



## **Procurement Authorization - Supply of Prevost Parts**

**Date:** September 26, 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 Prevost parts for a two-year term. These parts are required to maintain the TTC's fleet of Nova Low-Floor Series buses.

### **Recommendations**

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It is recommended that the TTC Board:

1. Authorize the contract award to Prevost, a Division of Volvo Group Canada Inc. (Prevost) in the total upset limit amount of \$8,200,000 inclusive of HST for the supply of Prevost parts for a two-year period commencing December 1, 2023.

### **Financial Summary**

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Expenditures can be accommodated within the TTC's 2023 Operating Budget approved by the TTC Board on January 9, 2023 and City Council on February 15, 2023. Funds will be included in future budgets based on each year's anticipated usage requirements and are subject to annual budget approvals. The inventory parts will be charged to the appropriate department budget at the time of issuance from TTC Stores.

The first year of the recommended contract covers the period December 1, 2023 to November 30, 2024; parts pricing during this period is 10.47% 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 pressures to the initial 2024 budget forecast.

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

	<b>2023 Forecast</b>	<b>2024 Forecast</b>	<b>2025 Forecast</b>	<b>Total Contract Amount</b>
Requested Contract Authority (without HST)	\$287,000	\$3,475,100	\$3,494,500	<b>\$7,256,600</b>
Non-Rebateable HST 1.76%	\$5,100	\$61,200	\$61,500	<b>\$127,800</b>
<b>Total Contract Expense</b>	<b>\$292,100</b>	<b>\$3,536,300</b>	<b>\$3,556,000</b>	<b>\$7,384,400</b>
Rebateable HST	\$32,200	\$390,600	\$392,800	<b>\$815,600</b>
<b>Total Authority, including HST</b>	<b>\$324,300</b>	<b>\$3,926,900</b>	<b>\$3,948,800</b>	<b>\$8,200,000</b>

## **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 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**

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At its meeting on December 15, 2020, the TTC Board authorized the award of a contract to Prevest on a sole source basis that covered 343 parts over a three-year period in the total upset limit amount of \$15,150,000 inclusive of HST.

Report: [December 2020 – Procurement Authorization – Supply of Prevest Parts](#)  
Decision: [Procurement Authorization – Supply of Prevest Parts](#)

## **Issue Background**

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The TTC has an ongoing requirement for various Prevest parts, (i.e. A/C belt tensioners, skirt panels, valves, latches, etc.) that are inventoried and used to maintain and repair the TTC's Low-Floor Series (LFS) vehicles. This is a fleet of 1,291 Nova LFS 40-foot and 60-foot buses, comprising of 152 Nova 60-foot Diesel, 864 Nova 40-foot Diesel and 267 Nova 40-foot Hybrid buses. Nova LFS buses were manufactured by Nova Bus, a member of Volvo Group, and Prevest is the authorized and sole distributor of products manufactured by Nova Bus, hence these parts are only available from Prevest.

Multi-year contracts are established for parts that need to be repetitively ordered. 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.

Although these parts are only currently available from Prevest, staff, via an alternate sourcing program, continually work to identify parts that can be provided by alternate sources. The approval of suitable alternatives involves review and potential testing by TTC technical staff to ensure alternates meet the required safety and performance standards. This process mitigates supply chain risks due to additional sourcing options, allows for increased market competition and overall lower costs.

## Comments

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The TTC has an ongoing requirement for Prevest parts which are used on the TTC's fleet of Nova LFS 40-foot and 60-foot buses. These parts are required for the ongoing state of good repair of the Nova LFS bus fleet.

A Request for Bid (RFB) was issued on May 25, 2023 for the supply of the required parts to Prevest on a sole source basis. The RFB requested pricing for 704 parts for a two-year term out of which 659 items are being recommended for award. Prevest submitted pricing on 668 items and did not state any exceptions or qualifications to the TTC's terms and conditions and Prevest's bid is considered commercially and technically compliant. Prevest did not submit quotes on 36 items, as they could not commit to firm multi-year pricing for these specific parts at this time.

Prevest also advised that nine of the items listed in TTC's RFB had become obsolete and its bid pricing for these nine items was based on the new replacement parts. Staff are currently reviewing the replacement parts and therefore these parts are not recommended for award at this time. It is anticipated the review of these parts will be completed in Q4 2023 and the parts will be considered acceptable as they are direct replacements from the Original Equipment Manufacturer. Once approved, staff will order these parts on an as-needed basis under a separate procurement process.

A price comparison of Prevest's bid prices with the last purchase prices of the recommended items was conducted and revealed an overall increase of 26.11% during the first year of the contract and an increase of 5% in year two compared to year one pricing.

Staff did enter into price negotiations. However, Prevest advised that it has received price increases from 10% to 150% from its vendors and had offered the TTC its' best pricing and could not reduce pricing any further. The vendor's response reflects the impact of continued market volatility due to the shortage of supply of parts and materials, characterized by unstable, high pricing and shorter term contract periods, as manufacturers are not able to guarantee pricing much beyond 2 years. As a result, staff identified some parts that could be ordered under the current contract, thereby reducing the quantities required under this proposed contract as a mitigation against the price increases. This results in an estimated cost avoidance of \$1,469,300.

A second price comparison of Prevest's bid prices based on the revised forecast (reduced quantities for those parts being ordered under the current contract) with the last purchase prices of the recommended items was conducted. This comparison revealed an overall increase of 10.47% during the first year of the contract and an

increase of 5% in year two compared to year one pricing.

The higher pricing is attributed to increased costs due to inflationary conditions compared to the previous contract that was established in December 2020; namely:

- Price increases received by Prevost in the range of 10% to 150% from its vendors (as stated above).
- Fuel prices based on the Ministry of Transportation (MTO) fuel price index are up by 42.71% from December 2020 to June 2023.
- Freight rates based on the Cass Inferred Freight Rates have increased by 11.93% across various sectors from December 2020 to June 2023
- The Automotive Parts, Accessories and Tire Retailers Producer Price Index has increased by approximately 28.5% from December 2020 to June 2023.

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

## **Contact**

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## **Signature**

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Josie La Vita  
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