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SUPPLY OF WINTER ROAD SALT

The Transportation Services Committee recommends the adoption of the recommendation contained in the following report dated September 23, 2009, from the Commissioner of Transportation Services.

1. RECOMMENDATION

It is recommended that:

1. This report be received for information.

2. PURPOSE

This report is to inform Region Council that staff has issued a new tender for the supply and delivery of winter road salt. The new tender includes liquidated damages that help mitigate the risk of road salt material supply shortage as experienced by municipalities across North America over the last two winter seasons. The contract is for the award of the supply and delivery of winter salt for the next three winter seasons (2009-2012).

3. BACKGROUND

The application of salt on roadway surfaces is required to achieve the winter maintenance standard for the paved sections of the Regional road system. Regional Council approved the winter road maintenance standard with the adoption of Clause 21 of Report 14, of the Transportation and Environmental Services Committee on August 25, 1994.

The previous Co-operative Salt Supply Tender CT-06-05 has been closed

The previous salt supply tender CT-06-05 which was initiated by the Town of Newmarket on behalf of the York Public Buyers Co-operative and participated by the Region has been completed and the contract timelines terminated in April 2009.

During the winter seasons of 2007/2008 and 2008/2009, the supply of salt to municipalities became scarce

During the winter season of 2007/2008 and 2008/2009, the supply of salt to municipalities became scarce and many municipalities, including the Region and its local municipalities, did not receive the quantities of salt requested under the salt supply tender.

Reductions in the quantity of salt supplied to the Region increase the likelihood of a salt shortage which could ultimately result in certain roads not receiving adequate amounts of salt to meet the Region's winter maintenance standard. Although the Region was able to meet its winter maintenance standard during the winter seasons of 2007/2008 and 2008/2009, the Region's exposure to potential liability is increased in circumstances where its supplier fails to supply adequate amounts of salt during periods when it is most needed.

As the past two winters continued to have more than the usual repeated winter events, the salt supply for municipalities across North America became scarce. Municipalities that had liquidated damages in their supply tender continued to have a constant supply of salt. Municipal tenders that did not have any liquidated damages for the supply and delivery of salt in the contract, experienced many challenges in obtaining a salt supply and often the material that was requested was delivered late or in partial orders. These late or partial deliveries presented a risk for municipalities to run out of de-icing materials during a winter event.

Environmental scan to seek out how some of the other comparable municipalities were tendering salt supply and delivery tenders

Transportation Services staff completed an environmental scan to seek out how some of the other comparable municipalities were tendering salt supply and delivery tenders. Large municipalities that typically purchase large quantities of road salt for winter maintenance include liquidated damages for failure to supply and deliver road salt.

Transportation Services and Legal staff at the Region designed a new tender that had measures to help mitigate the risk of supply shortages

The Region's Transportation Services and Legal staff designed a new tender that had measures to help mitigate the risk of road salt supply shortages. This new tender introduced the requirement for the bidder to submit a performance bond totaling 100% of the bid price, and a liquidated damage clause in the amount of $0.50 per metric tonne for each hour of late delivery starting from 48 hours after initial orders were placed. This is expected to address the late or partial order delivery crisis that occurred in the last two severe winter seasons. The City of Toronto included the similar bonding and liquidated damage requirement in their three-year salt supply tender issued in 2008. The liquidated damages for failing to supply salt requirement was expected to have marginal financial implications.

The Region's Supplies and Services Branch issued the new salt supply tender T-09-71 for the next three winter seasons on August 26, 2009. The municipalities that typically purchase larger quantities of winter salt agreed that the mitigation measures were required to secure a constant supply of winter salt materials for future years. The City of Vaughan, the Town of Markham and the Town of Richmond Hill participated in this tender. The Town of East Gwillimbury and the Township of King, although do not purchase large amounts of road salt, also participated in this tender.

The Town of Newmarket issued a more traditional tender CT-09-04 without liquidated damages. The Towns of Aurora, Georgina and Whitchurch-Stouffville all participated in the CT-09-04 tender. The winter operations in these four municipalities use more sand and less salt. This allows for a more flexible delivery requirement where liquidated damages are not required.

4. ANALYSIS AND OPTIONS

REVIEW AND AWARD OF SALT SUPPLY TENDER

New supply and delivery tender awarded to Sifto Canada Incorporated

Six companies received the bid document. Sifto Canada Incorporated was the only supplier that submitted a complete tender bid with prices. The Canadian Salt Company Limited submitted a notification that they were unable to bid due to the requirements for bonding and liquidated damages. Cargill Limited stated that they would not have enough tonnage to supply the tender estimates. The remaining companies did not respond.

The submitted unit cost (weighted average) by Sifto Canada Inc. reflects an increase of 5.6% over the supply price for the previous 2008/2009 winter season.

The 5.6% unit price increase is deemed as a compound result of the material and delivery cost inflation, together with the implication of the liquidated damages for supply requirement introduced in the tender. Staff completed a review of other municipalities and the new tender price which included liquidated damages was comparable other similar municipal tender results.

The new unit price is comparable to the unit price recently awarded by the Town of Newmarket, in their three-year (2009-2012) salt supply tender participated by the Town of Aurora, Georgina, and Whitchurch-Stouffville, in which no performance bond was required or liquidated damage were not part of the tender requirement.

Staff have awarded Supply of Winter Salt contract T-09-71 in October 2009. The tender unit price was comparable to other municipalities. This tender was awarded to ensure a constant supply of material would be available at the start of the October 2009 through to April 2012 winter seasons.

2009 BUDGET IMPLICATION

New tender price within budget of forecasted 2009 budget

The approved 2009 Transportation Services Road Operations salt purchase budget of $3,456,200 (G.S.T rebate has been deducted) includes an estimated quantity of approximately 48,000 tonnes of salt for the 2009 calendar year.

This total includes the quantity required to service the increase in lane kilometers as a result of both expansion of the existing Regional road system under the capital program.

In addition to the expansion of the Regional road system, the extreme winter storm conditions that blanketed the GTA in the past two winter seasons required additional use of salt.

Table 1 below summarizes the salt usage in the past several winter seasons in the Region, as well as the estimated annual quantity that has been included in the tender for the next three seasons. It should be noted that supplies are only purchased on an as-needed basis to meet the winter road operating standards and actual prevailing weather conditions. The four maintenance district depots within York Region have salt storage facilities to store approximately 2,500 tonnes at each depot with combined storage of approximately 10,000 tonnes of salt.

Table 1
Salt Usage
Historical and Estimated

Winter Season	2005/2006	2006/2007	2007/2008	2008/2009		2009-2012 Tender Estimated Annual
Number of Events	70	69	98	85*		
Salt Usage (Tonnes)	34,580	30,590	47,804	Oct. – Dec. 2008	22,917	54,000
				Jan. – Apr. 2009	29,190	
				Total	52,107**	

*Although there were less winter events, storm intensities and duration were greater during the 2008/2009 season as well as network growth, contributing to an increase in salt usage.

**An additional 2,000 tonnes of salt were purchased for reserve and is stored at an old road maintenance depot.

As shown in the above table, the Region has purchased 29,190 tonnes of salt from January to August 2009, which resulted in the expenditure of $2,060,814 out of the approved 2009 budget of $3,456,200, with a remaining amount of $1,395,386 for the remaining period of the calendar year of 2009.

Salt usage for the period of October 1 through to December 31 in 2006, 2007 and 2008 was 6,555, 20,071 and 22,971 tonnes respectively. Based on the average salt usage during the period of October 1 to December 31, 2009, there should be sufficient funds to meet the forecasted needs. If unusual severe winter events occur during the period from October 1 to December 31, 2009, a further budget adjustment may be required to address any budget shortfall. Transportation Services staff will continue to monitor the salt purchases and report as required.

In 2004, staff in the Transportation Services Department created a Salt Management Plan. This plan is intended to set out a policy and procedural framework for ensuring that the Region minimizes the amount of road salt entering the environment during winter maintenance operations. The Salt Management Plan was created to help ensure salt is only applied in a controlled and effective manner when required, in the right amount, at the right time and in the right place.

Even working in the context of the Salt Management Plan, staff have been working at ways to reduce salt dependency, while maintaining user safety. And although there is ongoing research into the use of alternatives to road salt in winter maintenance, it continues to be the most cost-effective de-icer across Canada.

2010 BUDGET IMPLICATION

Amount forecasted in 2010 budget meets the Region's target requirements

The proposed 2010 Transportation Services Road Operations salt purchase budget of $3,686,431 included an additional 5% for the anticipated material supply price increase and 1.6% for the road network system growth meeting the required budget target requirements for 2010 salt purchases.

5. FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

Salt expenditures are charged to the Operations winter maintenance program. The Region has purchased 29,190 tonnes of salt from January to August 2009, which resulted in the expenditure of $2,060,814 out of the approved 2009 budget of $3,456,200, with a remaining amount of $1,395,386 for the remaining period of the calendar year of 2009.

Based on the three year average salt usage during the period of October 1 to December 31, 2009, there should be sufficient funds to meet the forecasted needs. If unusual severe winter events occur during the period from October 1 to December 31, 2009, a further budget adjustment may be required to address any budget shortfall. Transportation Services staff will monitor the salt purchase quantity and report as required.

6. LOCAL MUNICIPAL IMPACT

The municipalities that purchase larger quantities of road salt annually agreed to work to mitigate the risk exposure to material delivery shortages. There are no anticipated local municipal impacts, as the award of the tender is optional to all municipalities that participated in the Region Tender T-09-71. The tender results will be presented to their respective council for their portion of the tender award.

7. CONCLUSION

It is recommended that Regional Council receive this report for information. With the recent tender award, this approach will help minimize the risk compared to the risk exposure experienced during the 2008/2009 winter season.

For more information on this report, please contact Paul Jankowski, General Manager, Roads at Ext. 5901.

The Senior Management Group has reviewed this report.