

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: JUNE 29, 2012

SUBJECT: PROCUREMENT AUTHORIZATION - SUPPLY OF ORION BUS
PARTS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize the award of a three-year inventory supply contract for the supply of Orion Bus parts for the period of July 2012 to July 2015 to Daimler Buses North America Limited for an upset limit of \$20,921,600.00 including applicable taxes.

FUNDING

Sufficient funds are included in the 2012 TTC Operating Budget and will be included in future Operating Budgets as appropriate. These inventory materials will be charged to the appropriate budget at the time of issuance from Stores.

BACKGROUND

The subject parts are used to maintain the Commission's Orion bus fleet.

DISCUSSION

Daimler Buses North America Limited (Daimler) was invited to submit a proposal on April 30, 2012 on the basis of single source as they are the only approved supplier of the subject parts.

The proposal called for 1,236 pre-approved part types of which 1,118 part types are being recommended for award. The 118 part types not being recommended for award are comprised of 115 part types that Daimler was not able to get pricing from their manufacturers in time to submit in their proposal. Staff will address these part types in the future as another proposal to be added to this recommended contract. There were 2 part types that have been deemed as obsolete by Daimler. These part types will be investigated by staff. The remaining part type will be re-categorized as it is no longer deemed single source.

Their initial total proposed value was \$17,576,865.20 based on 1,119 part types. The initial pricing received was approximately 28% lower in the first year of the contract based on current pricing. The pricing would be approximately 3% higher in year two based on year one prices and approximately 3% higher in year three based on year two prices. Staff contacted Daimler to negotiate price reductions and during these negotiations they advised that their original submission contained numerous and significant errors and as a result, Daimler reviewed the pricing for the entire requirement and submitted a revised bid.

Staff's analysis of the negotiated and revised pricing revealed pricing now being approximately 31% lower in the first year of the contract based on current pricing. The pricing will be approximately 3% higher in year two based on year one prices and approximately 3% higher in year three based on year two prices. Daimler advised that they could not reduce pricing any further at this time citing anticipated increased costs from their parts manufacturers for the fabrication of these parts – which are proprietary to Daimler. These parts are no longer purchased by Daimler in large quantities for bus production, but now will be subject to lower volumes to meet their aftermarket needs. They also noted anticipated increases in labour and transportation costs.

This contract includes approximately 20% contingency for variances between forecasted and actual usage and new parts yet to be identified which may be added to the contract during the contract term.

JUSTIFICATION

These Orion bus parts are required in order to support the Commission's Orion bus fleet maintenance needs.

June 6, 2012
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