues to experience price escalation on parts and equipment in all vehicle modes. Higher costs due to contractual price increases are resulting in additional cost pressures than initially forecasted in the 2024 Operating Budget Outlook.

Anticipated usage requirements, under this contract are shown in the following table:

	2024 Forecast Total
Requested Contract Authority (without HST)	\$14,444,000
Non-Rebateable HST 1.76%	\$254,000
Total Contract Expense	\$14,698,000
Rebateable HST	\$1,624,000
Total Authority, including HST	\$16,322,000

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

Equity/Accessibility Matters

A cornerstone of the TTC's current Corporate Plan is accessibility and as a proud leader in providing accessible public transit to the residents in the city of Toronto and surrounding municipalities, the TTC is committed to ensuring reliable, safe, accessible, and inclusive transit services for all its customers. The vehicle parts being recommended for the award of this contract will ensure that the TTC can continue to offer reliable, safe, accessible and inclusive transit services for all customers

Decision History

At its December 8, 2022 meeting, the TTC Board received an information report entitled Delegation of Authority Exercised During the Election Recess, detailing all contract awards authorized by the TTC's Chief Executive Officer (CEO) during the Election Recess period, in accordance with the authority delegated by the Board. The CEO authorized the award of seven contracts for the supply of Cummins parts for a one-year

term commencing January 2023 with an aggregate award value among the seven companies of \$21,027,000.

Report: [Delegation of Authority Exercised During the Election Recess](#)

These contracts covered the procurement of 804 Cummins parts

Issue Background

The TTC has an ongoing requirement for Cummins engine parts (including, but not limited to, injectors, compressors, pumps, gaskets, turbo chargers, etc.) which are inventoried and required for the ongoing state of good repair of the TTC's fleet of diesel and hybrid buses.

Repetitive inventory part orders are grouped by staff into categories, such as these Cummins engine parts, whereby a competitive process is conducted for the basket of parts, where possible. These "supplier blanket" contracts leverage aggregated quantities to maximize supplier volume discounts and result in greater efficiencies, given that the issuance of purchase orders is largely automated under a supplier blanket.

The recommended contracts covering the one-year period commencing January 1, 2024, cover 664 Cummins parts in total, which is less than the 804 basket of parts covered by the current contracts. This decreased requirement for parts in 2024 is largely a result of sufficient stock remaining such that orders will not be required for some parts covered by the current contracts.

Comments

A Request for Bids (RFB) was publicly advertised on the MERX website on June 27, 2023, for the supply of 669 Cummins parts for a one-year term. Nine bids were received, and the bid validity date is January 20, 2024.

The requested parts are genuine Cummins 'original equipment manufacturer' (OEM) parts. While the majority of these parts are consumable or non-serviceable parts, some are required to support core bus components. With advanced technology, remanufacturing core components has become extremely difficult to restore them to their original specifications, to identify and correct root cause failures, and to validate the remanufactured parts and guarantee their reliability. These parts also require regulatory or design standard certification requirements to maintain factory warranties.

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 alternates would be subject to review and may be considered for future bid opportunities. Any proposed alternatives require review, testing and approval first by TTC technical staff and then by the OEM to ensure alternates meet the required safety and performance standards.

J. D. White Associates, Inc. dba White Associates (White Associates), Ashcon International Inc. (Ashcon) and Neopart Transit LLC (Neopart) quoted in U.S. funds and their bid prices were converted to Canadian funds for evaluation purposes.

Rush Truck Centres of Canada Limited (Rush Truck) submitted pricing on 644 parts and was the lowest bidder on 534 parts; Rush Truck is recommended for award for these 534 parts.

CBM N.A. Inc. (CBM) submitted pricing on 98 parts, of which 17 parts were based on alternative parts and were not considered further for evaluation as stated above. CBM submitted the lowest-priced bid on 59 parts and is recommended for award for these 59 parts.

Tokmakjian Inc. dba TOK Performance (TOK Performance) submitted pricing on 658 parts of which eight parts were based on alternative parts and were not considered further for evaluation as stated above. TOK performance submitted the lowest-priced bid on 27 parts and is recommended for award for these 27 parts.

White Associates submitted pricing on 137 parts, of which one part was based on an alternative and was not considered further for evaluation as stated above. White Associates submitted the lowest-priced bid on five parts and is being recommended for award for these five parts.

Ashcon submitted pricing on 98 parts, of which 24 parts were based on alternative parts and were not considered further for evaluation as stated above. Ashcon submitted the lowest-priced bid on 32 parts and is recommended for award for these 32 parts.

Brandt Tractor - Truck & Trailer (Brandt) submitted pricing on 188 parts, of which 20 parts were based on alternative parts and were not considered further for evaluation as stated above. Brandt submitted the lowest-priced bid on five parts and is being recommended for award for these five parts.

Neopart submitted pricing on one part and was the lowest-priced bidder for that part; Neopart is recommended for award for this one part.

Mississauga Bus Coach and Truck Repairs Inc. (Mississauga Bus) submitted pricing on 647 parts, of which one part was based on an alternative and was not considered further for evaluation as stated above. Mississauga Bus submitted the lowest-priced bid on one part and is recommended for award for this one part.

City View Bus Sales and Service Ltd. (City View) did not submit the delivery lead time in its Bid for any parts. As set out in the RFB, providing a delivery lead time for the parts was a mandatory requirement, as such City View's bid was considered commercially non-compliant and was not considered any further.

A price comparison of the bid prices with last purchase prices of the recommended parts was conducted and revealed an overall increase of 17.14% for the one-year contract period.

Staff attribute the higher pricing for the parts to the following:

- Effect of previous price increases – pricing for Cummins parts increased in 2023 by upwards of 12% for some items; these increases did not impact the TTC's current 2023 firm price blanket contracts. The new bid pricing reflects potential volatility in 2024 market pricing as well as the effects of the prior 2023 increases.
- Some manufacturing operations moving closer to North America to mitigate supply chain risk resulting in higher costs.

Out of 669 parts requested to be quoted, 664 parts are recommended for award and five parts are not recommended at this time. Of the five parts not recommended for award, four parts were not quoted by any bidder and one part was removed as a new alternate source was approved in accordance with a separate alternative review process that began prior to the issuance of this RFB. These five parts will be ordered on an as-needed basis under a separate procurement process.

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Signature

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