



Procurement Authorization – Supply of Graham White Bus Parts

Date: July 17, 2024
To: TTC Board
From: Chief Financial Officer

Summary

The TTC's fleet of approximately 503 Orion, 152 New Flyer and 1,392 Nova buses relies on pressurized air systems to manage critical functions, including the primary braking system, suspension system, door operation and bus kneeling.

To ensure the efficiency and reliability of these pneumatic systems, Graham White air dryers are employed to maintain air quality by removing moisture and oil. The TTC requires Graham White replacement bus parts for the ongoing state of good repair of these bus pneumatic systems. These air dryer parts, including but not limited to, dryers, heaters, thermostats, cartridges, filters and valves, are inventoried by the TTC and issued throughout the year on an as-required basis.

The purpose of this report is to obtain Board authorization to award contracts for the supply of 14 Graham White air dryer bus parts to three companies in the total amount of \$7,601,000 CAD, inclusive of HST, for a two-year term commencing on November 1, 2024, with an option to extend the contracts for a period of up to 12 months.

TTC Board approval is required as this contract award exceeds the Chief Executive Officer's delegated authority limit of \$5 million for the award of contracts for budgeted goods and services.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of contracts for the supply of Graham White bus parts for a two-year term commencing on November 1, 2024, for the total upset limit of \$7,601,000, inclusive of HST, to the following three companies, on the basis of lowest-priced compliant bids received.
 - a. The Aftermarket Parts Company, LLC for the supply of seven parts in the total upset limit amount of \$6,251,000 CAD.

- b. Ashcon International Inc. for the supply of three parts in the total upset limit amount of \$647,000 USD (equivalent to \$882,000 CAD).
 - c. North American Transit Supply Corporation for the supply of four parts in the total upset limit amount of \$343,000 USD (equivalent to \$468,000 CAD).
2. Delegate authority to the TTC’s Chief Executive Officer to exercise the extension options in the three contracts by up to a period of 12 months (November 1, 2026 to October 31, 2027) and to increase the values among the three contracts by up to a total amount of \$3,620,000, inclusive of HST, for a total contract value of up to \$11,221,000.

Financial Summary

Sufficient funds are included in the TTC’s 2024 Operating Budget, as approved by the TTC Board on December 20, 2023 and approved by the City Council on February 14, 2024. 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 departmental budget at the time of issuance from TTC Stores.

The optional extension period award will be subject to securing sufficient funding in the budget process. The optional extension value has been calculated using a 5% year-on-year escalation factor as the pricing for the option year will need to be negotiated. Contract values for the initial two-year term and optional year are shown in Table 1 below:

Table 1: Contract Value of Initial and Extension Terms

	Initial Term Year 1 (2024-2025)	Initial Term Year 2 (2025-2026)	2-Year Term Total	Extension 1 Year (2026- 2027)	Total
Requested Contract Authority (without HST)	3,504	3,222	6,726	3,203	9,929
Non-Rebatable HST 1.76%	60	58	118	56	174
Total including non-rebatable HST	3,564	3,280	6,844	3,259	10,103
Rebatable HST	396	361	757	360	1,117
Total Authority (including HST)	3,960	3,641	7,601	3,620	11,221

(in \$ thousands)

Anticipated annual expenditures based on forecasted usage requirements under this contract term are shown in Table 2 below:

Table 2: Projected Expenditures

	2024	2025	2026	2027
Projected Annual Expenditure (without HST)	3,100	3,461	3,219	2,710
Non-Rebatable HST 1.76%	54	60	58	47
Total including non-rebatable HST	3,155	3,520	3,277	2,758
Rebatable HST	349	391	361	305
Total (including HST)	3,504	3,911	3,638	3,063

(in \$ thousands)

Equity/Accessibility Matters

A cornerstone of the TTC's 2024-2028 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 of its customers. The vehicle parts being recommended for award under 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 meeting on October 24, 2019, the TTC Board authorized the award of three contracts for the supply of 30 Graham White bus parts for a three-year term commencing on November 1, 2019, with a total award value among the three companies of \$7,298,267.85.

Report: [October 24 – Procurement Authorization – Supply of Graham White parts](#)

Under staff authority, a contract was awarded to The Aftermarket Parts Company, LLC in the total upset limit amount of \$2,630,000, based on a competitive process, for the supply of 17 parts for a period of one year from November 1, 2022 to October 31 2023. Thirteen fewer parts were required as compared to the 2019 contract based on low demand. In addition, a three-year contract term was requested, however, only a one-year contract was awarded due to high pricing quoted in years two and three.

The current Graham White bus parts contract for the supply of 17 parts for a period of one year from November 1, 2023 to October 31, 2024 was awarded under staff authority to two companies: Ashcon International Inc. for six parts, and The Aftermarket Parts Company LLC for 11 parts, for a combined total value of \$3,619,000 based on a competitive bid process. Under this bid process only a one-year term was requested as, at the time, the market would not support a multi-year contract.

Issue Background

The TTC has an ongoing requirement for various Graham White air dryer bus parts (such as dryers, heaters, thermostats, cartridges, filters, valves, etc.), which are inventoried and used to maintain and repair the TTC's fleet of approximately 503 Orion, 152 New Flyer and 1,392 Nova buses.

The TTC establishes multi-year contracts 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.

Comments

The supply of replacement Graham White air dryer bus parts is critical to the safe operation of pneumatic systems on the TTC's diesel and hybrid buses, including braking, suspension, door operation and bus kneeling.

The Graham White air dryers are serviced every six months and replaced every five years. In addition to their replacement schedule, parts are replaced on an as-required basis during service if the parts are found damaged.

A Request for Bids (RFB) was publicly advertised on the MERX website on April 10, 2024 for the supply of 14 Graham White bus parts for a two-year term. Four bids were received, and the bid validity date is September 5, 2024. The requirement for 14 parts is based on the TTC's current demand forecast.

The requested parts are genuine Graham White 'Original Equipment Manufacturer' (OEM) parts, and any proposed alternatives require review and potential testing by TTC technical staff to ensure alternates meet the required safety and performance standards. 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. Any proposed alternates would be subject to review as part of the TTC's Alternate Parts program and may be considered for future bid opportunities. Three alternative parts were quoted under this bid request. Two of the three alternates quoted are being tested by TTC technical staff with results expected by Q4 2024.

North America Transit Supply Corporation (NATSCO) and Ashcon International Inc. (Ashcon) quoted in U.S. funds and their bid prices were converted to Canadian funds for evaluation purposes.

The Aftermarket Parts Company, LLC (otherwise known as New Flyer) submitted pricing on 14 parts and was the lowest Bidder on seven parts; New Flyer is recommended for award for these seven parts.

NATSCO submitted pricing on 10 parts and was the lowest Bidder on four parts; NATSCO is recommended for award for these four parts.

Ashcon submitted pricing on 14 parts and was the lowest Bidder on three parts; Ashcon is recommended for award for these three parts.

Mohawk Mfg. & Supply Corporation (Mohawk) did not submit pricing on any of the specific parts listed in the RFB, but did provide a quote on two alternate parts. Alternative parts cannot be considered for award under this RFB as noted above. However, the two alternatives are already being tested by TTC staff for consideration in future bid requests and the results are expected by Q4 2024.

A price comparison of the bid prices with the last purchase prices of the recommended parts was conducted and revealed an overall increase of 15% during the first year of the contract and an increase of 7.29% in year two compared to year one pricing.

The higher pricing in year one of the recommended contract is attributed to increased costs due to inflationary conditions compared to the previous contract that was established in June 2023 as follows:

- Manufacturing inputs include those from overseas and therefore production costs are affected by international shipping rates and fuel costs:
 - Fuel prices based on the Ministry of Transportation (MTO) fuel price index are up by 16.80% from June 2023 to April 2024.
 - World Container Index (including container freight rates) has increased by 60.87% between June 2023 and April 2024.
- Producer Price Index for Automotive Parts, Accessories and Tire Retailers has increased by 1.85% between June 2023 and April 2024.
- Depreciation of the Canadian Dollar by 1.9 % compared to the U.S. Dollar exchange rate used on the last contract in 2023.

Out of the 14 parts requested for quotation, all parts are being recommended for award. The recommended contract amount includes an approximate 10% contingency to cover variances between forecasted and actual usage over the contract period.

Contact

Tharshini Markandaier, Head – Procurement and Category Management
416-393-4790
tharshini.markandaier@ttc.ca

Signature

Josie La Vita
Chief Financial Officer