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YORK REGION TRANSIT
CANADIAN CONTENT REQUIREMENTS FOR BUS PROCUREMENT

The Transit Committee recommends that Council adopt the recommendation contained in the following report dated January 7, 2009, from the Commissioner of Transportation Services.

1. RECOMMENDATION

It is recommended that:

1. This report be received for information.

2. PURPOSE

This report responds to a request at the Regional Council meeting of December 18, 2008 for information concerning Canadian content policy used in bus procurement.

3. BACKGROUND

Effective September 2008, all new transit buses procured with provincial funding must have at least 25% Canadian content

On March 20, 2008, the Province of Ontario announced that transit buses procured with provincial funding must have at least 25% Canadian content. This new policy was introduced to promote job retention and creation, foster economic development and protect skilled manufacturing jobs in Canada.

The Canadian content policy took effect on September 1, 2008. Procurements issued publicly prior to that date are exempt from complying with this new requirement.

4. ANALYSIS AND OPTIONS

The 25% Canadian content provincial policy was established after a comprehensive stakeholder consultation process

The 25% Canadian content requirement was based on consultation by the Ministry of Transportation, Ontario (MTO) with municipalities, transit industry manufacturers, suppliers, and dealers. The 25% Canadian content requirement reflects industry capacity to manufacture and deliver, achieves the original policy intent to promote Canadian content and still maintains an open procurement process.

The 25% Canadian content policy reflects industry capacity by recognizing that Ontario represents only about 6% of the North American transit market. Most transit buses are built for the U.S. market which requires a bus to be finished in the U.S. and have 60% American content.

There are new responsibilities for the transit systems and bus suppliers to ensure Canadian content compliance

Transit systems in Ontario will be responsible for ensuring that bus manufacturers who submit bids and subsequently are awarded contracts comply with the Canadian content policy. The following are some of the key areas to ensure compliance:

- Insertion of appropriate provisions in the procurement document to comply with the Canadian content policy.
- Obtain written declaration from the bus manufacturer on Canadian content.
- Audit to ensure compliance with the policy.
- Providing remedies and indemnification in the event of non-compliance.

The bus manufacturer awarded the contract will be responsible for compliance with the following Canadian content provisions of the bus procurement document:

- Provide a written Canadian content declaration to the transit system.
- Disclose and verify information identified in the declaration.
- Provide progress reports to the transit system, during the term of the contract, outlining ongoing compliance.

The Canadian content policy contains provisions for exemptions and waivers under specific conditions

MTO, through their consultation process, recognized that specific types of transit buses would be difficult to obtain in a fair and open procurement process in compliance with the 25% Canadian content requirement. The following bus types are exempt from the Canadian content requirement:

- Specialized transit buses (e.g.: YRT’s Mobility Plus service)
- Conventional transit buses under 40 feet in length.
- Double-decker buses.

In the event that no Canadian content-compliant submissions are received as part of a fair and open procurement process for non-exempted buses, the transit system may formally request a waiver from MTO to comply with the Canadian content policy.

YRT recently participated in a joint bus procurement process that was the first in Ontario to comply with the 25% Canadian content policy

YRT staff participated in a joint procurement Request for Proposal (RFP) for 12.2 metre (40 foot) low-floor transit bus. Participants include the Ministry of Transportation of Ontario (MTO), Metrolinx and 16 other transit agencies in the province. The award of the bus purchase is the subject of another report on this agenda and subject to approval by Regional Council. This RFP was the first procurement document in Ontario that included provisions to comply with the new 25% Canadian content policy. The procurement process was successful in meeting this policy requirement.

5. FINANCIAL IMPLICATIONS

Effective September 1, 2008, all provincially-funded transit buses required 25% Canadian content

The Region currently receives capital subsidy funding from the Province through the Dedicated Gas Tax Funds for Public Transportation Program, the Ontario Bus Replacement Program, Federal/Provincial Transportation Action Plan for the GTA (FLOW), and other specific provincial programs for the purchase of YRT conventional buses and Viva rapid transit buses. Subsidy levels are up to a maximum of one third of the capital purchase price of the bus. The value of provincial subsidy to York Region for bus purchases totalled approximately $7.2 million in 2008; however, these monies will be paid to the Region over a 12-year period, together with interest. In order to continue to receive provincial subsidies, all bus procurements now include provisions to comply with the Provincial Canadian content policy.

The overall Canadian content of a transit bus is calculated as a percentage of the total final cost to the bus manufacturer, less any applicable taxes.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact associated with this report.

7. CONCLUSION

The Ministry of Transportation, Ontario has introduced the 25% Canadian content policy on bus purchases to promote job retention and creation, foster economic development and protect skilled manufacturing jobs in Canada. Transit systems in Ontario must comply with this policy in order to receive any applicable provincial subsidy funding.

For more information on this report, please contact Rick Takagi, Manager, Capital Assets at Ext. 5624.

The Senior Management Group has reviewed this report.