



# REGIONAL MUNICIPALITY OF WATERLOO ADMINISTRATION AND FINANCE COMMITTEE MINUTES

Tuesday, October 22, 2013  
9:09 a.m.  
Regional Council Chamber  
150 Frederick Street, Kitchener

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Present were: Vice Chair C. Zehr, L. Armstrong, J. Brewer, T. Cowan, D. Craig, R. Deutschmann, J. Haalboom, B. Halloran, R. Kelterborn, G. Lorentz, J. Mitchell, K. Seiling and J. Wideman

Members absent: T. Galloway, C. Millar and S. Strickland

## **DECLARATIONS OF PECUNIARY INTEREST UNDER THE *MUNICIPAL CONFLICT OF INTEREST ACT***

None declared.

## **REQUEST TO REMOVE ITEMS FROM CONSENT AGENDA**

There were no requests to remove items from the Consent Agenda.

## **MOTION TO APPROVE ITEMS OR RECEIVE FOR INFORMATION**

MOVED by J. Brewer  
SECONDED by L. Armstrong

THAT the following items be received for information:

- F-13-092, Electronic Payments and Receipts
- F-13-093, Quarterly Summary of Tenders/Quotes, Request for Proposals and Consultant Selections Approved by the Chief Administrative Officer
- F-13-094 Periodic Financial Report – Eight Months Ended August 31, 2013 and Year End Projection

CARRIED

MOVED by J. Brewer  
SECONDED by T. Cowan

THAT the Administration and Finance Committee recess at 9:10 a.m.

CARRIED

The Committee reconvened at 9:44 a.m.

**REGULAR AGENDA RESUMES****DELEGATIONS**

a) Siva Kumar, President, Reconit Electronic Rebuilders, addressed the Committee regarding his concerns with the Regional Purchasing/Procurement processes. A copy of his verbal [presentation](#) is appended to the original minutes. He also distributed supplementary information to the Committee.

He provided background details about his local company which has, in the past supplied the Region with refurbished parts for Grand River Transit (GRT) buses. He expressed his concerns with his loss of business and cited a Regional contract with Metrolinx and Neoparts Inc., a U.S.-based company with a plant in Mississauga as being the cause. He outlined the benefits of doing business with local companies and the disadvantages of doing business outside the Region of Waterloo. He requested that the Region review its purchasing policy to include local suppliers and small manufacturers and that it review its contract with Metrolinx and Neoparts Inc.

The Committee requested a copy of Mr. Kumar's verbal presentation.

Charles Whitlock, Director, Procurement and Supply Services, stated that for a number of years, most GRT alternators have been re-built in-house and that this was never part of the business partnership with Metrolinx or Neoparts Inc. He summarized the historical accounts payable data for Reconit. He indicated that the Region only buys bus parts from Metrolinx and Neoparts and that many other purchases come from local suppliers. He stated that the contract with Metrolinx is from 2011-2015, at which time the Region will issue a new bid and provide an opportunity for new vendors to bid on the contract.

**OTHER BUSINESS**

a) Council Enquiries and Requests for Information Tracking List was received for information.

**NEXT MEETING – November 12, 2013****ADJOURN**

MOVED by K. Seiling

SECONDED by T. Cowan

THAT the meeting adjourn at 10:01 a.m.

CARRIED

**COMMITTEE VICE CHAIR, C. Zehr**

**COMMITTEE CLERK, S. Natolochny**

Good morning Regional Chairman Ken Seiling, fellow councillors and staff. Thank you very much for allowing me to address the council.

My name is Sivakumar Somasundram. I am the owner of Reconit Electric Rebuilders Ltd in Kitchener. We remanufacture and sell brand new Alternator, Starter motors and repair Battery chargers in the Waterloo Region. I started the company during the recession, in 2008, after the company I was employed, B.F goodrich closed and moved to Mexico. Regional Municipality of Waterloo is one of my main customers which brought 35% of revenue. I had two employees.

I did refurbishment and sell new parts to Grand River Transit and Maple grove location. GRT is around the corner to me. I invested on new equipment in anticipation of growing demand. The sales were around \$23,000 at the start, which is a life line for start up companies.

However, gradually, I noticed a decline. I communicated only with the front line staff at the finance dept, who man the stock room. I did not want to create a situation where there would be room for misunderstanding. This year, I was told that Metrolinx, an agency of the government of Ontario facilitated the region of Waterloo to sign a contract with Neoparts Canada Inc, a US based warehouse Distribution Company located in Mississauga, Ontario. As a result, 90 suppliers and small manufactures were at the receiving end. Regular repairs to Battery chargers and other motors also ceased due to unknown reason. I had to lay off one staff.

My sales with GRT is very small from your point of view but at a time of recession, its a life line for us. Region's front line staff, specially the finance and purchasing are our only connection. Lack of clear policy and support to local industry by the region, left small manufactures like myself on a vulnerable state. I am not alone; I came across a few local business establishments in the waterloo region, experiencing similar circumstance with the regional staff, but lack the courage to go public.

As taxpayers we pay millions of dollars to the GRT and expect spin off jobs and job creation. Its the region's responsibility towards its residence that jobs are created as well as protected. I am surprised to know that the Region of Waterloo does not have a plan to support Small and Medium Manufactures. When inquired from the staff, I was told **DON'T EVEN GO THERE**. Your front line purchasing staffs are the link between job growth and sustainability.

Jobs are going to US, China and Mexico. What is left, I don't know. Small manufactures are struggling in the waterloo region, due to lack of support. At the end, our children won't have jobs or a future.

### **Conflict of Interest**

The vendor Management system has been in place in USA by Neoparts and was re-developed to comply with Canadian system by Mr. Naeem Farooqi , a program analyst with Metrolinx in 2009. The project was implemented in stages under the guidance of Chairman of TIMS Mr. Charles Whitlock of the Waterloo Region.

This is a multi-year and Multi-million dollar contact supervised by Metrolinx with Transit agencies across Ontario. On completion of the project, Metrolinx signs a contact with Neo parts USA for all the purchase of parts. It gives a single supplier monopoly at the expense of local industry.

Mr. Farooqi, after put together the procurement facility joins Neoparts Canada as their Director of Business Development supply Chain solutions. Is there a conflict of Interest, that needs looked into? I am not sure, I will leave into the good hands of the councillors do an independent investigation. For me, something is not right.

### **Cost**

Mr. Farooqi, while being a researcher with the University of Toronto has quoted saying that public – private partnership would cost an average of 16% more than a conventional tender contract. If so, what is the advantage to the region.

Because, you rely on one company for purchasing, you have no control over cost. The tax payers will have to pay extra every year. No one is going to give free shipping back and forth. It will be built into the cost. If there is warranty, your bus will be down.

I do not compete on price with Multinationals --everyone can come in cheaper--They cannot match my knowledge and service.

### **Transparency**

During the meeting with Mr. Charles Whitlock -Director, procurement and supply services at the region of Waterloo and Mr. Chuck Saunders. I was told that some work is done in house. At that stage, I requested the job cost of repaired motors done at the facility. I was declined to give the figure. If given, I can certainly could compare apple to apple.

### **Local Job loss**

The contact with a single vendor eliminates 90 local suppliers. This will have an impact on the community and to your tax base.

### **Job creation**

what is the spinoff of employment created by this project. At this rate, I very much doubt whether our children will have a job in this region. Neo parts in not creating jobs in the region or paying taxes. But my employees and I do.

### **Technical Knowledge**

We are not just a warehouse but a testing centre. I have technical knowledge when there are problems, They are a warehouse.

### **Shipping**

We are located in Kitchener and around the corner of GRT. They are in Mississauga, Ontario. About 1.5 hours away from Kitchener. We will minimize your down time, they don't. I will give you individual service, they don't.

### **Environment**

We remanufacture and recycle to prevent materials going into local landfill.

### **GRT's In house production**

If you say, purchasing from Neoparts is cheaper, why you have a in house production? Large space, parts inventory, Test equipments and a qualified Mechanic. His skills can be put to more a productive environment. The job cost on GRT is 3-4 times higher than me. I have no unionised labour or high cost.

### **Be a partner to create local jobs**

As taxpayers we pay millions of dollars to the GRT and expect spin off jobs and job creation. Its the region's responsibility towards its residence that jobs are created as well as protected. I am surprised to know that the Region of Waterloo does not have a plan to support Small and Medium Manufactures. When inquired from the staff, I was told DON'T EVEN GO THERE. Your front line purchasing staff is the link between job growth and sustainability.

### **Win for Tax payers**

I have given you the advantage and disadvantages of the contact. In the final analysis you will know which is better for the tax payers.

I wasn't interested in going public. I spoke to the regional staff, Director of Procurement and supply services, head of GRT, Metrolinx (the agency that facilitated the contact), local MPP John Milloy, City councillors, Neoparts Canada, Regional councillors and WRIM (Waterloo Region Innovation Network). They sympathise but reluctant to go beyond that.

Sympathy does not create jobs, help local economy nor enhance your tax revenue. When the region, invest millions of tax payers money into GRT or future LRT, we expect spin off jobs to stay in the region. I don't see how tax payers are benefiting when jobs and economy is shifted out of the region. Hence, I request the following:

- 1. Review the Region's purchasing policy, to include local suppliers and small manufactures.**
- 2. Review the contact with Neoparts USA.**
- 3. Review and publish the cost structure of GRT's in house alternator/Starter program. (Job cost is higher than what I could supply)**
- 4. Why I was prevented from doing work for the Region and how to get the business back.**