

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 6, 2020 <http://www.bgs.vermont.gov/purchasing>

Links to the three contracts, on the 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 “local users”) Do local users 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 local users. The bidder that bids lowest, for local users, in each specific region, is included in the State contract, at that price, for local users, for that region. Local users are not required to use the State contract and they may purchase in any manner from any source.

Q2. How do this year's prices compare to last year, for purchases by either the State or for local users?

A2. Prices for the coming winter of 2020-21 came down, at least somewhat, and in many cases, very substantially, from the pricing that had been in place under the prior contracts for the winter of 2019-20. Decreases varied by region, for both State and local users. But salt prices under the State contracts came down, everywhere in Vermont, for both State and local users, compared to last year.

Q3. Have “local users” always been included in the State salt purchasing contract?

A3. No, the State used to solely handle its own salt sourcing, and local users solely handled their own salt sourcing. Some years ago, the Vermont League of Cities and 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. Is anything different this year, compared to other recent years?

A4. Overall, no. The bid processes and contracts have always had distinct, separate, prices for the State versus local buyers (for reasons described in more detail further below). This

year the State pursued innovative purchasing techniques of both (1) conducting its bid process collaboratively and concurrently with New Hampshire, with the aim of attracting the largest number of bidders and generating the most active bidding, and (2) using a “reverse auction process” in which would-be suppliers bid prices downward, against one another, during the time window of a “reverse auction event.”

Q5. Why did prices decrease more in some locations than others, or differently for State or local pricing?

A5. Even for the State’s pricing, some regions dropped more than others, compared to last year. Vermont as a whole saw greater drops during the reverse auction, than New Hampshire. Speculation would be unwise and unproductive. But, presumably, some combination of “how much margin each bidder had available to trim,” combined with each bidder’s transport costs and logistics for different regions, and how aggressively each bidder was interested in any given region or subset of buyers, drove the variations in degrees of decreases.

Q6. Is this (separate product pricing for State and local users) the same way that pricing is handled in other State contracts that are made available to local users?

A6. Many State-wide contracts are available for local users 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. Local users are generally smaller users, and more dispersed (and, even as between different local users, are much more varied in sizes and locations).

Q7. Did the State previously conduct the salt bid and contracting processes so that local users had a contract-based right to the same price as the State?

A7. The State’s practices have recognized that there may be potential price variations as between the State and local users. A specific local user that either buys in especially high quantities and/or has an especially easy-to-reach delivery location might very well use those factors to ask one or more potential suppliers for its own pricing, which might be lower than other more general, region-based, prices for local users under the contract.

Q8. How is geography handled in relation to bidding and contracting for potential local users?

A8. Bidding for prices available to local users is not done on a separate individual community-by separate community basis, because individual communities are not required to and might not use the contractor resulting from the State’s bid process, and it would be impracticable for the State to try to bid for separate pricing in over 200 separate local locations in addition to the States’ own sites.

So, for each region of the State, as defined by the VTrans Districts, the bid process seeks separate bids:

Prices for VTrans, separately, for each VTrans District.

Then, separately, prices that the contractor would provide to any local user, within regions matching the geographic unit/bounds of VTrans Districts. This is bid separately from the State pricing because quantities are usually lower and delivery locations are more dispersed and sometimes remote. Within an overall District, some towns might be larger scale users and/or near major highways, but other towns might use much smaller quantities. It is hoped that, at least on average, the prices made available to local users, through the State's efforts, will be lower than if a town were completely "going it alone" in a purely solo bid process, because of the "critical mass" of both the State's procurement process and the fact that bidders are bidding on multiple towns. As mentioned elsewhere, any single local user might in some cases, be able to get its best pricing solo, for reasons that might include large quantity or easily reached delivery location.

Q9. Will the bidder awarded a contract for the local users, within a region defined by a VTrans District, always be the same as the bidder awarded for the State within that same District?

A9. No, this may vary, for the following reasons.

No bidder had to bid any or every District, for either the State or for local users. Some bidders didn't bid every region to begin with. Different bidders participated to different extents, for different regions or buyers, at the reverse auction stage.

There are situations in which the contractor awarded the contract for a particular District is the same, within that one District, for both the VTrans pricing and the local user pricing applicable within that District- because they had the lowest bids, separately, for both State and local users.

There are other situations in which the low bidder/awarded contractor, within a District, is different as between the contractor awarded that District for VTrans and the contractor awarded that District for local users. The State awarded the contract for local users, within a District, to whatever company bid the lowest, for those local users, within that District. Local users are not required to use the contract or contractor.

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

<https://bgs.vermont.gov/sites/bgs/files/files/purchasing-contracting/contracts/40743.pdf>

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<https://bgs.vermont.gov/sites/bgs/files/files/purchasing-contracting/contracts/40745.pdf>

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

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