

Frequently Asked Questions About the State's Salt Contracts & Options and Prices for Local Users

From the Vermont Office of Purchasing & Contracting (OPC), Department of Buildings & General Services, October 12, 2021 <http://www.bgs.vermont.gov/purchasing>

Links to the salt contracts, on the Office of Purchasing & Contracting (OPC) website, are below, after the Q & A.

Q1. How do the State salt contracts work for winter highway salt for local governments and other eligible non-State users? (referred to here as “Additional Purchasers”) Do Additional Purchasers get the same price as the State?

A1. Under State statute, the State has the option, but not the obligation, to make contracts for various products available for local governments. When the State conducts the bid process for salt for VTrans’ use on the State highways, the State also seeks prices (priced separately, but bid at the same time) for potential Additional Purchasers.

The approach has been that the bidder that bids lowest, for Additional Purchasers, in each specific region, has been included in the State contract, at that price, for Additional Purchasers, for that region. Additional Purchasers are not required to use the State contract and they may purchase in any manner from any source.

Q2. Is this (separate product pricing for State and Additional Purchasers) the same way that pricing is handled in other State contracts that are made available to Additional Purchasers?

A2. Many State-wide contracts are available for Additional Purchasers at the same prices as the State. With salt, transportation costs are a major cost driver, and so location and volume of purchase have large impacts on pricing. Additional Purchasers are generally smaller users, and more dispersed (and, even as between different Additional Purchasers, are much more varied in sizes and locations).

Q3. Have “Additional Purchasers” always been included in the State salt purchasing contract?

A3. No, the State used to solely handle its own salt sourcing, and Additional Purchasers solely handled their own salt sourcing. Some years ago, the Vermont League of Cities and

¹ **See also the 2020 FAQ, also posted on the OPC website, for additional background on 2020 and prior details regarding salt, which remain, in part, relevant to background on Contracts # 40744 & 40745, which have been extended for winter 2021-22**

Towns (VLCT) reached out to the Department of Buildings and General Services, Office of Purchasing and Contracting, with a request to be included in the State’s bid processes. Prior to that, some municipalities may have tried to bid or shop for prices, but some were simply approached by salt companies with prices set by the salt companies. Municipalities that were interested in potentially participating with the State’s bid process provided salt purchase estimates that were included as part of the State’s request for proposals.

Q4. How has the cross-section of contractors, and prices, been arrived at for this coming winter of 2020-21?

A4. In 2020, Vermont collaborated with New Hampshire in conducting an online reverse auction. Prices for the winter of 2020-21 came down, at least somewhat, and in many cases, very substantially, compared to the pricing, for each/all State and Additional Purchaser regions, that had been in place under the prior contracts for the winter of 2019-20. Decreases varied by region, for both State and Additional Purchasers.

The salt contracts for the winter of 2020-21 were as follows:

2020-21 contract pricing:

American Rock Salt Co., LLC:

AOT District 1, Bennington	\$54.65
AOT District 3, Mendon	\$54.60
AOT District 4, White River Jct.	\$52.65
AOT District 7, St Johnsbury	\$51.00
Additional Purchasers - District 1	\$68.60
Additional Purchasers - District 2	\$74.40
Additional Purchasers - District 3	\$74.00
Additional Purchasers - District 4	\$80.31
Additional Purchasers - District 5	\$81.58
Additional Purchasers - District 7	\$82.60

Cargill:

AOT District 2, Dummerston	\$55.30
AOT District 5, Essex Jct.	\$50.75
AOT District 9, Newport	\$56.61

Compass Minerals:

AOT District 8, St Albans	\$53.60
---------------------------	---------

Additional Purchasers - District 8	\$69.84
Additional Purchasers - District 9	\$73.95

For the upcoming season of 2021-22, and since the prices from the 2020 bid event were so favorable in comparison to prior years, the Office of Purchasing & Contracting (OPC) engaged in dialogue with each of the contractors with regard to potential renewal pricing.

OPC’s dialogue with the contractors who held the 2020-21 salt contracts resulted in the following ***partial*** extensions of the arrangements from 2020-21 into 2021-22:

Cargill has agreed to renew *at the same prices* in 2021-22 as it had contracted for in 2020-21, and the State has extended that contract (Contract 40744), at the same prices as 2020, for AOT Districts 2, 5, and 9

Compass Minerals has agreed to renew with very modest price increases (in the vicinity of 1%) and the State has extended that contract (Contract 40745), for AOT District 8 and Additional Purchasers located within Districts 8 & 9.

American Rock Salt affirmatively declined to offer any renewal prices, and indicated that it would only provide new proposed pricing in response to a formal bid event. *This left an absence of contracted supplier for AOT Districts 1, 3, 4, and 7, and Additional Purchasers located within Districts 1, 2, 3, 4, 5, relevant portions of 6 (see immediately below, for explanation of “6”) and 7.*

Accordingly, the State then put out a Request for Proposals (RFP) seeking bids for AOT Districts 1, 3, 4, and 7, and Additional Purchasers located within Districts.

Also, during April 2021, AOT had re-created District 6, which had been absent for some years. District 6 was re-formed from out of portions of adjoining Districts 4, 5, 7, and 8. See Appendix A for details on which towns were brought, out of which Districts, to re-form District 6. The parts of District 6 that had previously been part of Districts 4 and 7 (which were covered by the 2020-21 contract not being renewed with American Rock Salt) were also part of this Fall 2021 RFP.

Q5. What were the results of the new Fall 2021 salt RFP?

A5. The State publicly posted notice of the RFP. Acceptable bids were received for AOT Districts 1, 3, 4, relevant portions of 6 (the portions of 6 that had not previously been a part of Districts 5 and 8, which are still covered, by the renewed Cargill and Compass Minerals contracts, respectively) and 7. Contracts have been put in place, for those AOT Districts, on the basis of those bids.

No bids were received for Additional Purchasers located with Districts 4, 5, 6 (the parts of District 6 that had previously been part of Districts 4 and 7 (which were covered by the 2020-21 contract not being renewed with American Rock Salt)) and 7.

Bids were received from one bidder for Additional Purchasers located within Districts 1, 2, and 3, but the proposed prices from that one bidder were especially high. Those bids, from one bidder, were so high that it is the judgment of the Office of Purchasing & Contracting that there would be no advantage, and in fact possible disadvantage, to Additional

Purchasers by actually putting contracts in place at those prices for Additional Purchasers located within those Districts.

Q6. What could be the reasons for the lack of bids, and the few very high bids, in 2021, for the Additional Purchasers?

A6. The State has no definitive or complete answers. It cannot force companies to bid, or to bid at a certain echelon of price, nor can it possibly know the thoughts of bidders and non-bidders.

However, some of the salt companies have specifically communicated to the State that the process, as it actually unfolds, ends up creating a disincentive to bid actively, or at all, during the State's bidding process, for pricing for non-State Additional Purchasers: (1) no Additional Purchasers are obligated to buy from the low bidder in the State's bidding process who is awarded a contract by the State for particular Additional Purchasers; (2) the price bid by the contractor awarded by the State for a given region, for Additional Purchasers in that region, becomes a publicly-posted price; (3) then, other companies, that were not low bidders during the State's bid event, approach and negotiate with individual Additional Purchasers at prices beneath the posted contracted price for Additional Purchasers; and as a result (4) the company awarded by the State for Additional Purchasers within a particular region then becomes *especially unlikely* to have significant actual sales to Additional Purchasers within that region, as a result of having "won" the bid and contract for those Additional Purchasers.

Q8. For Additional Purchasers outside of Districts 8 & 9, what options do they have?

A8. As mentioned above, Additional Purchasers always have total choice and discretion of who they negotiate with and buy from, and at what price. Salt suppliers have the same discretion as to who they sell to, where, and at what price.

Additional Purchasers may want to try to use the State-contracted prices as somewhat of a yardstick or starting place, but, depending on location, quantity, and other variables, may or may not be able to persuade any particular seller to exactly that price.

For reference, the State's salt contracts for Winter 2020-21, are at:

<https://bgs.vermont.gov/purchasing-contracting/contract-info/current#Highway%20Equipment%20&%20Materials>

(scroll down to: "ROAD SALT SUPPLIERS")

If you have further questions after reviewing these Q & A, please feel free to contact:

Trevor R. Lewis, State Commodity Procurement Administrator, at 802 828 2217 or Trevor.R.Lewis@vermont.gov

APPENDIX A

Towns which had been portions of other AOT Districts, pre-April-2021,
that have been placed within AOT District 6 as part of the April 2021 re-creation of District 6

Previous District	Town	Town#	County	Region
District 5	Duxbury	1206	Washington	NW
	Fayston	1208	Washington	NW
	Middlesex	1210	Washington	NW
	Montpelier	1211	Washington	NW
	Moretown	1212	Washington	NW
	Waitsfield	1216	Washington	NW
	Warren	1217	Washington	NW
	Waterbury	1218	Washington	NW
District 8	Worcester	1218	Washington	NW
	Elmore	0804	Lamoille	NW
	Morristown	0807	Lamoille	NW
	Stowe	0808	Lamoille	NW
	Wolcott	0810	Lamoille	NW
District 7	Orange	0908	Orange	NE
	Washington	0915	Orange	NE
	Barre City	1201	Washington	NE
	Barre Town	1202	Washington	NE
	Berlin	1203	Washington	NE
	Cabot	1204	Washington	NE
	Calais	1205	Washington	NE
	E. Montpelier	1207	Washington	NE
	Marshfield	1209	Washington	NE
	Plainfield	1214	Washington	NE
	Woodbury	1219	Washington	NE
District 4	Brookfield	0903	Orange	SE
	Williamstown	0917	Orange	SE
	Roxbury	1215	Washington	SE
	Northfield	1213	Washington	SE