TO: Chair and Members  
Public Works Committee  
WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: January 17, 2011

SUBJECT/REPORT NO:  
Vendor Approval Requests - PW11010 - (City Wide)

SUBMITTED BY:  
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RECOMMENDATION:

That staff of the Transit Section be authorized to use Purchasing Policy 11 to single 
source from the following original equipment suppliers (OEM) for parts to maintain and 
repair Revenue Transit Vehicles for the 2011 calendar year:

(a) New Flyer Industries, estimated at $675,000,
(b) Harper Power Products, estimated at $550,000,
(c) Cummins Eastern Canada, estimated at $410,000,
(d) Tarten Equipment, estimated at $265,000.

EXECUTIVE SUMMARY

The Transit Fleet consists of 217 Revenue Transit Vehicles (buses). Replacement of 
Revenue Vehicles in 2011 is budgeted at $8,261,000.

The Transit Fleet consumes a high volume of parts and some services to operate in a 
state of good repair. This satisfies a number of goals related to health and safety, cost-
efficiency, service delivery and customer satisfaction.

The Transit Industry differs from general automotive parts procurement in that there are 
a limited number of Vendors who provide OEM parts and services for buses. To 
maintain competitive pricing and service, the Transit Fleet deals with a number of 
outside vendors to supplement the in-house work force.
Four vendors will meet the requirement to obtain Council approval for a request to use Purchasing Policy 11 authorizing the use of a single source for repairs and maintenance. The remainder of Vendors above the $5,000 threshold and below a $50,000 limit continue to be used until the Metrolinx contract is in place.

Alternatives for Consideration - See Page 3

### FINANCIAL / STAFFING / LEGAL IMPLICATIONS

**Financial:** There are no financial implications. Adequate budget has been proposed in our 2011 tax-supported operating budget.

**Staffing:** There are no staffing implications.

**Legal:** None

### HISTORICAL BACKGROUND

The Transit Division provides approximately 90% of our maintenance and repair services using in house staff operating out of one garage. In house service is provided by 43 mechanics covering seven days a week twenty-four hours a day, three hundred and sixty-five days a year. The remaining work (approximately 10%) is out-sourced due to warranty claim work or occasional severe work load conditions.

Transit has historically used Policy 11 requests to approve business relations with external vendors for the procurement of parts and repairs to buses.

### POLICY IMPLICATIONS

The City of Hamilton Purchasing Policy, Section 4.11, Policy for Negotiations allows for the use of negotiations when a single source for the supply of a particular Good and/or Service is being recommended because it is more cost effective or beneficial for the City.

Single source requests which are $250,000 or greater must have Council approval prior to initiating the negotiation process.

This recommendation aligns with the Public Works Innovate Now Business Plan by ensuring that equipment is maintained and completes its expected lifecycle, and costs are kept to a minimum.

### RELEVANT CONSULTATION

The City’s Purchasing Section has been consulted frequently over the past year to replace Policy 11 requests with contracts. In consultation with the Purchasing section, the Transit Division is requesting that all Policy 11 requests for 2011 be approved via this report until the Metrolinx RFP has been awarded and the successful Vendor in place.
Transit staff is exploring alternatives, with Purchasing, towards a goal of finding a solution that will achieve acceptable purchasing practices without the need to hire additional staff in Transit. There will also continue to be a need to source highly technological, specialized and expensive parts from a limited number of vendors.

With the assistance of the Purchasing Department, a number of informal quotes have been issued by the Transit Division to help reduce the number of Policy 11’s required.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

It is essential that a Transit Fleet be repaired using OEM replacement parts identical to those installed on the bus at the time of its manufacture to maintain the level of mechanical integrity designed into the bus when constructed. The in service availability, reliability, and safe operation of a Transit bus is dependant on the quality of parts used to repair it. These specialized parts, specific to the bus industry, are not widely supplied through mainstream automotive Vendors. Where there are items that can be supplied through traditional automotive Vendors, contracts and quotes have been issued and are in effect (I.E. filters, fluids, brakes and brake parts).

There are a limited number of Vendors who supply OEM Transit specific parts to the industry. Ongoing maintenance cost efficiencies are best realized by using high quality, exact replacement parts. Buying from these specialized single sources allows us to maintain the bus as built, reduce the number of invoices from multiple vendors, and reduce the number of internal resources required to process payment to suppliers.

The Transit stock room currently inventories over 8,000 parts to maintain our revenue fleet of 217 buses. The bulk of these parts are specific to the make, model, and year manufactured, for the buses they will be used on.

**ALTERNATIVES FOR CONSIDERATION**

Metrolinx is currently constructing an RFP for supply of bus parts as they have for bus procurement. Hamilton is currently a member of the Provincial Bus Procurement Program, and to date the experience has been positive. It was expected that this RFP would have been issued in Q3/4 2010, but due to staff turnover at Metrolinx, their amalgamation with GO Transit, and the municipal elections, the issuance, evaluation and recommendation to award of this RFP will take place in Q1 2011 with a subsequent report to Council by Q3 2011. In the interest of our commitment to achieve compliance with corporate purchasing policy in the shortest time frame staff is recommending pursuit of compliance through the Metrolinx initiative as the most expedient with the added potential for both cost avoidance from the requirement to add staff as well as cost reduction through lower cost bus parts.

Should the Metrolinx RFP be successful, Transit will return to Council seeking approval for the use of Purchasing Policy 4.12, Policy for Cooperative Purchasing.
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

CORPORATE STRATEGIC PLAN


Financial Sustainability
- Financially Sustainable City by 2020
- Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- Full life-cycle costing for capital

Intergovernmental Relationships
- Influence federal and provincial policy development to benefit Hamilton
- Maintain effective relationships with other public agencies

Growing Our Economy
- Competitive business environment

APPENDICES / SCHEDULES

None