



**CITY OF HAMILTON**  
**PUBLIC WORKS DEPARTMENT**  
Transit Division

<b>TO:</b>	Chair and Members Public Works Committee
<b>COMMITTEE DATE:</b>	December 8, 2014
<b>SUBJECT/REPORT NO:</b>	Bus Parts Standardization (PW14118) - (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Mark Selkirk Vehicle Maintenance Supervisor (905) 546-2424, Extension 5968
<b>SUBMITTED BY:</b>	Gerry Davis, CMA General Manager Public Works Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the original equipment products and service and their respective single source suppliers identified below be approved, in accordance with the City's Procurement Policy #14 - Standardization;
- (b) That the General Manager of Public Works, or his designate, be authorized to negotiate a house account with Cummins Eastern Canada, New Flyer Industries, NOVA Bus, Wajax(Authorized Allison Hybrid Drive Parts and Equipment Supplier), and Garival(Fare Collection Device Provider).

**EXECUTIVE SUMMARY**

On October 31, 2014, the Metrolinx TIMS (Transit Inventory Management System) contract came to an end. Participating municipalities unanimously decided not to renew the contract. While the TIMS project had some successes, overall it was determined the effort to manage it outweighed the benefits to the participants. Prior to the TIMS project HSR would submit numerous Policy 11's (Single and/or Sole source) to procure parts from various vendors that were either the OEM, sole supplier, or the distributor within South Western Ontario. Resorting to this prior practice is not conducive to transit operations and as a result of consultation with the Procurement Section, this standardization approach is being recommended.

The purpose of this report is to provide Transit with the ability to create house accounts with suppliers who are the sole, and/or authorized distributor of proprietary bus parts and equipment within South Western Ontario service area.

As of the end of 2013 the Transit Maintenance Section services 221 buses.

Of this, 214 buses are manufactured by New Flyer Industries, 216 are powered by Cummins diesel engines, and there are 28 buses with Allison hybrid drive systems. The remainder of the fleet uses Caterpillar engines and the most recent Metrolinx tender for Transit buses was awarded to NOVA Bus. All buses in the Transit fleet are equipped with Garival fare boxes.

The 2014 Parts budget for the repair and maintenance of these vehicles is \$4.5 million. The Transit Fleet processes approximately 18,000 work orders annually for internal services to repair vehicles and equipment. Transit also issued over 30,000 parts in 2013 for direct vehicle repairs.

The supplier base that the Transit Fleet uses is complex and uses various supply chain strategies to have supply of parts and services available to their customers. This includes exclusive distribution rights to geographical areas and levels of pricing according to whether the buyer has redistribution rights, is a service provider or is an end user.

Our fleet size brings excellent economies of scale resulting in greater buying power. We can leverage that advantage by committing to standard components where City operating departments can realize familiar operating parameters, reduce training costs and allow Transit Fleet to control inventory costs. Transit Fleet continues to seek methods to reduce staff time in the preparation of documents while ensuring compliance with Procurement Policy By-Law 13-317 and to provide safe, reliable and available for revenue service vehicles. By following Procurement Policy 5.2 Request for Quotations and Policy 5.3 Request for Tenders, the Transit Fleet is attempting to minimize the use of Policy 11 - Non-competitive Procurement documents.

Procurement Policy #14 provides guidelines for standardization. Standardization is a management decision-making process that examines a specific common need or requirement and then selects a good and/or service that best fills that need to become the standard. Where multiple sources are available for a standardized part or equipment the applicable procurement document will be issued for competitive bids.

Through a variety of sources including trade shows, periodicals, other municipalities, sales representatives and Fleet industry organizations the market place will be monitored for new industry practices and suppliers to ensure the recommended brands and sources of supply contained in the report remains current, in the City's best interest and in compliance with current applicable policy.

***Alternatives for Consideration - See Page 4***

## **FINANCIAL - STAFFING - LEGAL IMPLICATIONS**

Financial: None

Staffing: No additional staff are required as a result of the recommendations in this report.

Legal: None

## **HISTORICAL BACKGROUND**

At the end of 2013 Transit Maintenance services 221 vehicles. The 2014 budget to provide parts for these buses was \$4.5 million.

The Transit Fleet garage operation carries an inventory of parts and materials to expedite repair and maintenance operations. The inventory includes in excess of 8,000 “stock keeping units” or SKUs which can include numerous brands and manufacturers of the same component. By standardizing vehicles, equipment and parts, it may be possible to reduce the number of SKUs.

A straightforward and equitable process must be in place to ensure that all of these 8,000 SKU’s are the most cost effective and reliable products available. Standardizing on known reliable brands will prevent inferior components from infiltrating the inventory and disrupting reliability.

HSR has been part of the Metrolinx parts procurement contract since November 2011 and that contract will be fulfilled in 2014. Municipalities who were partnered in the contract voted to terminate the contract at its completion and to not extend it over the option years. While the promise of a single source for all Transit parts for multiple municipalities was the ideal, in practice this proved to be an unachievable task.

HSR will now move forward with procuring its parts inventory in accordance with Procurement Policy By-Law 13-317 as it had prior to the Metrolinx initiative.

The Procurement Section has also indicated a willingness to share our documents with neighbouring municipalities that may be interested in adding their requirements to our tenders as we issue them. This may further increase our economies of scale and further reduce costs.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Procurement Policy 14

Public Works Strategic Plan: By keeping our vendor approval procedure up-to-date, we create smart processes that meet our needs.

## **RELEVANT CONSULTATION**

Corporate Services Department, Financial Services, Procurement Section

## **ANALYSIS AND RATIONAL FOR RECOMMENDATION**

The required parts to repair existing equipment or components that have reached the end of its economical service life have been given considerable attention. Management seeks to improve the efficiency and productivity of service delivery and create a positive work environment. Front-line employees who operate the equipment know from experience those aspects which maintain an ease of operation, stable functionality and an acceptable health and safety standard. Providing components where questionable reliability, unfamiliarity of new technology and concern for failures may otherwise distract staff from performing safe work or executing safe driving duties supports the need for the standardization of supply of goods.

Report PW09074b entitled Standardization of Fleet Equipment and Parts was approved by Council on September 10, 2014. Council has previously given approval to standardize the procurement of various pieces of equipment for Central Fleet, as well as the parts and services to repair them. None of these approvals have resulted in adverse outcomes for the City, and have improved our expertise in maintaining equipment reliability and in-service time.

A similar request for standardization from HSR was submitted in Report PW09064 and was approved by Council in June 2009.

### **ALTERNATIVES FOR CONSIDERATION**

A traditional approach to purchasing municipal goods and services is to follow a competitive bidding process and award orders to the lowest-cost bid that meets specifications. This results in a transparent process that is fair for all potential bidders, by reducing the variables to focus on acquisition cost alone. For reasons outlined in this report, following that process is not recommended.

In some cases, this process can have adverse outcomes for complex systems like the fleet. The overall cost of ownership for a certain type of equipment can vary greatly due to the amount of maintenance required and in the quality and supply of parts. Inferior equipment or poorly manufactured parts impairs a unit's ability to operate efficiently. It will be out-of-service more often and put the delivery of municipal services at risk of failure. It will recover less money on disposal, raising the total cost of ownership. It may also affect the use of resources like fuel, insurance and training of staff.

### **ALIGNMENT TO THE 2012 - 2015 STRATEGIC PLAN**

#### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

#### **Strategic Objective**

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

#### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.
- 2.3 Enhance customer service satisfaction.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.
- 3.2 Build organizational capacity to ensure the City has a skilled workforce that is capable and enabled to deliver its business objectives.
- 3.3 Improve employee engagement.
- 3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES AND SCHEDULES ATTACHED**

None