




P.O. Box 1749  
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**Item No. 11.1.1**  
**Halifax Regional Council**  
**June 23, 2015**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original signed by 

**SUBMITTED BY:**

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** April 30, 2015

**SUBJECT:** Award Tender No. 14-099 – Tire Leasing Contract

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### **ORIGIN**

The expiration of Halifax Regional Municipality's Transit Tire Lease on August 31, 2015 and the issuance of Tender No. 14-099, Standing Offer to Supply and Deliver and/or Lease Transit Tires.

### **LEGISLATIVE AUTHORITY**

Halifax Regional Municipality Charter, Section 79(1), The Halifax Regional Council may expend money required by the Municipality for (o) public transportation services; and (z) acquisition of equipment, materials, vehicles, machinery, apparatus, implements and plant for a municipal purpose.

Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000 or \$500,000 for tenders and RFP's.

Section 111 (5) of the Halifax Charter requires the Municipality to obtain Ministerial approval for any lease, lease-purchase or other commitment to pay money over a period extending beyond the end of the current fiscal year, where the total commitment exceeds five hundred thousand dollars.

### **RECOMMENDATION**

It is recommended that Halifax Regional Council:

- 1) Award Tender No. 14-099, Standing Offer to Supply and Deliver and/or Lease Transit Tires to the lowest bidder meeting specifications, Bridgestone Canada Inc. at an approximate total cost of \$594,214.88 (net HST included) in Year 1, \$594,214.88 (net HST included) in Year 2 and

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\$612,103.12 (net HST included) in Year 3 (with pricing for subsequent years subject to mutual agreement between the parties and approval of the CAO) with funding from Transit's Bus Maintenance accounts R938 and R963 as outlined in the Financial Implications section of this report;

- 2) Authorize the CAO to execute a lease agreement with Bridgestone Canada Inc. on terms acceptable to the Municipality for a five year term, with options for the Municipality to renew for an additional five one year periods; and
- 3) Direct staff to seek Ministerial Approval to enter into the aforementioned agreement.

## **BACKGROUND**

Halifax Transit buses require five tire sizes and specifications, including mud/snow, ribbed and re-tread options. The current lease agreement for these requirements is due to expire on August 31, 2015. Tender No. 14-099, Standing Offer to Supply and Deliver and/or Lease Transit Tires, was publicly advertised on November 5<sup>th</sup>, 2014 and closed on February 3<sup>rd</sup>, 2015. The resulting agreement will be for a period of 5 years, with the option to renew on a yearly basis based on review of performance and mutually agreeable pricing. Prior to issuing the tender, it was determined through discussions with various vendors that fixed/firm pricing could be provided for the first three years only.

### ***Scope of Tender:***

- Lease or purchase of required tires
- Delivery of tires within 30 days of order
- Inventory Management
- Removal of scrap tires
- Regular reporting on tire mileage and scrap

## **DISCUSSION**

During the tender process it became apparent that one of the requested tires is not common and the availability is low. As a result this option was omitted from the tender by way of addendum in order to allow multiple vendors to submit a bid. The omitted tire, which represents 5% of Transit requirements, will be purchased through a separate solicitation.

Meetings were held with vendors after tender closing to ensure their proposed tires met specifications.

There will be a contract transition period that is anticipated to take place from the time of award to the end of August, 2015.

The tender was evaluated based upon the per kilometre unit prices contained within each of the submissions. After review of alternatives, it was decided to pursue the lease option rather than the purchase option. The following table represents the annual pricing for each submission based upon Halifax Transit's anticipated bus kilometrage.

Leasing Contracts (net HST included)				
	Year 1	Year 2	Year 3	Total
<b>*Bridgestone</b>	\$ 594,214.88	\$ 618,023.76	\$ 642,803.35	\$ 1,855,041.99
Goodyear	\$ 618,246.77	\$ 618,246.77	\$ 630,581.88	\$ 1,867,075.41
Michelin	\$ 625,334.31	\$ 625,334.41	\$ 625,334.31	\$ 1,876,002.94

**\*Recommended bidder.**

Due to budgetary considerations in years 2016/2017 and 2017/2018, negotiations were entered with the lowest bidder meeting specifications (Bridgestone). This resulted in a price reduction for years 2 and 3 as follows.

Leasing Contracts (net HST included)				
	Year 1	Year 2	Year 3	Total
<b>*Bridgestone</b>	\$ 594,214.88	\$ 594,214.88	\$ 612,103.12	\$ 1,800,532.88

**\*Recommended bidder.**

There is flexibility within the resulting agreement to add or remove tire types as requirements may change.

Pricing for years 4 onwards are subject to mutual agreement of the parties, failing which such prices shall be determined by arbitration. After year 3, either party may opt out of the agreement for any reason upon 90 days' written notice to the other party.

### **FINANCIAL IMPLICATIONS**

Based on a total operating cost for year 1 of \$569,793.53 plus net HST of \$24,421.35 for a total of \$594,214.88, funding is available in Halifax Transit's 2015/16 Operating Budget from Bus Maintenance accounts R938 – GL6805 and R963 – GL6805 . Budget availability has been confirmed by Finance.

### **ENVIRONMENTAL IMPLICATIONS**

All tires are properly scrapped by the Contractor or retreaded (reused) where feasible.

### **ALTERNATIVES**

Regional Council may choose not to approve the recommendation in the report; this is not recommended as tires are a necessity in order to provide transit services and the current tire contract will expire August 2015 with Michelin North America (Canada) Inc. In addition, the pricing provided by the recommended vendor; Bridgestone, is lower than HRM's current price per kilometre, providing yearly savings.

### **ATTACHMENT**

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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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