



## Supply of OBI Parts

**Date:** October 24, 2019  
**To:** TTC Board  
**From:** Chief Executive Officer

### Summary

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The purpose of this report is to obtain procurement authorization for the supply of OBI (Orion Bus Industries) parts for a three-year term. These parts are required to maintain the TTC’s Orion VII bus fleet.

### Recommendations

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It is recommended that the TTC Board:

1. Authorize issuing a contract to The Aftermarket Parts Company, LLC (otherwise known as New Flyer) in the total upset limit amount of \$7,623,000 CDN, including applicable taxes for the supply of OBI parts for the period November 1, 2019 to October 31, 2022.

### Financial Summary

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Sufficient funds are included in the TTC’s 2019 Operating Budget as approved by City Council on January 24, 2019. Funds will be included in future budgets based on each year’s anticipated usage requirements and subject to the annual budget approvals. The inventory parts will be charged to the appropriate department budget at the time of issuance from TTC Stores. Anticipated usage requirements, under this contract by year are as follows:

	2019	2020	2021	2022	Total
Anticipated part requirements	\$369,000	\$2,223,000	\$2,296,000	\$1,976,000	\$6,864,000
Rebateable portion of HST	\$41,000	\$246,000	\$254,000	\$218,000	\$759,000
<b>Total</b>	<b>\$410,000</b>	<b>\$2,469,000</b>	<b>\$2,550,000</b>	<b>\$2,194,000</b>	<b>\$7,623,000</b>

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **Equity/Accessibility Matters**

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No equity or accessibility impacts were identified.

## **Decision History**

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At its meeting on September 28, 2015, the TTC Board authorized the award of a three-year contract for the supply of OBI bus parts to New Flyer Industries Canada ULC (New Flyer).

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/September 28/Reports/Procurement Authorization Supply of OBI Parts.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/September%2028/Reports/Procurement%20Authorization%20Supply%20of%20OBI%20Parts.pdf)

The contract was extended to October 31, 2019 under staff authority and no additional funds were added as sufficient funds remained in the contract.

## **Issue Background**

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In 2013, New Flyer purchased the assets of Daimler's aftermarket parts division, including the proprietary rights for its OBI parts. As a result, New Flyer became the exclusive supplier and the only approved source of supply for OBI parts.

The TTC has an ongoing requirement for various OBI bus parts (actuators, shafts, rods, sensors, etc.) that are used on the TTC's fleet of Orion VII buses. These parts are required for maintenance purposes on Orion VII buses in order to ensure their functional reliability and safe operation.

## **Comments**

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A Request for Bid (RFB) was issued on July 2, 2019 for the supply of OBI parts to New Flyer on the basis of sole source. The RFB requested pricing for 574 parts for a three-year term out of which 567 items are being recommended for award. Seven parts are not being recommended for award as New Flyer is not able to provide pricing at the present time. These parts may be added on to the contract based on a future request.

The initial total bid value was \$6,360,047.38 for 567 parts. A price comparison of New Flyer's bid prices with the last purchase prices of the recommended items was conducted and revealed an overall increase of 3.20% during the first year of the contract, an overall increase of 3.31% in year two compared to year one pricing and an overall increase of 3.31% in year three compared to year two pricing.

Staff negotiated reduced pricing with New Flyer. Based on the negotiated pricing, a second price comparison of New Flyer's bid prices with the last purchase prices of the recommended items was conducted and revealed an overall increase of 3.09% during the first year of the contract, an overall increase of 3.31% in year two compared to year one pricing and an overall increase of 3.24% in year three compared to year two pricing. New Flyer advised that they have offered their best prices and could not reduce pricing any further.

Staff investigated the reason for the increase and determined it was mainly attributed to the increased cost of raw materials, the USD-CAD currency exchange rate, large tariff charges on steel sourced from overseas vendors as well as the cost increases that New Flyer claimed to have incurred from its suppliers during the term of the current contract (which was established in 2015 for a three-year term and was extended for one additional year at the same contract pricing). New Flyer advised these increased costs were absorbed by New Flyer and not passed onto the TTC.

The recommended contract amount includes an approximate 20% contingency to cover variances between forecasted and actual usage over the contract period and new parts not yet identified, which may be added during the contract term.

## **Contact**

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## **Signature**

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Richard J. Leary  
Chief Executive Officer