

# Sole Source Approval 2019 - 2022 Diesel Bus Engine Purchase

## Recommendation

That a sole source agreement, as outlined in the November 28, 2018, City Operations report CR\_6245, for an amount not to exceed \$10.5 million CAD including GST, for a four-year term with fixed pricing, between the City of Edmonton and Cummins Canada ULC, be approved, and that the agreement be in form and content acceptable to the City Manager.

## Executive Summary

As per City Administration Bylaw 16620, all sole source agreements exceeding \$500,000 require approval by the appropriate Council committee. This report outlines Fleet and Facility Services' diesel bus engine purchase requirements and the rationale for a sole source agreement between the City and Cummins Canada ULC. This report requests approval to execute a contract with Cummins Canada ULC for the purchase of diesel bus engines over the 2019-2022 budget cycle.

Transit Fleet Maintenance, as part of Fleet and Facility Services, is responsible for the preventative maintenance, repairs and daily cleaning of approximately 1000 City of Edmonton buses. The section ensures that the bus fleet is safe, reliable, clean and meets the transportation needs of citizens. Comprehensive bus engine maintenance or replacement is required to ensure reliability, reduce maintenance costs and optimize the lifecycle cost of transit buses.

## Report

There are currently two programs providing the maintenance or replacement of transit bus engines:

1. The Midlife Refurbishment Program, which increases reliability and extends the bus lifecycle from 12 years to 18-20 years through engine and body replacements to ensure optimal capital investment in the City's buses. The Midlife Refurbishment Strategy is funded by an approved capital profile.
2. Regular maintenance that addresses unplanned engine failure replacements that are not covered under warranty and do not qualify for the Midlife Refurbishment Program, either due to mileage or the age of the bus, is funded through the approved operating budget. Original Equipment Manufacturer (OEM) engines are

available from Cummins Canada ULC and have advantages over rebuilding or repairing existing engines, including labour savings estimated at 40 hours per engine plus a two-year warranty coverage period.

**2019 - 2022 Engine Requirements**

The majority of the current fleet of conventional 40 and 60 foot low floor buses are equipped with Cummins diesel engines. As these buses are manufactured with this specific engine brand and size, it is not possible to change the engine size or model due to the associated costs and engineering and design limitations. No alternatives are available from other suppliers that meet the City’s fleet requirements, as this is a proprietary product with defined distribution networks. Regular bus maintenance and the Midlife Refurbishment Strategy both involve a full engine replacement. However, the Midlife Refurbishment is planned and extends the useful life of the bus.

Over the 2019-2022 time period, 209 mechanical Midlife Refurbishments are scheduled. Additionally, an estimated 80 replacement engines are required for the regular bus maintenance program.

Executive Committee granted annual approval for the purchase of engines with a sole source agreement for the years 2012 to 2015. In 2016, a three-year approval for the purchase of engines was granted for the 2016-2018 budget cycle. This report requests approval for a four-year sole source agreement with Cummins Canada ULC.

**Financial Impacts**

The Midlife Refurbishment Strategy is being recommended to be funded from the Bus Fleet and Equipment Rehab and Replacement Capital Profile (CM-66-3600) in the 2019-2022 budget cycle. Unplanned engine maintenance and replacement are expensed and funded from the Edmonton Transit Approved Operating Budget.

**Legal Impacts**

The City is subject to the New West Partnership Trade Agreement (NWPTA), the Canadian Free Trade Agreement (CFTA), and the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). Due to the value of the proposed procurement, all three trade agreements apply and would require open competitive processes, unless one or more exemptions exist under each agreement. It is the opinion of Administration that there are exceptions to each applicable trade agreement and an open competitive process is not required for this contract. The exceptions being applied are as follows:

Trade Agreement	Exception
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<b>NWPTA</b>	Part C. Section 2(g) Procurements where it can be demonstrated that only one supplier is able to meet the requirements of a procurement.
<b>CFTA and CETA</b>	Under Article 513 of CFTA and Article 19.12 of CETA:  b.if the goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute goods or services exist for any of the following reasons:... ii. the protection of patents, copyrights or other exclusive rights; or iii. due to an absence of competition for technical reasons;

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Edmontonians use public transit and active modes of transportation.</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City has the fleet required to deliver approved programs and services	Transit Bus Availability (book out)	100% compliance to bus availability target	100%

**Risk Assessment**

<b>Risk Element</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Score (with current mitigation s)</b>	<b>Current Mitigations</b>	<b>Potential Future Mitigations</b>
Suppliers	Supplier failure to deliver results in delays and increased costs	3 - possible	2 - moderate	6 - low	Performance application tool, Contract Management, Risk transfer to suppliers in contracts	Contract Management Program, Directives and Policy
Technology /Equipment	Equipment failure results in business disruption, increased costs, and safety hazards	4 - likely	2 - moderate	8 - moderate	Preventative Maintenance, Staff training, Procurement standards, Warranties, Reporting systems	N/A

**Others Reviewing this Report**

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services

