

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** July 23, 2014

**SUBJECT:** Procurement Authorization Amendment – Bus Servicing and Cleaning

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Board authorize:

- 1) The issuance of contract amendments for Bus Servicing and Cleaning to extend the term of the existing contracts from December 28, 2014 to December 28, 2017 and increases in the current upset limit amounts as follows:
  - a) Topnotch Building Maintenance Ltd. (Topnotch), Purchase Order No. C32PZ12877, in the amount of \$23,000,000.00 increasing the total upset limit amount from \$9,403,595.90 to \$32,403,595.90 at four bus garage locations (Malvern, Wilson, Arrow Road and Eglinton);
  - b) Hallcon Corporation (Hallcon), Purchase Order No. C32PZ12878, in the amount of \$15,500,000.00 increasing the total upset limit amount from \$7,795,000.00 to \$23,295,000.00 at three bus garage locations (Mt. Dennis, Birchmount and Queensway);
- 2) Delegation of its authority to the Chief Executive Officer to authorize future contract amendments as applicable to increase the upset limits of the contracts with Topnotch and Hallcon for increases in bus servicing and cleaning requirements as a result of the planned increases in TTC's bus fleet size during the term of the contracts; and
- 3) Delegation of its authority to the Chief Executive Officer to authorize contract amendments to the contracts with Topnotch and Hallcon to reallocate the TTC's garages to be serviced between the two contractors during the term of the contracts.

### **FUNDING**

Sufficient funds for these services will be budgeted in the Bus Maintenance operating budget for the applicable years.

**BACKGROUND**

The TTC currently operates seven bus garages with a current fleet of approximately 1,800 buses. Each day, buses that are used for service require servicing (fuelling, fluids topped up, defect identification, etc.) and exterior and interior cleaning.

Following a competitive procurement process, approved by the Board at its meeting in September 2012, the award of two contracts for bus servicing and cleaning to Topnotch and Hallcon. The services started in January 2013 at two locations, Malvern and Mt. Dennis bus garages. In September 2012, the Board also approved outsourcing of the remaining five bus garages based on satisfactory performance of the contractors. Based on the success of the initial deployment, the remaining five bus garages were implemented in November 2013 within the base contract ending on December 27, 2014, with Topnotch servicing Malvern, Arrow Road, Wilson and Eglinton garages and Hallcon servicing Mt. Dennis, Birchmount and Queensway garages.

The contract details (including HST) are as follows:

	Topnotch	Hallcon
Original Contract Upset Limit Amount (2 Locations)	\$3,250,000.00	\$4,000,000.00
Previous Contract Amendments (5 Locations)	\$6,153,595.90	\$3,795,000.00
This Contract Amendment	\$23,000,000.00	\$15,500,000.00
Total Revised Upset Limit Amount	\$32,403,595.90	\$23,295,000.00

To date, there has been no expenditure beyond the previously authorized amounts.

The contracts allow for the option to extend three additional single year terms subject to three months advance notice to the contractors. The contractors are also required to provide acceptable contract security for the extension period.

**DISCUSSION**

Cleaning quality rose from 72% in the fourth quarter of 2012 to 79% in the fourth quarter of 2013 during the contracting out period. Customer feedback and internal audits are consistent with external audit findings. Both contractors are completing the work as specified within the requirements of the contract.

Provision to increase the upset limits of the contract is required to respond to future fleet growth. Once additional buses are accepted by the TTC, they will be used for revenue service resulting in an increase in the amount of buses required to be cleaned and serviced by the contractors thereby requiring the revisions to the contracts as indicated in recommendation no. 2.

Provision to address potential issues such as performance at a specific location is also required. While both contractors have been performing well, there have been some challenges encountered at one garage location; however staff are continuing to work with the contractor to address resource and management issues. With the planned increase to the work as a result of the additional new buses and potential different requirements to processes and methods for the servicing, more challenges may be encountered regarding staffing and management. Consequently, the provision for TTC to reallocate garage locations among the two contractors is included in the contract and as recommended above, staff are requesting the delegation of this authority to make the necessary changes as required to the TTC's Chief Executive Officer.

Staff are recommending proceeding with the three year extension to take full advantage of overall reduced contract costs offered for the full three year extension. This savings represents approximately 5% of the total contract cost or \$1,894,778 over the three year term for both contractors. The longer contract term also provides TTC with continuity and certainty of this service.

**JUSTIFICATION**

The contractual lead time for contract extension is three months to comply with contract obligations. Approval of the foregoing recommendations will meet TTC's requirement to deliver clean and reliable buses.

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