

MEETING DATE: July 14, 2004

SUBJECT: Procurement Authorization - Credit Card Services For The Supply Of Fuel For Non-Revenue Vehicles

RECOMMENDATION

It is recommended that the Commission approve a contract award to Imperial Oil Limited in the total upset limit of \$3,600,000 for credit card services for the purchase of regular unleaded gasoline, diesel fuel, propane, exterior car washes and vehicle lubrication products for non-revenue vehicles and shop equipment over a three-year period from August 1, 2004 to July 31, 2007.

FUNDING

Sufficient funds are included in the 2004 TTC Operating Budget and will be included in future Operating Budgets as required.

BACKGROUND

The TTC currently has a contract with Imperial Oil for credit card services for the purchase of regular unleaded gasoline, diesel fuel, propane, exterior car washes and vehicle lubrication products at their service stations for non-revenue vehicles and shop equipment (lawn mowers, snow throwers, lift trucks, special saws and heaters, etc.). The current contract is scheduled to expire on July 31, 2004 and a new contract is required for the continued supply of this service.

DISCUSSION

A Request for Proposal (RFP) was issued to five companies, in addition to a public advertisement on the TTC web site on May 7, 2004. A total of three companies submitted proposals as summarized in Appendix 'A'. Petro Canada submitted their bid late and it was returned to them.

Proponents were required to submit a discount per litre that would be applicable to the prevailing pump price for unleaded gasoline (estimated usage of 1.1 million litres per year), diesel fuel (400,000 litres per year), propane (10,000 litres per year) and the percentage discount applicable to the posted prices for the various types of car washes available (1000 car washes per year). The quantities used for pricing were based on actual historical usage over a 12 month period with an allowance of approximately 10% overall for increased usage during the contract.

For evaluation purposes, staff used the average price of each fuel for the period January to June 2004, which was escalated at a rate of 5% per year for unleaded gasoline and 4% per year for diesel and propane. The escalation factors used are consistent with the average increases experienced over the past three years according to information obtained from the Ontario Ministry of Energy.

Proponents were requested to provide various submission requirements to demonstrate their ability to successfully provide the services under the contract (e.g. list of contracts of a similar size and nature, identify the number, location and hours of operation of service stations within the City along with the list of services provided by each e.g. diesel, car washes, propane, etc., samples of available reports, description of security system currently in place in respect to the use of fuel credit cards, various fleet card programs available, etc.).

Suncor Energy Products Inc. (Suncor) submitted the highest discount (4%) off the total of all monthly purchases (includes all fuels and car washes) and did not state any exceptions or qualifications. Suncor have

a total of 40 service stations located in the City of which 11 offer diesel, however none of their stations can provide propane as requested. Also 22 stations are self serve, 18 are full service and 17 stations offer 24-hour operation. Since 18 stations or 45% of their total stations are full service, which can charge up to \$0.04 more per litre for fuel, the overall cost to the TTC for fuel is likely to be higher from Suncor, which may offset some or all of the difference between Suncor and the second lowest proponent.

Suncor does not have any recent experience with a contract of a similar size to the Commission's requirement. In addition, Suncor's has the least number of stations and they are not evenly distributed throughout the City. For example, Suncor have only one service station in the "downtown" area south of St. Clair Avenue between Coxwell Avenue in the east and Runnymede Street in the west. Further this station is located on the border of this area (i.e. near the intersection of Runnymede Road and St. Clair) and it cannot provide diesel fuel. Based on the number of TTC facilities in this area (e.g. substations, Roncevalles and Russel carhouses, Hillcrest Yard and Revenue Operations, Greenwood Yard, etc.) and the number of projects that regularly occur within this area that rely on fuel for the operation of their vehicles (e.g. track replacement, pole and overhead traction power line replacement) Suncor does not have sufficient stations located within a reasonable distance of the TTC's facilities to adequately provide the required service and further, they cannot supply propane. Therefore, Suncor's proposal is considered non compliant and is not recommended for award.

Imperial Oil Limited submitted the second highest discount (3.9%) off all fuel purchases, but did not offer any discount for car washes. Imperial Oil has 82 service stations of which 25 dispense diesel and 2 stations have propane available. Also 79 stations are self serve, 3 are full service and 54 stations offer 24-hour operation. In comparison to Suncor, in the previously noted "downtown" area Imperial Oil has 12 service stations of which 6 can supply diesel, which is considered acceptable.

Imperial Oil took exception to several of the Commission's General Conditions (e.g. Indemnification, Changes to the Work, Claims, etc.) and they also provided their own terms and conditions, which staff determined were not applicable to the nature of the contract. In any event, staff has reviewed these exceptions and qualifications and found them to be acceptable. Imperial Oil is the current contractor for this service and is performing the work in a satisfactory manner. Their proposal is considered commercially and technically acceptable and they are recommended for award.

Shell Canada Products (Shell) submitted the lowest discount of \$0.0275 per litre off the price of gasoline and diesel fuel, \$0.01 per litre off the price of propane and a 25% discount off all car washes. Shell did not state any exceptions or qualifications and has 69 service stations of which 8 dispense diesel and 2 dispense propane. Also 62 stations are self serve, 7 are full service and 64 stations offer 24-hour operation. While Shell has a number of service stations located throughout the City, their stations that can provide diesel are not well distributed in the areas required by the TTC. In the previously noted "downtown" area they have a total of 18 stations, but none of them can supply diesel. This is not considered sufficient to properly service the TTC's requirements since 27% of the TTC's fuel requirements are for diesel and many diesel vehicles have a home base at the Hillcrest Yard (e.g. Revenue Operations, Streetcar Maintenance, Electrical, etc.). Therefore their proposal is considered unacceptable.

The current discount offered by Imperial Oil for gasoline, diesel and propane is \$0.03 per litre and their offered rate of 3.9% will result in a higher discount if the price of each of these products is above \$0.76 per litre. In June 2004 the average price for unleaded gasoline and diesel was \$0.754 and \$0.718, respectively, however as fuel prices are anticipated to rise over the next 3 years, the 3.9% percentage discount off the prevailing fuel price per litre will likely result in a higher actual discount than the current contract.

The recommended upset limit amount includes an allowance of approximately 5% for higher than anticipated increases in the price of fuel or usage over the three-years of the contract.

JUSTIFICATION

Award of this contract will ensure the uninterrupted supply of unleaded gasoline, diesel fuel, propane, exterior car washes and lubrication products for the Commission's fleet of non-revenue vehicles and shop equipment for ongoing requirements for the next three years.

July 6, 2004

9-118-57

Attachment – Appendix 'A'

APPENDIX 'A'

**CREDIT CARD SERVICES FOR THE SUPPLY OF
FUEL FOR NON-REVENUE VEHICLES**

PROPOSAL SUMMARY

PROPONENTS	DISCOUNTS FOR PRODUCTS			
	GASOLINE	DIESEL	PROPANE	CAR WASHES
Suncor Energy Products **	4%	4%	N/A	4%
Imperial Oil Limited *	3.9%	3.9%	3.9%	0%
Shell Canada Products **	\$0.0275/LT.	\$0.0275LT.	\$0.01/LT.	25%

EVALUATED PRICE

**TOTAL EVALUATED PRICE
PROPONENTS (Three Years)**

Suncor Energy Products \$3,401,664 **

Imperial Oil Limited \$3,427,739 *

Shell Canada Products \$3,432,700 **

* Recommended for Award

** Non-Compliant