



# Corporate Report

NO: R142

COUNCIL DATE: July 28, 2008

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## REGULAR COUNCIL

TO: Mayor & Council DATE: July 24, 2008  
FROM: General Manager, Engineering FILE: 1220-40  
SUBJECT: Award of RFQ 1220-40-22-08  
Supply and Delivery of Bulk Winter Road Salt

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## RECOMMENDATION

The Engineering Department recommends that Council award RFQ 1220-40-08 for the supply and delivery of up to 12,000 tonnes of Bulk Winter Road Salt to McTar, a Division of LaFarge Canada Inc., at a total price of \$1,486,560 including 5% GST (assuming the purchase of 12,000 tonnes at \$123.88 per tonne).

## SCOPE OF WORK

The City requests quotes for the supply and delivery of bulk winter road salt on an annual basis, to be used mainly for City snow and ice removal operations on roadways maintained under Surrey's Snow and Ice Removal Policy. A small amount of the annual salt supply is also used by other City Departments, such as Parks, Recreation & Culture for various civic facilities.

## BACKGROUND

Currently, salt supply to the Region is typically delivered by barge or ship from Mexico, Chile or Peru. In recent years, the cost of bulk road salt has increased substantially throughout North America. West Coast suppliers claim the majority of the increased cost over previous years' pricing is due primarily to the cost of shipping.

Given that there was a shortage of road salt materials in the Lower Mainland in previous years, and due to the higher cost of this material, staff has researched various alternative methods of procuring bulk winter road salt. The most viable alternatives to the Central and South American sources are to obtain it by rail from eastern Canada and/or the United States. However, research indicates that these alternatives would be more costly than current sources, with no guarantee of timely delivery.

Prior to the 2007/2008 winter season, the City procured bulk road salt based on previous years' usage. The City paid for the tonnage of salt that it required for the winter season based on a quoted per tonnage rate.

During the 2006/2007 winter season, Surrey's bulk road salt requirements far exceeded the previous years' tonnages. Since most Lower Mainland municipalities were in a similar dilemma, the local bulk road salt suppliers were unable to meet the high demand. This led most local municipalities, including Surrey, to use a higher mixture of sand with the remaining salt, leading to increased clean-up costs during the annual "Winter Cleanup Sweeping Program" in the spring.

Prior to last year's winter season (2007/2008 winter), and in an effort to ensure a higher measure of security that salt would be available when it is required, staff met with the local bulk road salt suppliers to discuss alternatives. The suppliers suggested an alternative procurement method where they would guarantee a supply of up to 120% of the City's total annual estimated bulk road salt tonnage requirement, provided that the City guaranteed to purchase a minimum of 80% of the total annual estimated road salt tonnage requirement. This method reduces the material storage cost to the Contractor while reducing the maximum guaranteed purchase quantity by the City.

The City has recently issued a request for quotations (RFQ 1220-40-22-08) for the purchase of bulk road salt using the same option as noted above (80% minimum purchase - 120% guaranteed supply), as per "Option A" below, with an additional option to purchase materials on an as-required basis, but with no guaranteed quantity, as per "Option B" below.

## QUOTATION RESULTS

Quotations for RFQ 1220-40-22-08 were received up to July 11, 2008, as follows:

Company	Option A (per tonne)	Option B (per tonne)	Total Bid Price Option A	Total Bid Price Option B
McTar	\$123.88	\$123.88	<b>\$1,486,560.00</b>	\$1,486,560.00
Mainroad Maintenance Products	\$119.93	\$128.33	\$1,439,160.00	\$1,539,960.00

## EVALUATION

While Mainroad Maintenance Products provided a lower quote for bulk road salt material under Option A (80% minimum purchase, 120% guaranteed supply), they have stated as a departure within their submission that, "*we are not prepared to commit to the emergency delivery requirements, but we will use every effort to deliver in a timely manner.*" However, the RFQ requires emergency delivery on a 7-day per week/24-hour basis within 4 hours of being called. Conversely, McTar did not reflect any departures in their submission and possess adequate trucking to meet our delivery requirements. McTar has supplied winter road salt to the City in the past without any supply or delivery issues.

The City has experienced problems with salt supply and delivery through Mainroad Maintenance Products and, on this basis, it is considered to be in the City's best interest to purchase annual supply of bulk winter road salt from the more secure supplier. Accordingly, staff have met with McTar, whose practice is to inventory the tonnage of materials which they have guaranteed to all of their respective clients at the onset of the winter season, to ensure availability as required by the City and not depend on just-in-time delivery of salt, as per past experience with Mainroad Maintenance Products.

On this basis, despite the slightly higher price per tonne, it is recommended that McTar, a Division of LaFarge Canada Inc., be awarded RFQ 1220-40-22-08 under Option "A" at a total price of \$1,486,560 plus GST.

## **FUNDING**

Funding for the purchase of bulk road salt for the 2008/2009-winter season is available in the approved Roads Maintenance budget in Engineering Operations.

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