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Halifax Regional Council
May 29, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Mike Labrecque, P. Eng., Director, Transportation and Public Works


Cathie O'Toole, CGA, Acting Director, Finance

DATE: March 10, 2007

SUBJECT: Needs Based Tendering/Life Cycle Costing

INFORMATION REPORT

ORIGIN

At the meeting of Regional Council, February 13, 2007, staff was asked to examine the possibility of moving from vehicle, or type specific tendering, to needs based tendering for fleet vehicles. It appears that some vehicle tenders may not reflect currently available products.

Staff was also asked to examine, including in vehicle tenders, consideration for life cycle costs of given models, including fuel efficiency, and that more fuel efficient and lower life cycle cost vehicles, (maintenance, fuel, insurance, etc) be given additional points in tender scores.

For both issues, staff was asked to advise what steps were being taken, and will be taken, to move in this direction.

BACKGROUND/DISCUSSION

For large or specific requirement equipment,(i.e. fire truck, large snow plows, buses and police units) tender specifications reflect the operational requirements of the end user first and foremost. Staff spend considerable time and resources on an ongoing basis to research the market for available technology and develop specifications that will ensure that the vehicles selected as a result of the tendering process will perform properly once put in service and meet the business unit's operational needs. In doing this, staff recognize that it is also important to use specifications that are as generic as possible to allow for the greatest competition within the market without compromising the end product. There is also a need to specify certain pieces of equipment like water pumps in Fire trucks for continuity in training, servicing, repairs, and parts inventories. A large difference in manufacturers designs or pump operation can cause problems in the field or in the shop.

These efforts are primarily focussed on the larger and more expensive vehicles which are very important to HRM's core business. In most of these tenders there are multiple businesses that respond to the tender with a bid and usually meet most, if not all specifications. These units are usually produced in minimal quantities and tailored specifications allowing for the most effective build.

Smaller vehicles that are mass produced (cars, vans, small trucks etc.) have tender specifications that are very generic. The units typically bring large numbers of bids and the recommendations to council currently always go to the lowest price meeting specification.

HRM's existing practice is to award tenders for fleet vehicles to the lowest cost bidder meeting specification or highest score proposal in Requests for Proposals, where the cost is generally limited to the initial acquisition cost of the vehicle.

In a short survey of the Province of Nova Scotia and other Canadian Municipalities, namely Hamilton, Montreal, Calgary, Thunder Bay, Moncton, and St John, staff found that many organizations have similar evaluation processes to HRM. Some organizations have included other factors in their evaluation process including:

- Annual maintenance cost
- Fuel Consumption
- Warranty coverage
- Life cycle costing

There are other organizations working on "Green Procurement" policies but we have yet to see how these policies have affected the typical Municipal Tender.

This is an emerging trend and has met with many challenges. Staff has been in contact with other municipalities with the intent to learn from these experiences prior to formulating or implementing an approach. Any evaluation and award process should encompass the needs of

the operational unit that requires the vehicle, the cost associated with the operation of the vehicle, and the fuel economy of the unit. It must also be recognized that for any Municipality changes to the tender or RFP process must be scrutinized carefully prior to implementation to ensure they withstand legal challenge.

It should be noted that staff is committed to adopting sustainable procurement best practices and will be directing efforts in this direction during the next year as part of the Financial Services Business Plan.

BUDGET IMPLICATIONS

As fuel economy or reduction of emissions becomes part of the evaluation and award process for vehicles, this may result in an increase to the initial purchase price of the vehicle but this may be offset by the reduced operating costs associated with the vehicle.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES


There are no recommended alternatives.

ATTACHMENTS

None.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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