

MEETING DATE: January 21, 2004

SUBJECT: Supply Of Lubricants March 1, 2004 To February 28, 2007

RECOMMENDATION

It is recommended that the Commission approve the awarding of contracts for the supply of lubricants for a three-year period from March 1, 2004 to February 28, 2007 to:

1. Safety Kleen Canada Inc. for the supply of nine items in the upset limit of \$3,260,000; and
2. Petro Canada Lubricants (Petro Canada) for the supply of one item in the upset limit of \$435,000.

FUNDING

Sufficient funds for the purchase of lubricants in 2004 are included in the proposed 2004 TTC and Wheel-Trans Operating Budgets. Adequate provisions will be made in the 2005, 2006 and 2007 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 Petro Canada will expire on February 29, 2004. The lubricants are used in the servicing of all the Commission's vehicles and equipment.

DISCUSSION

Nine companies were invited to submit a tender, in addition a public advertisement was placed on the Commission's Web Site on November 4, 2003, out of which four companies submitted tenders as summarized on Appendix A.

Pricing was requested on 12 items (covering eight separate products), and the Commission reserved the right to award all or any of the items to the companies with the lowest tendered pricing for each item.

Safety Kleen submitted pricing for ten items and they had the lowest price on nine of the items. Safety Kleen's submission did not state any exceptions or qualifications and their proposal is considered acceptable. They are recommended for the supply of the following nine items: Engine Oils SAE30, SAE40, HD10W30, 15W40 (bulk and drums) and 15W40 CNG; AW32 Hoist Oil; Automatic Transmission Fluid (drums only) and 80W90 Bus Differential Fluid.

Petro Canada was the only bidder to provide pricing on all 12 items and their submission did not state any exceptions or qualifications, however they were the lowest compliant bidder for only one item i.e. Automatic Transmission Fluid (Bulk).

Petro Canada also submitted an alternative based on a discounted unit price per litre for all 12 items if they were awarded 100% of the items for the full term of the contract. Vehicle Engineering performed a technical review of the product specifications submitted by Petro Canada, which concluded that three products covering four items did not meet the TTC's specifications making this alternate bid non-compliant and unacceptable. Petro Canada are recommended for the supply of one item (Automatic Transmission Fluid - Bulk).

Imperial Oil submitted pricing on 11 items and did not have the lowest price for any of the items, however their pricing was only submitted for one year (2004). As well, they did not provide the required tender security and did not submit their bid on the proper TTC documents. As a result, their submission was deemed non-compliant and is considered not acceptable.

NOCO Lubricants submitted pricing on ten items and their submission did not state any exceptions or qualifications. NOCO's pricing for all 10 items was higher than that of Safety Kleen and Petro Canada.

A pricing comparison of the last purchase prices for each of the 10 recommended items revealed an increase of approximately 6% in year one of the contract, a price increase of approximately 2.8% for year two from year one and a price increase of approximately 2.8% for year three from year two.

The recommended upset limit amount for both companies includes an allowance of approximately 20% to cover variances between forecasted and actual usage over the three years of the contract.

There were no compliant and acceptable bids received for two items (80W90 Streetcar Differential Oil and Heavy Duty Synthetic Automatic Transmission Fluid) and the only currently acceptable products for these items are available from Shell Canada and Harper Detroit Diesel respectively, who did not bid on this Request for Tenders. Each of these items will be the subject of a subsequent single source Requests for Proposal.

JUSTIFICATION

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

January 7, 2004

5-73-41

Attachment: Appendix 'A'

APPENDIX 'A'

SUPPLY OF LUBRICANTS

SUMMARY OF TENDERS

Company	Total Tendered Price	Number of	Recommended Total Upset	Total Items Recommended
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		Items Priced	Limit Award	
Safety Kleen	\$3,099,767.50	10	\$3,260,000*	9
Petro Canada	\$4,224,289.25	12	\$435,000*	1
Petro Canada Alternative Bid	\$3,945,874.25	12	-	-
NOCO Lubricants	\$3,732,343.75	10	-	-
Imperial Oil**	\$1,506,873.75	11	-	-

* Includes an allowance of approximately 20% for variation in usage over the contract term.

** Bid incomplete, submitted pricing only for 2004.