Agenda - Executive Policy Committee - February 19, 2003

Report - Standing Policy Committee on Public Works - February 11, 2003

Item No. 2 Supply and Delivery of Transit Bus Tires - Tender 881-2002
File T(Vol. 4)

STANDING COMMITTEE RECOMMENDATION:

On February 11, 2003, the Standing Policy Committee on Public Works concurred in the administrative recommendation and recommended:

1. That the bid from Bridgestone-Firestone Canada, Inc. be determined to be non-responsive.

2. That a contract for the Supply and Delivery of Transit Bus Tires (Alternative 1) be awarded to Goodyear Canada Inc. in the total conditional amount of $2,611,591.24 plus applicable taxes, the Bidder who submitted the lowest evaluated responsive and qualified bid.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - February 19, 2003

Report - Standing Policy Committee on Public Works - February 11, 2003

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On February 11, 2003, the Standing Policy Committee on Public Works concurred in the administrative recommendation, and submitted its recommendation to Executive Policy Committee and Council.

Re: **Supply and Delivery of Transit Bus Tires – Tender 881-2002**

For submission to: **Standing Policy Committee on Public Works**

Original Report Signed by: **Director of Transit**

Report date: **January 28, 2003**

In Camera Item: **No**

Recommendation(s):

1. That the bid from Bridgestone-Firestone Canada, Inc. be determined to be non-responsive.

2. That a contract for the Supply and Delivery of Transit Bus Tires (Alternative 1) be awarded to Goodyear Canada Inc. in the total conditional amount of $2,611,591.24 plus applicable taxes, the Bidder who submitted the lowest evaluated responsive and qualified bid.

Report Summary

Key Issues:

1. This is the second Tender issued for Transit Bus Tires. No award was made for the previous Tender 589-2002. All Bidders voluntarily withdrew their bids so that a second Tender could be issued in a timely manner, when advised that the administration would be recommending that all bids be determined to be non-responsive.

2. A tender for Supply and Delivery of Transit Bus Tires outlined in this report, Tender No: 881-2002, closed at 12:00 noon, Friday, December 20th, 2002.

3. Goodyear Canada Inc. is the responsible and qualified Bidder submitting the lowest evaluated responsive bid.

Implications of the Recommendation(s):

General Implications

None

For the organization overall and/or for other departments

For the community and/or organizations external to the City of Winnipeg

X Involves a multi-year contract

Comment:

Policy implications

X No

Yes

Comment:

Financial Implications

X Within approved current and/or capital budget

Current and/or capital budget adjustment required

Comment:

Report

Recommendation(s):

1. That the bid from Bridgestone-Firestone Canada, Inc. be determined to be non-responsive.

2. That a contract for the Supply and Delivery of Transit Bus Tires (Alternative 1) be awarded to Goodyear Canada Inc. in the total conditional amount of $2,611,591.24 plus applicable taxes, the Bidder who submitted the lowest evaluated responsive and qualified bid.

Reason for the report:

Approval of City Council is required to award this contract as the total amount to be paid by the City, including PST and GST, exceeds $1,000,000 and it is a multi-year contract.

History:

No award was made for Tender 589-2002. All Bidders voluntarily withdrew their Bids so that a second Tender could be issued in a timely manner, when advised that the administration would be recommending that all bids be determined to be non-responsive.

Amendments were made to the initial Tender, and a second Tender was issued.

Tender Number 881-2002 for the Supply and Delivery of Transit Bus Tires closed at 12:00 noon, Friday December 20, 2002 with two bids being received as follows:

1.	Goodyear Tire Inc. Alternative 1: Excluding all taxes.	$2,611,591.24
	Goodyear Tire Inc., Alternative 2: Excluding all taxes.	No Bid
2.	Bridgestone/Firestone Canada Inc. Alt. 1: Excluding all taxes.	$3,194,437.03
	Bridgestone/Firestone Canada Inc. Alt 2: Excluding all taxes.	$2,808,323.86

Bids are open for acceptance for 90 calendar days until March 20, 2003.

Discussion:

Tender No. 881-2002 is structured to include two alternative tire lease arrangements. Alternative 1 requires the supplier to track the kilometers operated by each tire; payments are based on usage per tire and residual kilometers remaining on tires in the event of premature failures. Alternative 2 does not require the supplier to track each tire; payments are based on fleet kilometers and remaining tread depths in the event of premature tire failures. Bidders were not required to bid on both alternatives. At the end of the lease, all inventory will be bought and paid out over a two year period.

Bridgestone/Firestone Canada, Inc. submitted a bid that should be determined to be non-responsive. The warranty provision, as detailed in the General Conditions Article X – Warranty, states that warranty shall be in place for one (1) year after Total Performance, which, in the case of Transit Bus Tires, will be the delivery date. Bridgestone/ Firestone Canada, Inc. has stated in its bid that once the lease period has been completed and the remaining tire inventory is transferred to the City, all warranty will cease. This is a significant deviation from General Conditions Article X – Warranty, is detrimental to the City, and should not be waived. For example, a tire with only one month of service at the time of transfer to the City will have no warranty rather than eleven months of remaining warranty.

Goodyear Canada Inc. submitted a bid in which the phrase “or otherwise” was removed from the General Conditions Article X – Warranty. Removal of this phrase changes the warranty provision so that only “defects or deficiencies” will be considered warrantable. In terms of transit bus tires, this amendment is considered minor, and should be waived.

The requirements for bid and performance security and the execution of a formal contract were waived for this purchase in accordance with the authority delegated to the

Manager of Materials by the Board of Commissioners on April 9, 1992 and February 9, 1995.

The recommended bidder has, by successfully performing previous work similar in nature, scope and value, demonstrated that they have the necessary qualifications and resources to perform the work of this contract.

It is critical for the City to award a contract to ensure a secure supply of replacement bus tires is maintained. Although a minor exception was taken with the warranty provisions of the General Conditions, it does not materially impact the interests of the City. Therefore, it is recommended that a contract be awarded to Goodyear Canada Inc.

Not directly related to any new tire lease agreement, the City will be left with an obligation on the expiring tire lease agreement. Under the terms of that agreement, the City is obligated to take ownership of the tires being leased by paying an amount equal to the residual value of the tires. This will result in an operating budget shortfall of approximately $60,000 in 2003. However, as disclosed in the Financial Impact Statement, the terms of the new lease agreement provide an adequate budget surplus to cover this shortfall.

Financial Impact Statement:

Project Name: Supply and Delivery of Transit Bus Tires - Tender 881-2002

Date: January 28, 2003 First Year of Program **2003**

	2003	2004	2005	2006	2007
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 278,477	$ 283,698	$ 479,320	$ 576,543	$ 578,138
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 278,477	$ 283,698	$ 479,320	$ 576,543	$ 578,138
Less: Existing Budget Amounts	369,167	426,000	N/A	N/A	N/A
Net Budget Adjustment Required	$ (90,690)	$ (142,302)	N/A	N/A	N/A

Additional Comments: As a result of the contract terms being different than those assumed in preparing the draft operating budget, the department projects having more than sufficient budget in 2003 and 2004 for the transactions arising out of this contract award. This analysis includes the amounts to be expensed in 2003 on acquisition of the presently leased tires.

Manager of Finance & Administration

In preparing the report, there was consultation with and concurrence by:

Legal Services Division
Materials Management Division

This Report Submitted By:

Department Transit
Division Plant and Equipment
Prepared by: Tim VanDekerkhove, P,Eng.
Fax Number: 986-3672
File No.