

# Supply Of Lubricants - January 1, 2001 To December 31, 2003.

Meeting Date: December 13, 2000

Subject: Supply Of Lubricants - January 1, 2001 To December 31, 2003.

## Recommendation

It is recommended that the Commission approve:

1. Awarding of contracts for a three year period from January 1, 2001 to December 31, 2003 to:

(i) Safety-Kleen Canada Inc. for the supply of SAE 30 (bulk), SAE 40 (bulk), SAE 10W30 (bulk/drums), SAE 15W40 (bulk/drums), Differential Oil SAE 80W90 (drums), Hydraulic Oil AW-32 (drums), and Engine Oil 15W40 CNG (bulk) at an upset limit amount of \$3,030,000.

(ii) Petro Canada for the supply of Automatic Transmission Oil (bulk/drums) at an upset limit amount of \$975,000.

## Funding

Sufficient funds for the purchase of lubricants in 2001 will be included in the 2001 TTC and Wheel-Trans Operating Budgets. Adequate provisions will be made in the 2002 and 2003 Operating Budgets to cover expenditures for those years respectively.

## Background

Traditionally, the supply of lubricants has been covered by three year contracts. Contracts presently held by Safety-Kleen and Valvoline Canada will expire on December 31, 2000. The lubricants are used in the servicing of all the Commission's vehicles and equipment.

## Discussion

Ten companies were invited to submit a tender, in addition to the public advertisement in the Globe and Mail on September 20, 2000, with two companies responding to the tender. Staff have surveyed the 'unable to quote' and 'non-respondent companies and the following responses were received:

- Could not supply to TTC's specifications.
- Could not tender a firm price for the duration of the contract.

- Insufficient time to prepare a tender.
- Could not comply with some of the Commission's general conditions.

Safety-Kleen submitted the lowest price for 8 items based on firm pricing for three (3) years. They stated no exceptions or qualifications and are considered acceptable. Petro Canada submitted the lowest price for two items based on a firm price for the first year. Subsequent pricing for years two and three are subject to crude oil pricing on the West Texas Intermediate (W.T.I.) Exchange. Petro Canada's low tender pricing for automotive transmission fluid (drum) is approximately 23.6% lower than Safety-Kleen which results in savings of \$34,500.00. Petro Canada's low tender pricing for automatic transmission fluid (bulk) is approximately 27.7% lower than Safety-Kleen which results in savings of \$282,038.00. Based on the current high price for crude it is felt that the probable price increases in crude in years two and three will not be sufficient to offset the current savings associated with an award of these two items to Petro Canada.

For the ten lubricant items, a price increase of between 18 to 25 percent has resulted when compared to the current 2000 pricing. These increases are a direct result of crude oil pricing increases. The current (1998 – 2000) contract tendered in 1997 was based on a crude oil pricing of \$18 to \$20/BBL. The tender for the new (2001 – 2003) contract is based on a crude oil pricing of \$32 to \$37/BBL.

The tenders for each product were evaluated in detail by staff. It is recommended that the lowest bid for each product be approved as summarized in Appendix "A".

## **Justification**

Lubricants are required for the proper maintenance and operation of the Commission's vehicles and equipment.

November 3, 2000

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Attachments: Appendix "A"