

MANAGEMENT REPORT TO METROLINX

Report Title:	Report Back on Transit Procurement Initiative (TPI) Contract Award					
Report Number:	TOT 09-003	Date to Board:	Jan 16/09	Date to Committee:		
Report To:	<input checked="" type="checkbox"/> BOARD		<input type="checkbox"/> ADVISORY COMMITTEE <input type="checkbox"/> AUDIT COMMITTEE <input type="checkbox"/> GOVERNANCE COMMITTEE <input type="checkbox"/> HUMAN RESOURCES COMMITTEE <input type="checkbox"/> TECHNICAL ADVISORY GROUP <input type="checkbox"/> OTHER:			
Report Referred From:	N/A					
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Item Class:	IN CAMERA	<input type="checkbox"/>	DECISION	<input type="checkbox"/>	INFORMATION	<input checked="" type="checkbox"/>

1.0 RECOMMENDATION:

RESOLVED:

THAT report TOT 09-003 on the 2009-2010 Transit Procurement Initiative (TPI) be received by the Board for information.

2.0 PURPOSE & EXECUTIVE SUMMARY:

The purpose of this report is to present to the Board the results of the three requests for proposals (RFPs) that were posted on MERX™ by Metrolinx in August 2008 on behalf of 12 municipalities for the purpose of procuring 9- and 12-metre low-floor diesel transit buses and 12 metre low-floor diesel-electric hybrid transit buses.

3.0 BACKGROUND:

On June 13, 2008, the Metrolinx Board authorized the transition of the TPI from the Ministry of Transportation to Metrolinx and resolved:

THAT the Board authorize the Chair to sign the approval to post on MERX the Request for Proposal for Transit Buses and the three vehicle specifications, one for

each of the three bus types, in accordance with the key principles outlined in report CA-08-012; and

THAT the Board authorize the Chair to enter into the 2009 Master Agreement between Metrolinx and the Supplier selected through the Request for Proposal evaluation process in accordance with the key principles outlined in report CA 08-012;

The Metrolinx 2009 Transit Procurement Initiative builds on the success of the first year of the joint transit procurement initiative in which six municipalities participated in 2007 and eight municipalities participated in 2008. The following twelve municipalities are participating in the 2009 joint procurement: Barrie, Burlington, Cobourg, Durham Region, Elliot Lake, Hamilton, London, Milton, North Bay, Sarnia, St. Catharines, and York Region. Approximately 78% of the up to 160 buses projected to be procured through the TPI are by transit properties in the GTHA (e.g. York Region Transit, Durham Region Transit, Hamilton Street Railway, Burlington Transit, Milton Transit).

In September 2008, after the posting of the RFPs, the Province introduced the Canadian Content Policy (the "Policy"). The deadlines for submission of proposals were extended (Oct. 29/08 for the 12M buses and Nov. 12/08 for the 9M buses) in order to incorporate the necessary changes to the RFP and Master Agreement and to allow potential bidders time to respond.

Under the Policy a minimum 25% Canadian Content requirement was applied to the 12 metre bus procurement. The 9M bus was exempt under the Policy because of concerns regarding the ability to procure this vehicle in an open and fair procurement process where a 25% Canadian content requirement was imposed.

In November 2008, a rigorous four-stage evaluation process, facilitated by Metrolinx and carried out by the fleet managers from participating municipalities was used to evaluate the proposals submitted by bus manufacturers in accordance with the terms of the RFPs. Compliance with each stage of the review was needed for proposals to proceed to the next stage of evaluation. A fairness commissioner was retained to oversee each stage of the procurement and evaluation process to monitor that the process was open, fair, transparent and consistently applied to all proposals received.

4.0 DISCUSSION:

Following completion of the evaluation process and confirmation of its results by the participating municipalities in accordance with the Governance Agreement, in mid-December 2008 contracts were awarded to:

- (a) New Flyer Industries Canada ULC, based in Winnipeg, Manitoba, for the projected supply of an estimated 145 twelve-metre diesel buses and 5 twelve-metre hybrid buses in 2009 and
- (b) to City View Bus Sales located in Toronto, Ontario for the projected supply of an estimated 10 nine-metre diesel buses in 2009. The nine-metre buses are being manufactured by EIDorado National in the U.S.

The total value of these contracts where projected orders are ultimately processed is estimated to be worth up to \$70 million in 2009. The total number of buses being purchased through this joint procurement, pending final municipal budget approvals and execution by each municipality of a municipal bus purchase agreement with the supplier, is anticipated to represent almost one-third of all buses ordered on an annual basis in Ontario.

The contracts awarded are for a one year term with an additional option year. Given the success of the program, it is anticipated that even more municipalities may opt to participate in 2010. Already an additional municipality, Midland, has opted to participate in the 2009 joint procurement of 9-metre low-floor diesel buses. In addition, there is an excellent opportunity for other municipalities that have not issued RFPs or tenders for buses (a requirement of the TPI Governance Agreement) to also participate in the 2009 and/or 2010 procurement, depending on the quantity of buses required and the manufacturers' capacity in their production schedules to accommodate extra bus orders. To date, a number of other municipalities have expressed an interest in participating in the TPI in 2010 for the procurement of 12-metre hybrid buses. Staff will be monitoring bids awarded by municipalities that have not participated in the TPI over the coming months for cost comparison purposes and will report back to the Board with possible recommendations to change the Province's bus replacement subsidy program to ensure effective value for taxpayers dollars.

Early indications, based on recent bid closings, suggest a potential cost savings of up to 8% (or up to approximately \$30,000 per bus), although accurate estimates of such costs savings are difficult to quantify and compare given bus specification variances. Still, other costs savings are realized through procurement process and training efficiencies. The joint procurement of buses frees up transit staff who would otherwise be engaged in the procurement process to focus on other transit initiatives and is of significant benefit to smaller transit properties that do not have the dedicated in-house resources.

Production of the 12M diesel buses are scheduled to start in May 2009; 12M hybrid buses in August 2009 and 9M diesel buses at the end of 2009.

The new buses will have the necessary infrastructure to facilitate the installation of Intelligent Transportation Systems (ITS) such as GPS, next stop announcements, data from bus to garage regarding maintenance issues, and signal pre-emption. Municipalities will be able to add on ITS components that help manage their fleet and provide more efficient transit services. This will also aid municipalities in addressing accessibility needs by making it easier to equip the buses with voice annunciation.

On December 17, 2008 a media event was held in Hamilton at the Parks Canada Discovery Centre to announce the names of the successful bidders. Invitations were sent to Metrolinx Board members, the Minister of Transportation, mayors and transit managers of all participating municipalities, MTO staff and the winning bus manufacturers. Speakers at the media event included Chair Rob MacIsaac, Mayor Eisenberger, Kevin Flynn MPP for Oakville, John Marinucci (CEO, New Flyer Industries Canada ULC) and Ray Burley (Vice President, City View Bus Sales). The event was well attended and well covered by the media in print, radio and TV.

5.0 FINANCIAL MATTERS:

N/A

6.0 HUMAN RESOURCES MATTERS:

N/A

7.0 ENVIRONMENTAL MATTERS:

The proposed buses will comply with or exceed all applicable Canadian Federal and Ontario Provincial regulations, codes, standards, permits, approvals, authorizations, and other requirements (collectively, "Regulations") in effect at the date of manufacture, including but not limited to, CMVSS (Canadian Motor Vehicle Safety Standard), CSA (Canadian Standards Association), the Ontario HTA (Highway Traffic Act) and Ontario Regulation 629 as modified by Ontario Regulation 184/96,s.2. The buses must be designed and manufactured in accordance with all applicable emergency egress, fire safety and smoke emission regulations including, but not limited to, CMVSS 217 and CMVSS 302. The buses must be compliant with all Canadian Federal and Ontario Provincial regulations with respect to engine exhaust emissions.

The engine for the 2009 orders must be certified for and compliant with year 2007 Canadian Federal Emission Standards. The engine for the option year (2010) must be certified for and compliant with year 2010 Canadian Federal Emission Standards.

8.0 COMMUNICATION MATTERS:

N/A

9.0 LEGAL MATTERS:

The relationship between the participating municipalities, and Metrolinx, as facilitator of the procurements, is set out in the TPI Governance Agreement which has been executed between all participating parties. Under the Governance Agreement, a Steering Committee of the participating municipalities was formed to oversee the procurement process. The terms of the RFPs, including the Master Agreements to be executed by Metrolinx with the successful bidders, were reviewed by Metrolinx legal staff, and following review by their own legal and other advisors, thereafter approved by the participating municipalities.

The entire RFP issuance, amendment, evaluation and award process was overseen by a fairness commissioner in accordance with the Governance Agreement. The retention of and reliance upon a fairness commissioner was intended to manage the risk of challenge to the procurement process by disappointed proponents. Prior to the award of contract(s) to the successful bidders, the fairness commissioner provided its written opinion to Metrolinx that the procurements had been completed in a fair, open, and transparent manner thus minimizing the risk of exposure to procurement challenge.

Following evaluation, the award of the Master Agreements by Metrolinx to the successful bidders was ultimately approved by the Steering Committee. Although Metrolinx, as the signatory to the Master Agreement, will be responsible for all contractual and legal responsibilities set out in that document, Metrolinx is not responsible for the placement of orders or payments for buses ordered by participating municipalities. These obligations reside with each individual participating municipality pursuant to the terms of its individually executed Municipal Bus Purchase Agreement with the successful bidder(s).

10.0 CONCLUSION:

The 2009 Transit Procurement Initiative is the largest collective bus purchase in Ontario's history with an estimated projected volume of 160 buses, conditional upon municipal budget approval(s). This is also the first procurement of transit vehicles complying with the provincial Canadian content policy. Metrolinx facilitated this joint transit procurement initiative with its twelve partners using common vehicle specifications and consolidating bus orders which could be valued at up to \$70 million in order to obtain lower prices and reduce administrative costs associated with the procurement process.

Respectfully submitted,

Approved for Submission to the Board



Vince Mauceri, General Manager
Transportation Operations &
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W. Michael Feen, CEO

Appendices:

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*Staff & Others
Consulted:*

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Special Instructions: