



Procurement Authorization - Supply of March Networks Camera Parts

Date: May 16, 2024
To: TTC Board
From: Chief Financial Officer

Summary

TTC Conventional and Wheel-Trans buses are equipped with safety camera systems manufactured by March Networks Corporation (March Networks). The TTC requires replacement parts from March Networks for the ongoing state of good repair of these camera systems.

These camera parts, including but not limited to, cameras, fans, batteries, and hard drives, are inventoried by the TTC and issued throughout the year, on an as-required basis. March Networks is the original equipment manufacturer (OEM) of these camera systems and replacement parts.

The purpose of this report is to obtain Board authorization to award a contract to March Networks in the total amount of \$11,412,000 CAD, inclusive of HST, for a three-year term commencing October 1, 2024, for the supply of replacement parts for TTC buses and Wheel-Trans vehicles. In total, 24 replacement March Networks camera system parts are required for inventory.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of a contract to March Networks Corporation for the supply of 24 camera parts for a period of three years commencing October 1, 2024, in the total upset limit amount of \$11,412,000 CAD, inclusive of HST, on a sole-source basis.

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.

Anticipated usage requirements under this contract by year are shown in Table 1 below:

Table 1: Annual Contract Value

	2024 October to December	2025 January to December	2026 January to December	2027 January to September	Total Contract Amount
Requested Contract Authority (without HST)	841.6	3,366.40	3,366.40	2524.86	10,099.1
Non-Rebateable HST 1.76%	14.8	59.2	59.2	44.4	177.7
Total Contract Expense	856.4	3,425.6	3,425.6	2,569.3	10,277.0
Rebateable HST	94.6	378.4	378.4	283.8	1,135.2
Total Authority, including HST	951.0	3,804.0	3,804.0	2,853.1	11,412.0

(in \$ thousands)

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 of 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 August 30, 2006 meeting, the Board approved March Networks as the camera system provider for surface vehicles based on a competitive RFP process.

[August 30, 2006, Board Meeting Decision Item # 35](#)

At its September 25, 2013 meeting, the Board approved a two-year inventory supply contract for March Network camera parts in the total amount of \$8,301,200

[Procurement Authorization - Supply of Various March Networks Parts](#)

Subsequent multiyear contracts were issued under staff authority to March Networks for the supply of vehicle camera parts.

The current contract in the total amount of \$4,069,000 CAD, inclusive of HST, for the supply of March Network camera parts was authorized by the Chief Executive Officer and covers the supply of 25 camera parts for the period June 24, 2022, to September 30, 2024.

Issue Background

The TTC has an ongoing requirement for March Networks camera parts that are inventoried and used as maintenance stock to maintain vehicle camera systems installed on TTC Conventional and Wheel-Trans buses in a state of good repair.

March Networks is the sole manufacturer and distributor of these camera parts. Bus manufacturers have access to March Network camera equipment and parts for new bus production and limited purposes such as providing parts under warranty. However, March Networks has not granted access to distributorship networks for replacement parts, and as such, March Networks is the only source of supply for the required camera parts.

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

Closed Circuit TV cameras are used to monitor and document operating conditions for system safety and security. March Network cameras are used on 2131 Conventional and Wheel-Trans buses. The camera system is an enclosed unit and has a life cycle of approximately six years.

Similar to other electronic devices, these cameras use solid state components and are essentially “plug and play” equipment. Therefore, there is minimal preventative maintenance associated with these assets. Failures usually result in the replacement of one of the following parts:

- Cables (seven part numbers).
- Camera Assembly (eight part numbers).
- Recorder Assembly (two part numbers).
- Adapters (one part number).
- Caddy Assembly (three part numbers).
- Battery (one part number).
- Fan (one part number).
- Cone (one part number).

To ensure there is an adequate inventory supply of camera parts, March Networks was requested to provide pricing, on a sole source basis, for the supply of 26 camera parts over a three-year period.

March Networks provided pricing on 26 parts, the pricing for two of those parts was based on alternatives. Staff are currently reviewing the two alternate parts and therefore these parts are not recommended for award at this time. Upon approval of the alternates, staff will order these parts on an as-needed basis under a separate procurement process.

A price comparison of March Networks' quoted prices with the last purchase prices of the recommended items was conducted and revealed an overall increase of 10.96% during the first year of the contract compared to the last purchase prices, an increase of 0.68% in pricing in year two compared to the year one pricing and an increase of 0.53% in pricing in year three compared to the year two pricing.

March Networks advised TTC staff it had offered the TTC its best pricing and could not reduce pricing any further.

The price increase for the first year is attributed to the following factors:

- The pricing from March Networks for the recommended contract includes freight to the TTC, whereas, under the existing contract, freight was extra. Approximately 5% of the increase is attributed to freight is now being included; and,
- Higher input costs for manufactured goods, more specifically, the Producer Price Index by Industry: Automotive Parts, Accessories, and Tire Retailers has increased by 18% from January 2022 (when the pricing was established under the current supplier blanket) and February 2024 (latest available data).

Out of 26 items requested to be quoted, 24 items are recommended for award and two items were quoted on an alternate part as noted above.

The recommended contract amount includes an approximate 10% contingency to cover variances between forecasted and actual usage over the contract period. The current bid expiration date is September 30, 2024.

The recommended three-year contract value of \$11,412,000 CAD for 24 parts has a higher proportional value as compared to the current contract of \$4,069,000 CAD for 25 parts that covers an approximate 27-month period due to the following:

- the new recommended contract includes 5 parts that were not included under the current contract whereas 19 parts are common among both contracts; and
- one of the five parts included in the recommended contract is a recorder that has a three-year value of approximately \$5.8 million.

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Signature

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