



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: May 12, 2006  
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Meeting Date: May 30, 2006

TO: Vancouver City Council

FROM: General Manager, Engineering Services  
Manager, Materials Management

SUBJECT: The Supply of Lubricants  
BC Petroleum Products Buying Group (BCPPBG) - RFP #06-06

#### RECOMMENDATION

- A. THAT, subject to the conditions set out in Recommendations B, C, D, and E, Council authorize the General Manager of Engineering Services and the Manager of Materials Management to enter into a contract with Petro-Canada Lubricants for the supply of all fleet related petroleum lubricants to the City at an estimated cost of \$397,614 plus any applicable taxes over a two (2) year term.
- B. THAT the Director of Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendation A.
- C. THAT all such legal documents be on terms and conditions satisfactory to the General Manager of Engineering Services, Manager of Materials Management and the Director of Legal Services.
- D. THAT no legal rights or obligations will be created by Council's adoption of Recommendation A, B, and C above unless and until such legal documents are executed and delivered by the Director of Legal Services.
- E. THAT funding for the purchase of petroleum lubricant products net of GST rebates received in the current year will be provided from the existing Capital and Operating Budgets throughout the City. Funding for future years will be subject to the regular budget review process.

## **COUNCIL POLICY**

On March 4, 1980, City Council authorized co-operative purchasing "when benefits to the City are indicated."

The policy of Council is to secure contracts for the purchase of equipment, supplies and services that will give the best value, based on quality, service and price.

Contracts with a value over \$300,000.00 are referred to Council.

## **SUMMARY**

The City of Vancouver, through the British Columbia Petroleum Products Buying Group, put forth a Request for Proposal for the supply of lubricants for its corporate fleet needs. The lowest bid providing best value over a two (2) year term was submitted by Petro-Canada Lubricants, which proposed lubricant pricing at a cost of \$397,614 to the City of Vancouver. It is recommended that the contract be awarded to Petro-Canada Lubricants, as the Petro-Canada Lubricants proposal meets all requirements and provides the over-all best value to the City.

## **PURPOSE**

The purpose of this report is to seek Council approval to renew a contract with Petro-Canada Lubricants for the supply of lubricants for corporate fleet needs.

## **BACKGROUND**

The British Columbia Petroleum Products Buying Group (BCPPBG) is comprised of municipalities and other government agencies in the lower mainland and Vancouver Island. The City has been a participant in the BCPPBG since February 18, 1997, when City Council authorized the Manager of Materials Management, as a member of the co-operative negotiating team to negotiate and accept on behalf of the City of Vancouver, a contract for the supply of petroleum products. Since its inception in 1992, the BCPPBG has facilitated and authored ten (10) contracts for the supply of lubricants and fuel.

Under the BCPPBG, the City is currently engaged in a two-year contract with Petro-Canada Lubricants, for the supply of lubricants for the corporate fleet. The contract was in effect from March 1, 2004 to February 28, 2006. The BCPPBG negotiated a three (3) month extension on its current contract with Petro-Canada Lubricants, ending May 31, 2006, to accommodate the award of Request for Proposal (RFP) # 06-06.

The BCPPBG issued RFP #06-06 for a new contract for the supply of lubricants, led by the Corporation of the District of West Vancouver, with a closing date of March 9, 2006.

**DISCUSSION**

Six (6) vendors responded to the RFP offering seven (7) proposals; three (3) of the proposals were unable to supply many of the products requested and their submissions were therefore unusable due to the inability to accept a divisional award. A divisional award was unacceptable because several of the proposals were contingent upon the entire contract being awarded to a single proponent. Another two (2) proposals offered product at a price premium of over \$86,000 over the contract term.

Of the seven (7) proposals, only two (2) offered competitive pricing; this included Chevron Global Lubricants (Chevron) and Petro-Canada Lubricants (Petro-Canada). The Chevron proposal was lowest overall, at a cost of \$386,165 to the City of Vancouver for a two (2) year contract, based on provisions for Chevron to adjust pricing during the contract term. Petro-Canada offered a fixed-price proposal of \$397,614 for the same period.

While Chevron put forth the lowest initial bid, Chevron proposed a pricing system that utilizes fluctuations in industry-posted prices, to increase or decrease BCPPBG lubricant prices at six-month intervals. The BCPPBG received supplemental data to conclude that during the two year contract, petroleum lubricant prices are anticipated to increase in excess of six percent (6%) over its current pricing structure; this would render the Petro-Canada proposal to be the lowest offer over the two (2) year term of the contract. At the onset of a contract with Petro-Canada, the City of Vancouver will pay a 3% premium over Chevron’s proposed lubricant pricing; however as market trends show, petroleum costs are anticipated to increase and as such, Petro-Canada’s fixed pricing proposal will mitigate any increases in petroleum lubricant costs.

In addition, the City will derive benefits in cost-savings from the efficiency of re-using an existing contract and supply relationship, versus transitioning to a new supply agreement.

**FINANCIAL IMPLICATIONS**

The following table documents the total cost of each submission received:

Proponent	BCPPBG Total Cost (Two year contract)	City of Vancouver Cost (Two year contract)
Petro-Canada	\$1,168,504	\$397,614
Chevron*	\$1,115,199	\$386,165
NAPA Auto Parts (B)**	\$ 764,038	\$162,013
Lordco Auto Parts**	\$ 958,452	\$327,503
NAPA Auto Parts (A)**	\$1,416,869	\$482,083
Shell Canada	\$1,370,343	\$483,860
Imperial Oil	\$1,356,902	\$485,936

\*Based on current pricing structure with 0% increase/decrease. Prices subject to change.

\*\*Incomplete product offering

## CONCLUSION

Accordingly, it is recommended awarding the BCPPBG lubricant RFP #06-06 to Petro-Canada Lubricants, meeting all requirements and providing the over-all best value to the City at a total cost of \$397,614 over a two (2) year term.

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