

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON TUESDAY, SEPTEMBER 26, 2017
FROM:	KELLY SCHERR, P.ENG, MBA, FEC MANAGING DIRECTOR - ENVIRONMENTAL & ENGINEERING SERVICES & CITY ENGINEER
SUBJECT:	SINGLE SOURCE CONTRACT RENEWAL NAVISTAR ORIGINAL EQUIPMENT MANUFACTURER (OEM) REPLACEMENT PARTS

RECOMMENDATION

That, on the recommendation of the Managing Director - Environmental & Engineering Services & City Engineer,

- a) Approval **BE GIVEN** to exercise the single source provisions of the Procurement of Goods and Services Policy under sections 14.4 (d) and (e) to renew the contract with Carrier Centres, 90 Enterprise Dr. London Ontario N6N1A8 for the supply and delivery of Navistar original equipment manufacturer (OEM) replacement parts for City owned trucks for a four (4) year contract with an option to renew for one (1) additional year;
- b) The negotiated price of 1% discount (net 30 days) off the Navistar National Pricing List for all Navistar inventoried and non-inventoried OEM parts **BE ACCEPTED**. Electronic National Price List to be provided on a quarterly basis to the City of London Purchasing and Supply Division from Carrier Centres;
- c) Civic Administration **BE AUTHORIZED** to undertake all administrative acts that are necessary in connection with this contract; and,
- d) Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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The relevant reports that can be found at www.london.ca under City Hall (Meetings) is:

Report to the May 28, 2012 Finance & Administration Committee Meeting, Single Source Navistar Original Equipment Manufacturer (OWM) Replacement Parts (Agenda Item #10)

STRATEGIC PLAN 2015-2019

This report and recommendation is consistent with Council's Strategic Areas of Focus; Leading in Public Service:

Proactive Financial Management

Make sure that finances are well planned to keep costs as low as possible to limit the burden to current and future rate payers.

BACKGROUND

Purpose

The purpose of this report is to seek approval to renew our single source contract agreement with Carrier Centres (Navistar local dealer) for OEM parts for our municipal and fire services equipment thereby securing the best pricing and streamlining our processes to maximize efficiencies and reduce down time.

Discussion/Analysis

Navistar (International) trucks are a popular manufacturer in the municipal equipment sector. Currently 75% of the City's municipal fleet (109 units) and two Fire Department apparatus units are International brand. Maintaining OEM parts in equipment, particularly during warranty periods, is an important piece of the maintenance program.

Currently, truck parts for both preventative maintenance and repairs are purchased throughout the year from Carrier Centres and put into inventory at our automotive stores locations domiciled at each fleet maintenance facility location. Other times, for unplanned repairs and less frequently used parts, orders are made directly to Carrier Centres for non-inventory parts to draw from their larger manufacturer inventories. The current contract expired on July 31, 2017. Carrier Centres agreed to continue all terms and conditions beyond this date while City staff completed its review. The additional time allowed for additional negotiation and consolidation of some smaller individual contracts (ex. truck filters) with Carrier Centres reducing duplication and standardizing terms for 2018 and future years.

Carrier Centres at 90 Enterprise Dr. London are the local dealer for Navistar OEM parts in this area. The City qualifies for national fleet pricing plus purchasing and supply have been able to negotiate an additional 1% discount (net 30 days) on all purchases within this single source agreement.

There next full service OEM Navistar supplier is in Kitchener, Ontario, about 110 kilometres away (75 minute drive time). Pricing through the Kitchener location will be more expensive because of the freight costs that would be added to parts orders. Both London and Kitchener use the national pricing structure for OEM parts therefore there would be no benefit or savings on OEM parts for the Kitchener location. Based on the volume of parts used and the City's total annual spend in maintenance and replacement parts all standard freight costs are included by Carrier Centers as part of this contract. Carrier Centre is close to our main fleet maintenance facilities, 10 minute drive to the Exeter Road Operations Centre (EROC) and 15 minute drive to the Bathurst Works Yard.

This recommendation is in compliance with our 'Procurement of Goods and Service Policy' as per Section 14.4 Single Source, clauses d and e:

- d. "There is a need for compatibility with goods and/or services previously acquired or the required goods and/or services will be additional to similar goods and/or services being supplied under an existing contract (i.e. contract extension or renewal);"
- e. "The required goods and/or services are to be supplied by a particular supplier(s) having special knowledge, skills, expertise or experience; "

Financial Impact

In 2016 the total expenditure for Navistar OEM parts was \$160,000 (excluding HST). Parts are invoiced to Fleet Services from stores through the work order system.

The annual costs for parts is budgeted within the fleet budget and recovered through the annual rental rates to the programs. Cost experience dictates the rates charged and lower costs for parts produce savings to the service areas over time.

CONCLUSION

Fleet Services and Purchasing and Supply have determined that the single source agreement and negotiations with the local supplier in 2012 have resulted in the competitive pricing and provided value to the City. Maintaining OEM parts to maximize warranties and service agreements is in line with best practices and good asset management. Streamlining processes for our operational and supply chain staff increases efficiency and reduces operational costs and waste by eliminating unnecessary bottlenecks and delays in our processes.

Based on the information and analysis above, Fleet Services in conjunction with Purchasing and Supply, recommend a single source renewal of the Navistar OEM parts contract using the same contractual arrangement; a one (1) year contract with an option to renew for four (4) additional one (1) year periods.

Acknowledgements

This report was prepared with input from Barrie Galloway, Operations Manager, Fleet Services; Don Coleman, Supervisor, Apparatus Division London Fire Service; Steve Mollon, Manager of Stores, Purchasing and Supply; and Ian Harris, Procurement Specialist, Purchasing & Supply.

SUBMITTED BY:	REVIEWED & CONCURRED BY:
MIKE BUSHBY, BA DIVISION MANAGER FLEET & OPERATIONAL SERVICES	IAN COLLINS, CPA, CMA DIRECTOR, FINANCIAL SERVICES
REVIEWED & CONCURRED BY:	RECOMMENDED BY:
JAY STANFORD, MA, MPA DIRECTOR ENVIRONMENT, FLEET & SOLID WASTE	KELLY SCHERR, P. ENG., MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES & CITY ENGINEER

cc: John Freeman, Manager of Purchasing & Supply