



Procurement Authorization – Sale and Removal of TTC Buses

Date: December 7, 2023 (deferred to December 20, 2023)

To: TTC Board

From: Chief Financial Officer

Summary

The TTC has an ongoing requirement for the removal of surplus decommissioned TTC buses. As buses reach the end of their useful service life, they are withdrawn from TTC's revenue service, declared surplus, decommissioned and removed from TTC property.

The schedule of retiring and removing buses is based on the predetermined fleet retirement plan or in the case of a significant accident where the cost to repair the vehicle is considered excessive.

The TTC's Bus Maintenance and Shops Department prepares buses for decommissioning by draining vehicle fluids, replacing operational tires with scrap tires, removing radio equipment, and any other elements that can be repurposed. Once decommissioned, the buses are typically sold to a third party and removed from TTC property.

Since market demand is low for the purchase of TTC's surplus buses with the intent to run the buses in commercial operations, most of the companies that typically purchase TTC buses are scrap and recycling dealers.

The purpose of this report is to obtain authorization to award a revenue-generating contract for the sale and removal of up to 915 TTC buses for a five-year term to Langille's Scrap & Cores Inc.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of a contract for the sale and disposal of up to 915 TTC buses for a five-year term commencing upon notification of award to Langille's Scrap & Cores Inc. in the total amount of \$5,673,283.65 in revenue proceeds, inclusive of HST.

Financial Summary

The annual revenue based on anticipated sales under this contract is shown in Table 1 below:

Table 1: Anticipated Annual Revenue

Revenue (\$)	2024	2025	2026	2027	2028	Total
Anticipated Revenue	3,006,876	696,849	0	192,045	1,124,835	5,020,605
HST (remittable)	390,894	90,590	0	24,966	146,229	652,679
Total	3,397,770	787,439	0	217,011	1,271,064	5,673,284

The anticipated revenue is based on the current decommissioning plan. However, actual revenue will be based on the actual rate the buses are deemed surplus and decommissioned.

Given the fluctuations and uncertainty of these revenues, revenue from sale proceeds will be budgeted as ancillary revenue with a corresponding budgeted contribution to the TTC Stabilization Reserve so as not to impact the Operating Budget on a net basis year over year. Actual revenue realized on an annual basis will be contributed the TTC Stabilization Reserve and directed to future bus maintenance needs.

Equity/Accessibility Matters

A cornerstone of the TTC's current Corporate Plan is accessibility, and as a proud leader in providing accessible public transit in the City of Toronto, the TTC is committed to ensuring reliable, safe, and inclusive transit services for all our customers.

The removal of decommissioned buses aligns with the delivery of new, modernized buses that continue to offer reliable, safe and accessible transit services to the riding public.

Decision History

The current contract for the sale and removal of up to 521 Orion VII TTC Buses was awarded in August 2018 under staff authority to Langille's Scrap & Cores Inc. in the amount of \$1,989,805.46 in revenue proceeds. The initial contract term was from August 31, 2018 to December 31, 2019, and at that time it was anticipated all 521 buses would be declared surplus, decommissioned and removed by the end of 2019. However, the contract allowed for extensions and indicated that the rate at which the TTC surpluses and decommissions buses, and hence the schedule at which the company is to remove the buses is subject to change.

Under staff authority, an amendment was issued in February 2019 to permit the removal of three Orion V buses, thereby increasing the revenue by \$6,000 and increasing the total bus quantity to 524.

Unforeseen delays in obtaining new buses, including COVID-19-related supply chain delays, contributed to changes in the schedule, and the final remaining buses under the contract were removed in October 2023.

Under staff authority, an amendment was issued to allow for the continued removal of up to 300 additional buses, from 524 to up to 824 buses, to ensure business continuity. This would result in additional revenues of up to \$1,989,805.46 and permit removal of buses up to April 30, 2024. However, subject to the approval of this report, and commencement of the new contract, the current contract will be closed out forthwith.

Issue Background

Upon reaching the end of their service life, buses are declared surplus by TTC and decommissioned; the buses are then provided to an external contractor for removal from TTC property and further processing.

The final disposition of these end-of-life vehicles must be done in compliance with Ontario Ministry of the Environment, Conservation and Parks (MECP) requirements.

Upon removing the buses from TTC property, the contractor's practice is as follows:

- De-Electrify (Hybrids or Electric vehicles).
- De-Pollute
 - Removal of all dangerous materials; and
 - Trained professionals ensure proper handling and disposal of any hazardous components.
- Dismantle
 - Extract valuable components, such as tires, windows, catalytic converters;
 - Each part is then prepared for its specific recycling process, optimizing resource recovery (i.e. sold or repurposed) and minimizing waste;
 - Tires are stripped from rims and sent to a tire recycling facility where the tires are broken down and the materials are separated for new production; and
 - Batteries recycled at the contractor's facility are all sent to in-country refineries, where they are broken down further and remanufactured to new batteries, diverting them from landfill.
- Destruct
 - When only the metal frame remains the destruction process begins, which focuses on recycling the metals; and
 - Focus is on repurposing and recycling as many components as possible.

All recycling is done following the guidelines of the MECP, and all recycled materials are sent to local companies that specialize in specific materials for remanufacturing.

Comments

Earlier in 2023, staff expected that the last of the 524 buses under contract would be removed from TTC in Q4 2023. In preparation for establishing a new contract, a Request for Information (RFI) regarding the sale and removal of decommissioned TTC buses was publicly advertised on the Merx and Bonfire websites on April 6, 2023. The purpose of the RFI was to obtain feedback from the market in order to assess the TTC's requirements, identify potential companies that would be interested in bidding, and to ensure the future RFB was aligned with what the market can support.

Companies were requested to respond to various questions about their capacity, processes, and MECP registration status. Additionally, companies were asked to identify factors that may impact bid pricing, and the benefits of long-term contracts with higher volume, as well as comment on any additional information that may be critical in order for companies to submit a bid or conduct the work.

Two companies submitted responses to the RFI questions. The RFI results showed that the specifications were substantially sufficient and in line with what the services offered in the market. Based on the RFI results, the future RFB would:

- Separate the vehicles into two categories of bus removal for more bidding options:
 - Category 1 – Orion VII buses; and
 - Category 2 – Nova buses.
- Require the bidder to have an MECP registration number, which is to be provided with their bid submission.

A Request for Bids (RFB) was publicly advertised on the MERX and Bonfire websites on July 28, 2023 for the sale and removal of various TTC buses for a five-year term. Two bids were received and the bid validity date is March 31, 2024.

The RFB included categories of buses as follows:

Table 2: Category Details

	Item	Estimated Quantity	Description
Category 1	1	175	2006-2008 Orion VII Low-Floor Hybrid (with Hybrid components)
	2	175	2006-2009 Orion VII Low-Floor Hybrid (without Hybrid components)
	3	315	2006, 2007, 2010-2012 Orion VII Clean, Low-Floor Diesel
	Item	Estimated Quantity	Description
Category 2	4	250	2015-2017 Nova Low-Floor (40-foot) Clean Diesel
	5	To be sold due to collision only	2014 Nova Low-Floor Articulated (60-foot) Clean Diesel

Bidders had the option of quoting on any or all of the categories.

The RFB required that the bidder agree to provide financial contract security in an amount of at least 15% of the total bid value, either via a bond or irrevocable letter of credit.

Langille's Scrap & Cores Inc. (Langille's) submitted a compliant bid, quoted on all items, and their total offer was \$5,673,283.65 (revenue-generating) inclusive of HST. Langille's is the incumbent service provider, has satisfactorily performed this work for the TTC, and they are recommended for award of the contract.

Triple M Metal LP (Triple M) submitted a bid. However, they did not provide the mandatory agreement to provide contract security in an amount of at least 15% of the total bid value. Consequently, Triple M's bid was considered commercially non-compliant and was not considered further.

Three companies that did not bid provided the following reasons:

- Westbrook Metals Inc. stated that due to workload responsibilities they did not submit a bid.
- Beeton Truck and Auto Wreckers Ltd. stated they were not interested in this request.
- City View Vehicles stated they were not interested in this bid as they only wanted to buy a handful of buses and not the entire lot.

The new contract will cover the removal of Orion VII buses and Nova buses, whereas the current contract only covers Orion buses. As such, a sales price comparison was conducted on the new bid offer for Orion VII buses, which revealed the bid for the new proposed contract is, on average, 61.24% higher than the contract revenue for Orion VII buses that was established in 2018.

The term of the contract will commence upon notification of award for a period of five years. After the five-year period, if the removal of all buses under the contract are not complete, the TTC may extend the contract period to allow for the removal of all buses or determine whether it is favourable to issue a new RFB. As before, the schedule of removals is subject to change based on the TTC's fleet retirement plan, which is co-ordinated with the arrival of new TTC buses.

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Signature

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