

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: October 23, 2008

SUBJECT: Procurement of Low-Floor Paratransit Buses

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize:

- 1) (a) The acceptance of the proposal submitted by American Bus Products Inc. for the supply of 110 Low-Floor Paratransit Buses and all associated work in the amount of \$33,064,804.30 including applicable taxes;
- (b) A contingency allowance amount of \$2,000,000.00 including all applicable taxes for the estimated cost to foreign exchange adjustments which will be paid out if required, only as incurred.
- 2) A budget amendment as outlined in Table 1 below based upon an advanced delivery schedule of buses affecting 2009 and 2010, noting that corresponding cash flows have been updated to reflect increased procurements in each of these years to \$15.07 million in 2009; \$24.3 million in 2010, with the total EFC in 2009-2013 Capital Program, Project 4.11, Project W.O. #6556 remaining at \$76.2 million (see attached);
- 3) Forward this report to the City of Toronto requesting inclusion of the budget amendment as noted above and outlined in the table below, noting that the increased requirements in 2009 and 2010 will be addressed through other under expenditures in the 2009 Capital Program; and
- 4) Forward this report to the Ontario Minister of Transportation for information, noting TTC has previously received confirmation that this procurement is exempt from the Canadian Content Policy.

FUNDING

Sufficient funds in the amount of \$76.2 million (\$7.52 million in 2009) for the purchase of 198 low-floor buses are included in Project 4.11, W.O. #6556, Purchase of Future Wheel-Trans Buses, as set out on pages 1007 to 1010, Budget Category - State of Good Repair/Safety of the TTC's 2009-2013 Capital Program as approved by the Commission on August 27, 2008.

During the early stages of negotiations with American Bus Products Inc., staff had forecasted a longer lead time for the manufacturing process and had taken a conservative view of planned bus deliveries beginning Fall 2009. Based upon this expectation, the fleet plan and cash flows were prepared and submitted as part of the 2009-2013 Capital Program. As a result of successful negotiations and an agreed upon bus design, it has been confirmed that bus deliveries will be more advanced than originally anticipated, with the delivery of 41 buses in 2009, and 69 buses in 2010. As noted in Table 1 below, bus deliveries and cash flows have been updated to reflect the timing and costs reflected in the negotiated contact terms.

TABLE 1

	2009	2010	2011	2012	2013	2014
# Bus Procurements	20	60	56	22	20	20
Budget Update	41	69	26	22	20	20
Change	21	9	(30)	0	0	0
\$ Millions						
Budget Request	7.52	21.89	20.78	8.61	8.70	8.70
Budget Update	15.07	24.3	10.68	8.61	8.70	8.70
Change	7.55	2.41	(10.10)	0.00	0.00	0.00

BACKGROUND

The Commission issued a Request for Proposal (RFP) No. P34PX07850 for the supply of Low-Floor Paratransit Buses required for Wheel-Trans service in the City of Toronto as a replacement to the existing (ELF) bus fleet, as well as reflecting a fleet growth of an additional 51 vehicles to accommodate anticipated ridership. The Request for Proposal was posted on the Commission's website as of December 12, 2007. Twenty-six (26) companies were issued copies of the proposal documents out of which the Commission received submissions from American Bus Products Inc. and Creative Carriage Ltd. on April 14, 2008. Three (3) additional companies - Malley Industries Inc., Pearson Bus Sales Ltd., and Daimler Buses North America Ltd. - submitted letters advising that they would not be submitting proposals as they did not have suitable products that would meet the Commission's specified requirements.

American Bus Products Inc. (ABP) submitted the only complete proposal; however, their proposal stated a number of commercial and technical exceptions. As a result, ABP's submission was considered non-compliant.

Creative Carriage Ltd. (Creative) also submitted a proposal; however, its submission did not include the required proposal security and only included limited information which did not permit their proposal to be evaluated and pricing for their standard product which did not meet the design objective. As a result, Creative's submission was considered non-compliant.

In an effort to determine whether a feasible product could be provided by Creative, and to determine whether or not to enter into negotiations, staff contacted Creative to clarify if they could produce a product that would meet the Commission's specified requirements. After discussions with Creative, as well as previous reviews of Creative's EZ-Trans bus by staff and the ACAT Committee, it was determined that the EZ-Trans bus offered by Creative would not meet the Commission's requirements without extensive modifications, which Creative stated they were not in a position to perform. As a result of the foregoing, staff believed that negotiations with Creative would be fruitless.

Based on the nature of the exceptions stated by ABP, staff agreed that sole source negotiations with ABP was the only alternative left to pursue for a vehicle that would potentially meet the Commission's requirements.

As a result of the above, staff recommended the cancellation of the RFP and obtained CGM approval on May 28, 2008 to negotiate with American Bus Products for the Supply of Low-Floor Paratransit Buses on a sole source basis.

DISCUSSION

As a result of the successful negotiations with ABP, pertinent pricing and an acceptable delivery schedule associated with the required base order of 110 buses has been achieved. In addition, TTC staff and ABP have successfully agreed to terms that are acceptable to both parties regarding commercial issues. All technical exceptions/qualifications have also been clarified or modified and are mutually acceptable.

ABP also stated that approximately 60% of its offered total price would be subject to foreign exchange adjustment due to fluctuations in the value of the US dollar versus the Canadian dollar.

ABP have also offered pricing for a number of options which include the provision of easy access battery tray, air ride and kneeling system controller, passenger air conditioning system diagnostic controller, electrical auto safety switch, and remote back-up safety monitoring

system which staff determined would be advantageous for TTC. Therefore, these options are included in the base price amount recommended for acceptance.

In addition to the base order of 110 buses, ABP have offered pricing for optional purchases of up to an additional 88 buses for delivery starting in 2011 through to 2014, and the pricing for the optional bus orders will remain open for acceptance by the Commission until January 31, 2011, January 31, 2012, January 31, 2013, and January 31, 2014 respectively. ABP also stated a clarification in its proposal that the pricing for the optional buses for delivery in 2011 through to 2014 is based on a current Ford Chassis base price and cannot be guaranteed beyond the 2009 model year. Assuming the optional buses will be purchased at a later date, the actual Ford chassis price for optional buses may be adjusted to reflect the actual Ford Motor Company invoice differential from the base price point plus applicable taxes. The cash flow attached includes provisions to exercise these options.

The pricing offered by ABP for the base and optional buses is considered acceptable and represents an approximate 4% yearly compounded increase compared to the Commission's previously purchased ELF Wheel-Trans buses which was awarded in 1999.

Staff performed reference checks and ABP has satisfactorily completed other large scale contracts for work of a similar magnitude for other private and public transportation organizations in the past. The negotiated proposal from ABP is considered acceptable.

ABP will be required to execute and provide an Irrevocable Letter of Credit in the amount of \$300,000.00. ABP will also be required to provide the Commission a Parental Guarantee from ABP's parent company Leeds Transit Inc.

JUSTIFICATION

Staff require the award of this contact for new buses to accommodate ridership demand growth and to replace the Commission's existing aging (ELF) bus fleet, noting that the Commission has also had to purchase several used buses as well as undertake a partial overhaul of the fleet in the interim to meet growing ridership demand.

October 6, 2008

18-11-10

Attachment: Purchase of 198 Buses – Cash Flow Update

W.O. #: 6556

Toronto Transit Commission 2009-2013 Capital Program
 Cash flow Update
PURCHASE OF 198 BUSES

All Figures Except Workforce Are In \$000's

		<u>Actual</u>	<u>Probable</u>										
		<u>City to</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2008 To</u>	<u>2009 To</u>	<u>City Costs</u>	<u>2014 To</u>	
		<u>Dec.31/07</u>							<u>2012</u>	<u>2013</u>	<u>To 2013</u>	<u>2018</u>	
												<u>EFC</u>	
External Costs	- Contract Payments		136	11,800	19,900	7,900	7,000	6,700	46,736	53,300	53,436	-	53,436
	- Equipment Purchases		0	1,000	1,260	1,000	627	900	3,887	4,787	4,787	-	4,787
	- Travel / Training		0	330	70	70	70	12	540	552	552	-	552
	- Other		0	40	150	150	20	20	360	380	380	-	380
TTC Costs	- Salaried Labour		6	50	50	50	50	26	206	226	232	-	232
	- Hourly-rated Labour (05 CC)		0	64	228	229	28	36	549	585	585	-	585
	- Hourly-rated Labour (07 CC)		0	0	0	0	0	0	-	-	-	-	-
	- Material		0	80	15	15	15	15	125	140	140	-	140
Contingency			4	963	1,367	1,266	800	991	4,400	5,387	5,391	-	5,391
Prior Year Costs / Foreign Exchange Contingency		7		740	1,260	-	-	-	2,000	2,000	2,007	8,700	10,707
Total Budget Request		7	146	15,067	24,300	10,680	8,610	8,700	58,803	67,357	67,510	8,700	76,210