



STAFF REPORT ACTION REQUIRED

Procurement Authorization Amendment – Option to Purchase 40 Forty-Foot Hybrid Low Floor City Buses

Date:	October 1, 2008
To:	Executive Committee
From:	Chief General Manager, Toronto Transit Commission Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\Ec08015Fp (AFS #8607)

SUMMARY

In view of the Toronto Transit Commission's (TTC) need for new buses to accommodate ridership growth requirements as scheduled in 2010 and maintain traditional loading standards, to maintain a pool of buses to allow warranty work to be carried out, to advance the replacement of older vehicles in its fleet, as well as to cover the substantial bus production lead time requirements ranging between 18 to 24 months between award and delivery, it is essential that the 40 additional buses are procured at the earliest possible date. Since the option pricing offered by Daimler for additional forty foot buses is deemed to be fair and reasonable, and since all optional buses can be delivered in 2010, staff recommend that the TTC exercise the bus option order for an additional 40 buses in the contract with Daimler, to take advantage of the favourable pricing. This will also ensure that TTC's order can be entered into Daimler's production schedule to prevent any delay in delivery.

RECOMMENDATIONS

The Chief General Manager of the Toronto Transit Commission and the Deputy City Manager and Chief Financial Officer recommend that:

1. Executive Committee consider Report 5(d) entitled “Procurement Authorization Amendment – Option to Purchase Forty-Foot Hybrid Low Floor City Buses” which was approved by the Commission on August 27, 2008 and forwarded to the City Clerk on August 28, 2008 for consideration by Budget Committee at their meeting of September 19, 2008, noting that the award of the supplementary order of an additional 40 forty-foot buses must be exercised no later than October 31, 2008; and
2. Executive Committee authorize a \$17.0 million increase in the project cost of the Replacement of Forty Foot Diesel Buses project from \$70.5 million to \$87.5 million with a 2010 commitment to cash flow funding of \$17.0 million to be financed by Provincial and Federal funding resulting in a zero debt impact to the City and forward to Council for consideration at its October 29 & 30 meeting.

Financial Impact

Total project cost and cash flow funding of \$70.5 million for the purchase of the first option of 80 buses was provided in the 2008-2012 Capital Plan as approved by City Council on December 11, 2007.

The additional 40 buses under the second option have a contract cost of \$28.1 million, but will only require an increase of \$17.0 million in total project cost and cash flow funding in 2010 since savings have been realized through a lower unit cost under the option pricing and after allowing for the GST rebate. Funding for the revised fleet plan for procurement of 120 buses in 2010 is included in the 2009-2013 Capital Program approved by the Commission on August 27, 2008. Funding for the buses will be available under the Provincial OBRP program and from Federal Gas Tax Funding.

DECISION HISTORY

Funding of \$70.5 million for the purchase of 80 buses was included in the budget and future year commitments for the Replacement of Forty Foot Diesel Buses project in the TTC’s 2008-2012 Capital Plan approved by City Council on December 11, 2007. While the 40 buses have been taken from the later five year period into the current five year period to address an earlier need for additions to the fleet, the overall fleet requirements have not increased. In fact, in addition to the reduction post-2012 for the 40 buses advanced into 2010, there is a larger reduction in the requirement for buses in the subsequent 5 years. In total 305 fewer buses will be required over the period 2008-2017 which will have a net savings impact of \$323.6 million in the future bus fleet

requirements. This cost reduction reflects savings in the total quantity of fleet required and a savings in per bus procurement costs.

COMMENTS

The previous 2008 bus fleet plan identified the required procurements of 240 buses in the five years 2008-2012. The current 2009 plan has reassessed this need to be 280 buses during that period. This net increase of 40 buses results in an additional procurement of 40 buses in 2010 as outlined in the following table.

SUMMARY OF BUS FLEET PLAN - PROCUREMENTS	2008	2009	2010	2011	2012	2008-2012	2013-2017	2008-2017
2008 Bus Fleet Plan	190	130	80	30	50	480	425	905
2009 - Bus Fleet Plan	190	130	120	40	40	520	80	600
Change in Procurement Plan	-	-	40	10	-10	40	-345	-305

Further to the addition of 40 buses in the current five year period, a reduction of 345 buses in the subsequent five years results from the above advancement plus the need for fewer buses as new LRT lines are introduced under anticipated Transit City Plans. A net reduction of \$323.6 million in future bus needs is the result.

A comparison of the 2009-2018 Bus Fleet Plan (in the 2009-2018 Requested Capital Plan and Forecast) with the 2008-2017 Bus Fleet Plan (in the 2008-2012 Approved Capital Plan) demonstrates the following significant changes in 2010 requiring an increase in the number of buses purchased:

1. increase in 2010 peak service requirements with the appropriate spare ratio for buses results in a need for 39 more buses, and
2. increase in 2010 warranty and retrofit buses results in a need for 15 more buses

While there is an overall need for 54 more buses in 2010, the procurement request is for only 40 more buses as the bus maintenance department will attempt to manage the fleet with the vehicles available to meet service requirements.

As a result of the favourable pricing for the forty-foot bus offered by Daimler, ensuing negotiations for the procurement of forty-foot buses were focused with Daimler. Daimler have offered to maintain the preferred pricing terms as established in the previously awarded base 2009 delivery order to be applicable to the two optional orders for delivery in 2010 valid for acceptance until October 31, 2008) on the condition that TTC acceptance of either or both of the orders is achieved prior to the validity date-as noted. Thereafter, additional cost increases would be applicable. This purchase addresses emissions requirements, provides a warranty and spares pool to enable service standards to be met and provides the efficiencies of a common fleet.

These fleet plans are also accommodated within the 2009-2018 Requested Capital Plan and Forecast approved by the Commission on August 27, 2008 and submitted to the City.

The current 2009 Bus Fleet Plan reflects the need for an additional 40 buses in 2010 as compared to the previous 2008 Bus Fleet Plan in order to address service increases as well as to accommodate various out-of-service conditions. If these buses are not procured, there will be a shortage of approximately 40 buses for the service that has been projected for 2010. This change to the TTC's bus fleet plan requires the addition of \$17.0 million in project costs and cash flow in 2010.

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SIGNATURE



Gary Webster,
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ATTACHMENT

Attachment 1. Procurement Authorization Amendment – Option to Purchase 120 Forty-Foot Hybrid Low Floor City Buses