

## SOLE SOURCE APPROVAL - DIESEL BUS ENGINE PURCHASE

### RECOMMENDATION

That a sole source agreement, as outlined in the June 1, 2022, City Operations report CO01233, for an amount not to exceed \$12.5 million CAD including GST, for a four-year term beginning January 1, 2023, through to December 31, 2026, 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.

### Report Purpose

#### Council decision required

Council is being asked to approve a sole source agreement with Cummins Canada ULC to procure bus engines over the 2023-2026 budget cycle.

### Executive Summary

- Safe and well-maintained buses are key to realizing the goals of ConnectEdmonton and the City Plan.
- Administration requires approval to enter a sole source agreement with Cummins Canada ULC to purchase diesel bus engines over the next four-year budget cycle.
- Over the 2023-2026 time period, 120 mechanical Midlife Refurbishments are scheduled. Additionally, an estimated 192 replacement engines are required for the regular bus maintenance program.
- The City of Edmonton's diesel 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, engineering and design limitations.
- Cummins Canada UCL is the only supplier that makes the diesel engines that fit the engine space in the existing bus fleet.

### REPORT

As per City Administration Bylaw 16620, all sole source agreements exceeding \$1 million require approval by the appropriate Council committee. This report outlines Administration's diesel bus

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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 2023-2026 budget cycle.

City Operations is responsible for the preventative maintenance, repairs and daily cleaning of approximately 1,000 City of Edmonton buses and ensures that the bus fleet is safe, reliable, clean and meets the transportation needs of riders. Comprehensive bus engine maintenance or replacement is required to ensure reliability, reduce maintenance costs and optimize the lifecycle cost of transit buses.

There are currently two programs (one capital and one operating) providing the maintenance or replacement of transit bus engines:

1. **Capital:** The Midlife Refurbishment Program 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 the existing Bus Fleet and Equipment Rehab and Replacement Capital Profile (CM-66-3600) that is recommended for funding in the 2023-2026 Capital Budget.
2. **Operating:** In addition to the capital program, 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, the age of the bus, or other types of failure, is funded through the approved Edmonton Transit Service 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.

The City is in the process of replacing the transit fleet with buses that use non-diesel fuels. This involves new purchases, significant infrastructure investments and upgrades to support this shift in fleet composition. During this transition, the City must continue to make the best use of the existing fleet, and engine-replacement extends the useful life and maximizes the investment in existing assets to keep transit service operational at levels that Edmontonians need and expect. Approval of this agreement does not deviate from the journey towards electrification and energy transition.

### **2023-2026 Engine Requirements**

The majority of the current fleet of conventional 30, 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 2023-2026 time period, 120 mechanical Midlife Refurbishments are scheduled. Additionally, an estimated 192 replacement engines are required for the regular bus

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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 and a four-year sole source agreement was approved by Council for the 2019-2022 budget cycle. This report requests approval to continue a four-year sole source agreement with Cummins Canada ULC for the 2023-2026 budget cycle.

### **Financial Implications**

In 2022, funding for the Midlife Refurbishment Strategy is available through the Bus Fleet and Equipment Rehab and Replacement Capital Profile (CM-66-3600). This Capital Profile is currently approved as part of 2019-2022 Capital budget and will be brought forward as a part of the 2023-2026 proposed capital budget later this fall. Engines replaced outside of the Midlife Refurbishment Strategy are considered an operating expense and funded from Edmonton Transit Service's existing base operating budget, and will be proposed for continuation as a part of the 2023-2026 proposed operating budget later this fall.

### **Legal Implications**

As per the City Administration Bylaw 16620, procurement agreements over \$1 million that do not arise from a competitive procurement process require approval by the appropriate Council committee.

The City is subject to trade agreements that require an open competitive process for procurements of this value, unless a trade agreement exemption applies. For this procurement, the sole source exemption in each trade agreement applies.

## **COMMUNITY INSIGHT**

Edmontonians value safe, reliable and convenient transit service. As Edmonton grows in both geography and population, the demand for increased transit service continues to grow. Key to the success of the transit system is well maintained vehicles and the availability of new units.

### **GBA+**

Public transit provides transportation options for a large variety of equity seeking groups. Key to providing a robust transit service are clean, well-maintained buses that are able to be deployed on time and remain in service with as little downtime as possible. Engine procurement is a pivotal component of the overall success of the transit fleet maintenance program.