

MEETING DATE: May 15, 2002

SUBJECT: Procurement Authorization - Supply Of Syenite Rail Sand

RECOMMENDATION

It is recommended that the Commission approve the issuance of a purchase order to H.J. Skelton Canada Ltd. in the upset limit amount of \$600,000.00 including applicable taxes for the supply of syenite rail sand on an as required basis for the period July 1, 2002 to June 30, 2005.

FUNDING

Funding for this service has been included in the 2002 TTC Operating Budget and will be included in future Operating Budgets as required.

BACKGROUND

The Commission has a continuing need for syenite rail sand. The syenite rail sand is a silica free sand and is used by the Commission to enhance the braking ability of its streetcar fleet. The current contract for this service is due to expire on June 30, 2002.

DISCUSSION

Twelve companies were invited to submit tenders, in addition to the public advertisement on the Commission's Web site on January 14, 2002 out of which two companies submitted tenders as summarized in Appendix 'A'.

The tenders were required to provide pricing for syenite rail sand based on estimated number of tonnes for each of the three years of the contract as well as a delivery charge per metric tonne.

This syenite rail sand is only manufactured by one supplier (Unimin Corporation). They only authorize distribution through two companies (Rock Products Ltd. and Bell and Mackenzie Company Ltd.). Bell and Mackenzie Company Ltd. utilizes H.J. Skelton Canada Ltd. as their agent.

H.J. Skelton Canada Ltd. submitted the lowest overall tendered price but did state one exception/qualification. They requested that the Commission consider a freight rate surcharge for fuel should there be a "massive increase in fuel costs" during the period of the contract. The Legal Department reviewed the qualification and advised that, although the Commission would not be obligated to pay a fuel surcharge in the event of a "massive increase in fuel costs", the Commission would be obliged to reasonably consider paying a fuel charge in such event.

Staff has reviewed this issue and after canvassing the transport industry, established that diesel fuel typically represents up to 18% of a haulage contractor's applicable freight costs. In H.J. Skelton's tender, the total value of the freight is approximately \$95,700 over three years of which 18% or approximately \$17,200 is for the cost of fuel. Based on this, the price of diesel would need to increase by approximately 70% for the three years of the contract to make up the \$11,982.78 difference between the low and second low tenderer. Staff does not consider it likely that there will be a minimum 70% increase in the haulage's contractors diesel fuel component over the entire period of the next three years, therefore H.J. Skelton Canada Ltd. is recommended for the award of the contract.

H.J. Skelton Canada Ltd. pricing for year one of the contract is approximately 1% higher than the current contract price. H.J. Skelton's pricing for years 2 and 3 of the contract escalate by a factor of 2% for each year over the previous year's price.

JUSTIFICATION

Award of the above contract will ensure the uninterrupted supply of syenite rail sand for the Commission's ongoing operation requirements.

April 15, 2002

9-118-86

Attachment – Appendix 'A'

APPENDIX 'A'

SUPPLY OF SYENITE RAIL SAND

TENDER SUMMARY

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	H.J. SKELTON CANADA LTD.	ROCK PRODUCTS LTD.
TOTAL TENDERED PRICE (INCLUDES DELIVERY AND APPLICABLE TAXES)	\$587,385.72 *	\$599,368.50

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*** Recommended for Award**