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Form Revised: February 2005

**TORONTO TRANSIT COMMISSION
REPORT NO.**

MEETING DATE: MARCH 22, 2006

SUBJECT: Procurement Authorization - Supply Of Ethylene Glycol And Methyl Alcohol For A Five Year Period

RECOMMENDATION

It is recommended that the Commission approve the issuance of purchase orders to the following companies for the period of April 1, 2006 to March 31, 2011:

- a) Vulsay Industries Ltd. for the supply of Ethylene Glycol (engine coolant antifreeze) in the upset limit of \$2,045,000; and
- b) Ultraclear Engine Fluids for the supply of Methyl Alcohol (windshield washer) in the upset limit of \$566,000.

FUNDING

Sufficient funds to cover these expenditures have been included in the 2006 TTC Operating Budget and will be included in future budgets as required.

BACKGROUND

The Commission currently has three year contracts for the supply of ethylene glycol and methyl alcohol for 205 litre drums and in bulk due to expire on March 31,2006.

The Commission has an ongoing requirement to purchase these antifreeze products for use in surface revenue and non-revenue vehicles.

DISCUSSION

Seven companies were invited to submit tenders in addition to a public advertisement on the Commission's Web site on January 24, 2006. Four companies submitted tenders for ethylene glycol and three companies submitted tenders for methyl alcohol as summarized in Appendix 'A'.

Due to significant fluctuations in the price of both products in the past, the tenderers were requested to submit firm pricing for the first six months of the contract with the balance to be based on quarterly adjustments to the base pricing resulting from changes to the appropriate index for each product (Glycol and Derivatives Report - Glycol Pricing and The Methanol Report - Methanol Prices).

Vulsay Industries submitted the lowest tendered price for Ethylene Glycol and did not state any exceptions or qualifications. Vulsay Industries is the current supplier for this product and their performance has been satisfactory. They are considered commercially and technically acceptable and are recommended for award.

The other three tenderers for Ethylene Glycol also submitted compliant tenders, but they offered higher pricing.

Vulsay Industries' price per litre in drums and bulk for Ethylene Glycol is approximately 13% less than the current price being paid to the same supplier.

Ultraclear Engine Fluids submitted the lowest tendered price for Methyl Alcohol and did not state any exceptions or qualifications. Ultraclear Engine Fluids is the current supplier of this product and their performance has been satisfactory. They are considered commercially and technically acceptable and are recommended for award.

The other two tenderers for Methyl Alcohol also submitted compliant tenders, but they offered higher pricing.

Ultraclear's tendered price is approximately 28% less than the current price being paid to the same supplier. Their unit price is approximately 9% lower than the second lowest tendered price and they appeared to have offered the Commission very aggressive pricing in order to secure this five year contract.

The recommended upset limits each include allowances of approximately 25% for price escalation and variation in usage over the five years of the contracts.

JUSTIFICATION

Award of these contracts will ensure an adequate supply of both antifreeze products to meet the Commission's vehicle maintenance requirements.

March 2, 2006
Attachment – Appendix ‘A’

APPENDIX 'A'

SUPPLY OF ETHYLENE GLYCOL AND METHYL ALCOHOL

TENDER SUMMARY

TENDERERS	TOTAL EVALUATED PRICE FOR 5 YEARS
ETHYLENE GLYCOL	
Vulsay Industries Ltd. *	\$1,635,171.78
Ultraclear Engine Fluids	\$2,154,579.28
Basic Packaging Industries	\$2,366,189.75
Apco Industries Ltd.	\$2,395,045.72
METHYL ALCOHOL	
Ultraclear Engine Fluids *	\$452,405.74
Vulsay Industries Ltd.	\$497,646.32
Basic Packaging Industries	\$743,042.16

*** Recommended for Award**