

HALIFAX

P.O. Box 1749
Halifax, Nova Scotia
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Item No. 14.1.1
Halifax Regional Council
January 29, 2019

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: _____
Jacques Dubé, Chief Administrative Officer

DATE: January 3, 2019

SUBJECT: **Sole Source Award – Toromont CAT (Maritimes) – Quote#632-18RGE – HRM Ferries (Christopher Stannix) – Engine Overhaul**

ORIGIN

The 2017/18 Halifax Regional Council approved capital budget for Halifax Transit.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79 Halifax Regional Council may expend money for municipal purposes. The recommended contract award complies with all of the pre-requisites for awarding contracts as set out in section 34 of Administrative Order 2016-005-ADM, the *Procurement Administrative Order*.

Section 25 of the *Procurement Administrative Order*, provides that a Sole Source Purchase may occur:

(a) to ensure compatibility with existing Goods and Services, to recognize exclusive rights, such as exclusive licenses, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representatives.

Section 36 of the *Procurement Administrative Order*, provides that Halifax Regional Council may approve contract awards of any amount.

RECOMMENDATION

It is recommended that Halifax Regional Council award the sole source purchase of the engine overhauls and associated reconditioning of the Christopher Stannix ferry to Toromont CAT for an estimated cost of \$216,577, net HST included, with funding from capital account CM180007 – Ferry Refit, as outlined in the Financial Implications section of this report.

BACKGROUND

The 2017/18 Halifax Regional Council approved budget identifies CVD00436 – Biennial Ferry Refit for the allocation of funds for the Life-cycle repair of Halifax Transit ferry vessels. In 2018, HRM Finance changed CVD00436 to CM180007 – Ferry Refit.

DISCUSSION

CAT is the Original Equipment Manufacturer (OEM) of the engines for Halifax Transit's five ferries, including the Christopher Stannix. As per the OEM recommendations, engine overhauls are to be completed every 10,000 hours of service. The scheduled engine overhaul for the Christopher Stannix was in 2018. It is Halifax Transit's intentions to proceed with this work as soon as possible and with Regional Council's endorsement of the recommendation in this report.

Each ferry is equipped with two C12 Caterpillar Main Engines and two Caterpillar Generators.

The rationale for the Sole Source is the maintenance of specialized technology by CAT. A third-party source could complete the work; however, they would still have to subcontract CAT to provide factor parts and set the electronic parameters and test the shutdowns and alarms as a requirement for Transport Canada, which requires proprietary software from CAT that is unavailable for purchase.

Further, as this will be the first engine overhaul on the new ferries, there are a number of unknowns, which make CAT, the OEM, a preferred vendor. CAT also completed the engine rebuilds on the previous ferries.

The estimate of \$216,577 may vary, as this work, per the quote, notes that any unacceptable cores, reusable components worn or damaged beyond reusability, and any welding or machining if required will be extras to the work.

FINANCIAL IMPLICATIONS

Based on the quoted price of \$207,676 plus net HST of \$8,901, for a total of \$216,577, funding is available in capital account CM180007 – Ferry Refit. Budget available has been confirmed by Finance.

Budget Summary:	<u>Project Account No. CM180007 – Ferry Refit</u>	
	Cumulative Unspent Budget	\$312,404
	Less: Sole Source Award	<u>\$216,577</u>
	Balance	\$ 95,827

The balance of funds will be used for the anticipated 2019 overhaul of the Craig Blake ferry if approved in the 2019/20 Halifax Transit capital budget.

RISK CONSIDERATION

If the overhaul is not completed as per the OEM recommendations, there is a risk of engine failure. This could result in a number of impacts both operationally, with the ferry being out-of-commission for an unknown period it would create additional performance demand on the remaining fleet commission and additional maintenance/replacement costs, and/or passenger and crew safety issues should the engine malfunction mid-trip.

ENVIRONMENTAL IMPLICATIONS

None indicated.

ALTERNATIVES

Regional Council could choose to not approve sole source procurement of the engine overhaul and direct staff to issue a Request for Quotation (RFQ). This is not recommended however due to the requirement to subcontract CAT to set the electronic parameters and test the shutdowns and alarms as a requirement for Transport Canada, which requires proprietary parts and software from CAT that is unavailable for purchase and would have to be included in any RFQ. Further, this may delay the overhaul further leading to an increase of the risks described above.

ATTACHMENTS

Attachment A: Toromont CAT Quote #: Q#632-18RGE

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Derek Nawrot, Coordinator, Project Planning, Halifax Transit, 902.490.5956

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Toromont Cat (Maritimes)

175 Akerley Blvd.
 PO Box 953
 Dartmouth, NS B2Y 3Z6
 902.468.0581 tel
 902.468.4224 fax

QUOTE #: Q#632-18RGE

REV#3

DECEMBER 13, 2018

HRM FERRIES (CHRISTOPHER STANNIX)

C/O: PETER MILLS

RE: C 4.4 SN#L1K00857 & SN#L1K00858
RE: C12 SN#NFL02299 & C12 SN#NFL02300

Budgetary pricing to recondition gensets on the above ferry & recondition (2) C12 engines:

1. Line#1. Recondition engines:

Parts:

- Long block
 - Engine oil coolant
 - Misc seals and gaskets
- \$14,500.00(per engine)

Labour:

- Remove existing engine and install long block
 - Swap engine specific components over to long block
 - Test operation
- \$5,088.00(per engine)

Total..... \$19,588.00(per engine)

2. Line#2. Recondition genset:

Labour:

- Remove and reinstall genset
 - Recondition genset
 - Test operation
- \$6,544.00(per engine)

Total..... \$6,544.00(per engine)

Continued on next page.

Dartmouth	Sydney	Yarmouth	Fredericton	Bathurst	Moncton	Charlottetown
902-468-0581	902-564-8166	902-742-7673	506-452-6651	506-548-9871	506-852-4545	902-894-7329

3. Line#3. Recondition transmission:

Parts:

- Gasket kit
- Seal kit
- Bearing kit
- Clutch plates

..... \$9,350.00(per engine)

Labour:

- Remove and reinstall transmission
- Replace bearing
- Replace seals
- Replace clutch plates

..... \$6,360.00(per engine)

Total..... \$15,710.00(per engine)

4. Line#4. Budgetary pricing to overhaul C12 SN#NFL02299 & C12 SN#NFL02300 engines:

Parts:

- | | |
|----------------------------|----------------------------|
| • (6) reman cylinder packs | • Bearings |
| • Reman cylinder head | • Reman starter |
| • Reman oil pump | • Reman water pump |
| • Reman oil cooler | • Reman aux pump |
| • (6) reman fuel injectors | • Reman fuel transfer pump |
| • Turbo cartridge | • Gaskets and seals |
| • Temperature regulator | • Filters and oils |
| • (6) cooling jets | |

..... \$38,100.00(per engine)

Labour:

- Clean, disassemble and inspect reusable components
- Clean and test after cooler
- Magnaflux and polish crankshaft if required
- Assemble engine
- Test engine operation

..... \$23,896.00(each engine)

Total.....\$61,996.00(each engine)

Grand total of all listed lines.....\$207,676.00

Notes:

1. All taxes are extra.
2. Any unacceptable cores will be extra.
3. Any reusable components worn or damaged beyond reusability will be extra.
4. Welding or machining if required will be extra.

Continued on next page.

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This quoted work will commence upon Toromont Cat (Maritimes) receiving your signed authorization. This quotation is valid for 30 days.

If you have any questions or concerns, do not hesitate to contact me.

Yours truly,

Robert Glen-Esk
Service Estimator
Fax # (902) 468-4224
Email:

PLEASE REVIEW AND RETURN VIA EMAIL (INCLUDING THE PURCHASE ORDER NUMBER IF REQUIRED) OR FAX BACK SIGNED AND DATED QUOTE TO 902-468-4224 AS ACKNOWLEDGEMENT OF AUTHORIZATION FOR REPAIRS.

ACCEPTED:

CUSTOMER NAME

DATE

PURCHASE ORDER # IF REQUIRED

TERMS AND CONDITIONS
SALE, DELIVERY AND WARRANTY

1. SCOPE AND APPLICATION

These Terms and Conditions of Sale, Delivery and Warranty ("TCS") apply to all components and parts repaired or reconditioned by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. to all rental contracts, to all sales and delivery contracts, to all work and labour contracts and to all work and materials contracts.

2. PAYMENT

Parts and Service

Payable the 20th of the month following purchase.

Rental Equipment

Payable in advance at start of rental period.

Equipment Sales

Payable upon delivery.

Late Payment Penalty

Late payment charges of 2% monthly (26.82% per annum) will be charged on all past due amounts.

3. QUOTATIONS

All quotations are without obligation. The delivery times(s) stated in the quotation shall apply subject to the goods being unsold and subject to the delivery times stated by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. suppliers remaining unchanged.

4. DELIVERY

Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. makes no guarantee regarding timing of delivery. Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. will make every reasonable effort to meet any scheduled delivery date(s), but accept no liability for failure to meet such scheduled date(s).

5. RISK

The risk in goods shall pass to the customer on delivery. The goods shall nevertheless remain the property of Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. until the purchase price has been discharged in full.

6. LAW

This TCS shall be governed by the laws of the Province of Nova Scotia or the Province of New Brunswick or the Province of Prince Edward Island and the applicable laws of Canada.

Table with 7 columns: Dartmouth, Sydney, Yarmouth, Fredericton, Bathurst, Moncton, Charlottetown. Each column contains a phone number.

7. ARBITRATION

If any dispute arises respecting the interpretation of this TCS, or the performance by any party of its obligations, it shall be referred to arbitration in accordance with the provisions of the Commercial Arbitration Act of Nova Scotia. The matter shall be determined by reference to a single arbitrator. If the parties fail to agree on the identity of a single arbitrator, any party may serve the other parties with a written notice to appoint an arbitrator. Such appointment shall be made by a judge of the Supreme Court of Nova Scotia.

8. WARRANTY

Equipment

With respect to any equipment which has been developed or manufactured by others, Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. shall transfer and assign any warranty of such manufacturer or developer held by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd., provided that the warranty, if any, may be assigned. Equipment shall be free from defects in materials or workmanship for specified warranty period.

Parts & Service

Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. warrants that repair services, new parts, reconditioned parts and components sold by it shall be free from defects in workmanship for a period of:

- In the case of Caterpillar parts, six (6) months from the date of delivery or completion of repair by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. provided that any claim made under this warranty must be reported to Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. within the six (6) month period. Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. warrants its repair services on Caterpillar equipment for six (6) months from date of repair.
- In the case of MaK parts, three (3) months from the date of delivery or completion of repair by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. provided that any claim made under this warranty must be reported to Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. within the three (3) month period. Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. warrants its repair services on MaK equipment for three (3) months from date of repair.
- With respect to any parts which has been developed or manufactured by others, Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. shall transfer and assign any warranty of such manufacturer or developer held by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd., provided that the warranty, if any, may be assigned. Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. warrants its repair services to the same extent as provided by such manufacturer or developer.

Should a defect in workmanship or materials be reported to Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. within the warranty period, Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. will:

- Repair or replace, as elected by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd., faulty components or parts which upon inspection are found to be defective in workmanship [or material]. such components or parts will be provided or repaired without charge at an Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. service center during normal business hours
- Provide reasonable and customary labour needed to correct the defect including removal and installation where such parts or components were installed at a Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. service center.
- Replace all lubricating oil, filters, antifreeze and other service items made unusable by the defect.

Any parts or components replaced under this warranty at a time when original product warranty on the component or part remains outstanding will, without otherwise restricting the terms of this warranty, be warranted for the balance of the original warranty period, as if such components or parts were original components of that product. All items replaced under this warranty become the property of Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.

Customer Responsibilities

In order for this guarantee and warranty to remain valid the customer must:

- Notify Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. within 24 hours of the defect coming to its attention. The customer may notify Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. by telephone, email or facsimile.
- Not have any defect repaired or replaced by any party other than Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.

Customer remains responsible for the following costs incurred by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. during the course of repair:

- Any premium or overtime costs incurred by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.
- Labour not provided by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. under the terms of this warranty.
- Any components and parts shipping charges that are in excess of those which are usual or customary.
- The costs for investigating performance complaints unless it is eventually determined that the problem was caused by a defect which Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. is obliged to repair or replace under this warranty.
- Any major castings such as front and rear covers, crankshaft and cylinder block which are judged reusable at repair time but fail within the warranty period.
- To travel to repair the defect or for any other purpose arising out of a claim by the customer pursuant to this warranty.

Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. will have no obligation pursuant to this TCS and customer will be responsible for any failure resulting from:

- Any inappropriate application, installation or repair by parties other than Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.
- Attachments, accessories items, components and parts not sold or approved by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.
- Abuse or neglect.
- Continued use of the product after the occurrence of the malfunction.
- Unreasonable delay by the customer in making the product available after notice for the product improvements authorized by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.

Limitation and Exclusions of Liability of Toromont Cat (Maritimes), a Division of Toromont Industries Ltd.

This TCS is a substitute for any other warranties, expressed or implied, whether arising by virtue of Sale of Goods legislation or otherwise by law, including any warranty of merchantability or fitness for a particular purpose.

Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. responsibility is limited to the express provisions of this TCS. Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. shall have no further obligations. For greater certainty, and without limiting the generality of the foregoing, Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. shall not be responsible for any loss incurred as a result of the loss of use of any equipment including any loss on operations, lost earnings, lost profit or any other economic consequential loss nor shall Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. be responsible for any replacement equipment costs incurred as a result of any warranty claim.

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Notwithstanding anything contained in this agreement, to the extent that the customer incur any product liability to a third party for the goods sold to them by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. the customer shall indemnify Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. such that Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. liability is limited according to this TCS.

This TCS is entered into exclusively by Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. and is in no way binding on Caterpillar Inc., Caterpillar Motoren GMBH & Co. or any allied suppliers of Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. nor any other of their subsidiaries or related companies.

9. **FORCE MAJURE**

Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. will not be liable for any failure or delay in performance caused by matters beyond Toromont Cat (Maritimes), a Division of Toromont Industries Ltd. reasonable control, including but not limited to, extreme climatic conditions or other acts of God, pandemic, strikes, picketing, lockout or other labour disputes, governmental action, including material changes in federal or provincial legislation, orders, rulings, decrees, directives, decisions or judgments; such failure or delay will not constitute a material breach of the agreement.

Toromont Cat (Maritimes)
175 Akerley Blvd., PO Box 953
Dartmouth, NS B2Y 3Z6

Phone: 902-468-0581
Fax: 902-468-4223
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