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Form Revised: February 2005

**TORONTO TRANSIT COMMISSION
REPORT NO.**

MEETING DATE: MARCH 21, 2007

SUBJECT: Supply Of Lubricants

RECOMMENDATION

It is recommended that the Commission approve the award of contracts for the supply of lubricants for a three-year period from May 1, 2007 to April 30, 2010 as follows:

1. Safety-Kleen Systems Inc. for the supply of six items in the upset limit amount of \$4,580,000.00; and
2. Petro-Canada for the supply of one item in the upset limit of amount \$160,000.00.

FUNDING

Sufficient funds for the purchase of lubricants in 2007 are included in the 2007 TTC and Wheel-Trans Operating Budgets. Adequate provisions will be made in the 2008, 2009 and 2010 Operating Budgets to cover expenditures for those years respectively.

BACKGROUND

Contracts presently held by Safety-Kleen and Petro-Canada will expire on April 30, 2007. The lubricants are used in the servicing of all the Commission's vehicles and equipment.

DISCUSSION

The Bus Maintenance Department and Wheel-Trans Operations have a requirement for the supply of various lubricants. Therefore both of these requirements were combined and issued on one Request for Proposal (RFP) with the intent of awarding based on the lowest acceptable bid for each item and separate contracts for each department. There were a total of 7 items on the RFP of which 2 items are common to the departments.

Eight companies were invited to submit proposals in addition to the public advertisement on the TTC website on January 24, 2007, out of which seven companies submitted proposals as summarized on Appendix 'A'.

Proponents were required to submit unit prices based on specified quantities for years 1, 2 and 3, which were to remain firm for the duration of the contract. Proponents were also requested to provide optional pricing for years 4 and 5.

Safety-Kleen Systems Inc. (Safety-Kleen) submitted prices on 6 items and was the low bidder for these 6 items. Safety-Kleen did not submit the optional pricing for the 4th and 5th years. Safety-Kleen did not state any exceptions or qualifications to the Commission's Terms and Conditions and their proposal is considered commercially and technically compliant. They are being recommended for award for 6 items.

Petro-Canada submitted prices on all 7 items and was the low bidder for 1 of these items. Petro-Canada did not submit the optional pricing for the 4th and 5th years. Petro-Canada submitted one qualification which stated that if any new tax, charge, levy, environmental handling charge is imposed by any government authority during the contract term it shall be paid for by the Purchaser and will appear on their invoices as a separate charge. This qualification has been reviewed and was found to be acceptable. Petro-Canada did not state any other exceptions or qualifications to the Commission's Terms and Conditions and their proposal is considered commercially and technically compliant. They are being recommended for the award of 1 item for Bus Maintenance Department.

Chevron Lubricants Canada Inc. (Chevron) submitted prices on all of the items and was not the low bidder for any items. Chevron also submitted an alternative bid which was for firm pricing in year 1 and for year 2 through to year 5 prices would be reviewed quarterly and adjusted as appropriate based on 2 conditions. This alternative was not reviewed further as the RFP requested pricing to remain firm for the duration of the contract. Chevron did not state any further exceptions or qualifications to the Commission's Terms and Conditions and is considered commercially compliant.

Ultramar Ltd. (Ultramar) submitted prices on all of the items and was not the low bidder for any items. Ultramar did not submit the optional pricing for the 4th and 5th years. They did not submit any exceptions or qualifications to the Commission's Terms and Conditions and is considered commercially compliant.

Shell Canada Products (Shell) submitted prices for year 1 only for all of the items required. The RFP required firm pricing for all 3 years of the contract, therefore, they are commercially non-compliant and were not considered further.

Boss Lubricants (Boss) submitted prices for year 1 only for 3 of the items. The RFP required firm pricing for all 3 years of the contract, therefore, they are commercially non-compliant and were not considered further.

Noco Lubricants Company (Noco) submitted prices on all the items required but indicated that the pricing was valid for the period of March 1, 2007 to March 2009 and stated that they reserve the right to adjust prices when ESSO increases their rates (with a 30-day advance notice to the Commission). The RFP required firm pricing for 3 years, therefore, they are commercially non-compliant and were not considered further.

A price comparison of 6 of the 7 recommended items with the current contract prices revealed an overall increase of approximately 21% in year 1 of the contract, an increase of 2.9% in year 2 of the contract compared to year 1 pricing, and an increase of 3.5% in year 3 of the contract compared to year 2 pricing. One of the items could not be compared as this is the first time the Commission is purchasing this item in

bulk.

Staff contacted Safety-Kleen to inquire about the increases and they indicated that since this contract was last tendered in November 2003 there have been numerous cost increases in crude oil which are reflected in the pricing they submitted. They also indicated that the following costs have increased substantially in the last 3 years: 1) increases for additives to manufacture automotive lubricants, 2) energy costs to run the refinery, 3) the cost for the used oil which is in their feedstock (refined approved used oil sources such as engine oils, transmissions fluids and industrial oils), and 4) the cost of fuel to operate their fleet.

Staff further investigated the crude oil market price trend from 2004 to 2007 and according to various sources including the New York Mercantile Exchange (NYMEX) crude oil has risen from approximately \$38.00/barrel to currently over \$60.00/barrel which is an increase of approximately 55% over the 3 year previous period and based on the futures market it is anticipated that crude oil will continue to increase over the next 3 year period.

The recommended upset limit amounts include a contingency of approximately 20% for fluctuations in usage over the term of the contracts (Appendix "A").

JUSTIFICATION

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

March 2, 2007
5-41-34
Attachment: Appendix "A"

APPENDIX 'A'

PROPOSAL SUMMARY

SUPPLY OF LUBRICANTS

Company	Total Proposal Price	Number of Items Priced	Recommended Total Upset Limit	Total Items Recommended
Safety-Kleen Systems Inc.*	\$3,796,702.02	6	\$4,580,000.00	6
Petro Canada*	\$5,396,937.19	7	\$160,000.00	1
Chevron Lubricants Canada Inc.	\$5,087,352.84	7	-	-
Ultramar Ltd.	\$5,295,163.33	7	-	-
Shell Canada Products**	\$1,594,284.32	7	-	-
Boss Lubricants**	\$106,197.17	3	-	-
NOCO Lubricants Company**	\$1,797,360.50	7	-	-

* Recommended for award (upset limit amount includes an approximate 20% contingency).

** Commercially non-compliant, did not submit 3 year firm pricing.