

Report to Civic Works Committee

To: Chair and Members
Civic Works Committee

From: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

Subject: SS-2022-299 Single Source Contract Renewal: Navistar
Original Equipment Manufacturer Replacement Parts

Date: November 29, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions **BE TAKEN**:

- 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 Centers, 90 Enterprise Dr. London Ontario N6N1A8 for the supply and delivery of Navistar Original Equipment Manufacturer (OEM) replacement parts on City owned trucks for a one (1) year contract with an option to renew for five (5) additional years;
- b) The negotiated price of 1% discount (net 30) off the Navistar National Pricing List for all Navistar inventoried and non-inventoried OEM parts **BE ACCEPTED**. The Electronic National Price List to be provided on a quarterly basis to the City of London Purchasing and Supply Division from Carrier Centers;
- 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

Executive Summary

Half of the City's medium and heavy vehicles are built with a Navistar (International) truck chassis. To support and maintain eighty-three chassis requires a broad range of OEM replacement parts that facilitate preventive and corrective maintenance activities. Based on the volume and breadth of parts consumed, it is essential for Purchasing and Supply to purchase International Truck parts from the nearest Navistar aftersales dealer.

Purchasing OEM parts through the nearest Navistar dealer provides several financial and service level advantages to the City, including: reducing city held inventory, best in class lead time for parts, prompt emergency repairs, part warranties, and national pricing discounts. This report recommends renewing our single source parts contract with Carrier Centers (90 Enterprise Drive, London) to minimize fleet downtime and ensure our municipal vehicles are running and available to deliver quality services to Londoners.

Linkage to the Corporate Strategic Plan

Leading in Public Service

Londoners experience exceptional and valued customer service

- Increase responsiveness to our customers
- Increase efficiency and effectiveness of service delivery

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Relevant reports can be found at www.london.ca under Council and Committees meetings include:

- Single Source Contract Renewal - Navistar Original Equipment Manufacturer (OEM) Replacement Parts (September 26, 2017 meeting of the CWC, Item# 11)

2.0 Discussion and Considerations

Navistar (International) trucks are a popular manufacturer in the municipal equipment sector. Presently, 50% (83 units) of the City's municipal medium and heavy vehicles are International brand trucks and two Fire Department apparatus units are as well.

Repairing with OEM replacement parts is an important element of our maintenance program, as it ensures the new part is designed to meet the fit-form-function of the part needing replacement, and they are necessary to keep our manufacturers warranties in good standing. Warranty repair claims can be denied if failures or damages are caused by aftermarket (non-OEM) repair parts.

Fleet Services maintenance program must also consider sources of supply for obsolete parts. Navistar's Maxxforce engine is the predominant engine in most (~70%) of our International Trucks. Since the Maxxforce engine was uniquely produced for Navistar trucks and is no longer in production, replacements parts must be purchased directly through Navistar's dealer network.

Currently, truck parts in support of preventive and corrective maintenance are purchased throughout the year from Carrier Centers and put into inventory at one of three automotive Stores locations. Non-inventory parts are typically needed when unplanned urgent repairs are required or to replace parts that are not typically held in inventory (i.e. low failure rate). Non-inventory parts are ordered directly from Carrier Centers in London, who can draw from their larger network of OEM inventory.

Carrier Centers at 90 Enterprise Dr. London is the nearest Navistar dealer of OEM parts. The City qualifies for national fleet pricing with an additional 1% discount (net 30 days) on all purchases under this single source agreement. Carrier Centers, in spite of the global supply chain impacts experienced, has provided favourable and responsive service to support the City's operational requirements.

The next full-service Navistar parts supplier is in Kitchener Ontario, about 110 kilometres away (75-minute drive time). The Kitchener dealer would offer comparable national pricing but with additional transportation costs and longer lead times. Due to the volume of parts consumed by the City standard freight costs are built-in by Carrier Centers as part of this contract. Carrier Centers is close to our main fleet maintenance facilities, a 10 minute drive to the Exeter Road Operations Centre (EROC) and 15 minute drive to the Bathurst Street Yard.

Procurement Process:

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; "

Approval is being requested as per Section 14.5 (a) (ii) of the Procurement of Goods and Services Policy:

- a. Awards which qualify to be considered as a Single Source or Sole Source process require the following approval:
 - ii. Committee and City Council must approve an award greater than \$50,000, unless otherwise permitted by this Policy.

3.0 Financial Impact

The total annual expenditure on Navistar OEM parts in 2021 was \$178,589 (excluding HST). Fleet Services anticipates similar demand and costs for Navistar parts moving forward. All parts are charged to specific fleet assets upon consumption and are funded through the Fleet Maintenance operating budget.

Conclusion

Fleet Services and Purchasing and Supply have determined that the single source agreement and negotiations with the local dealer in 2017 have resulted in competitive pricing and value to the City. Using OEM replacement parts provides performance warranties and in-service support that are in line with best practices and good asset management. Ensuring a timely and uninterrupted parts supply is critical to reducing vehicle repair turnaround time. Streamlining processes for our operational and supply chain staff increases efficiency, reduces operational costs, eliminates unnecessary administration, and reduces the amount of time our International Trucks are out of service.

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 with the following contractual arrangement; a one (1) year contract with an option to renew for five (5) additional one (1) year periods.

Prepared by: Drew Freeman, P.Eng.
Senior Manager, Fleet

Submitted by: Lynda Stewart
Director, Fleet and Facilities

Recommended by: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

cc: Steve Mollon, Senior Manager of Purchasing and Supply