

### 13. SUPPLY OF LIQUID FUELS

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The purpose of this report is to seek approval to enter into an agreement for the supply and delivery of liquid fuels.

The current agreement for the supply and delivery of liquid fuels expired on 31 August, 2002 and has been extended until 31 January 2003. The Council issued a RFP and, in conjunction with City Care, has worked through the evaluation process. Fourteen other parties have indicated an interest in being considered as potential participants to the new agreement once the process is completed. The other participants are made up of LATEs and other local authorities, most of whom are participants to our current agreement.

Although Red Bus Limited were party to the RFP process given their single drop, high volume usage they have proceeded with their own separate agreement.

Three conforming proposals were received. These were from BP Oil New Zealand Ltd, Mobil Oil New Zealand Ltd and Shell New Zealand Ltd. Details of the proposals are contained in the public excluded section of this report.

It should be noted that BP offered a lower sulphur diesel option which has a premium over standard diesel. However this option is only offered "at the pump" and would therefore not be available for the bulk (87%) of our diesel requirements.

The Environmental Health Policy Leader (Terry Moody) has commented as follows:

*"The Government has legislated that low sulphur diesel must become available throughout New Zealand in 2004. The pollutant of major concern from an ambient air point of view in Christchurch is particulate matter. The levels of PM10 are significantly elevated during the winter months to exceed New Zealand guidelines published by the Ministry for the Environment. The same cannot be stated about levels of sulphur dioxide produced by the combustion of fuel containing sulphur, including diesel fuel, ambient air levels of which do not exceed any guideline levels".*

The Energy Manager (Dr Leonid Itskovich) has commented as follows:

*"Mobil offered their new synergy diesel, which uses an advanced additive package that provides cleaner combustion and improved engine efficiency. Mobil claim a 17.2% reduction of particular matter in diesel engine exhaust due to this additive, and an up to 2% improvement in engine efficiency. These improvements represent a benefit and are particularly relevant to the City Council's and Environment Canterbury's efforts to reduce PM10 emissions".*

The Council's major fuel usage is petrol for the motor vehicles and diesel fuel primarily for the stationary standby diesel generators throughout the city. The latter are regularly maintained as part of an ongoing maintenance programme to ensure readiness in an emergency. It was therefore considered that the contract be awarded to the lowest conforming proposal being that of Mobil Oil New Zealand Ltd. The Council's estimated expenditure based on the proposed price is \$555,424 per annum. More detailed pricing information is included in a separate public excluded report.

The term of the contract would be for three years with the right of renewal annually for a further two years at the Council's discretion.

- Recommendation:**
1. That the Council accept the lowest conforming proposal, being that put forward by Mobil Oil New Zealand Ltd for a term of two years with the right of renewal annually for a further three years at the discretion of the Corporate Services Manager and depending on the extent to which Mobil Oil New Zealand's fuel demonstrates lesser impacts on the environment when used in vehicles.
  2. That, subject to the terms and conditions of the agreement being acceptable to the Corporate Services Manager, he be authorised to enter into an agreement in fulfilment of the above recommendation.