

As we approach the upcoming snow season in Michigan, let us remember how last year ended.

SALT SHORTAGE – PRICES RISE

by Troy R. Clogg



February 2008—The announcements hit the TV, radio, and newspapers. There was a salt shortage, which left our municipalities and snow removal contractors scrambling for salt, with the end of winter nowhere in sight. Fast forward to the end of the season, then through the spring and summer months with an uncertain Michigan economy and continued rising fuel costs. Now you find yourself approaching the upcoming Michigan snow season wondering what's going to happen this year.

The overall reality is that we will have the same struggles this season, too. On August 1 came the promise of notification of a salt price per ton for private distributors, snow removal contractors, etc., but as of this writing, the price has only been released to a few. In review of Michigan municipality contracts, the pricing is 50-100% higher than over the past few years. With this much uncertainty, we hope that September will have definite price and supply availability for all local contractors, but even then there's no guarantee that this will happen or that it will hold stable for any length of time.

As a property owner or manager, the salt shortage and rise in prices is making it very difficult to budget for snow removal costs. From the snow contractor's viewpoint, bidding out contracts is difficult, to say the least. There are very few contractors who have secured and/or actually own (in inventory) a salt supply for this upcoming season. This year we all need to work together through this "shortage" of salt and play the "supply and demand" game. You have probably seen attempts in your returned contract proposals with scenarios ranging from a set price, price scales, price indexing, and other calculations as bidding deadlines are met.

It is important this year for all of us to understand the salt and fuel cost issues. The price of commodities and the level of snow service must be reviewed by both parties for their true impact. In selecting your snow removal contractor, you should discuss their business plan for maximizing their resources. They should discuss with you the level of service options and the varying approaches to different snow storm events. A knowledgeable and experienced contractor with the most efficient labor, equipment, and materials will be the most cost effective for you. Break apart aspects of your contract to decide what level of service is needed at each site. It might be cost effective to pre-purchase bulk salt and deicer products. It's possible that site storage of salt and equipment could reduce your costs and provide benefits to both parties.

Addressing clients' primary concerns for the snow contractor's preparedness, commitment to their sites, and proactive ideas should be high on your list when selecting your snow removal contractor. Unfortunately, the snow removal

industry has a not-so-stellar reputation in many of these areas. Relying on contract price alone could leave you with someone who won't show up during "the big one" or who won't finish the season out.

Strive for a strategic partner and not just another contractor. Ask if your contractor is a Certified Snow Professional (CSP). You have probably worked hard to achieve your certifications and designations within your industry, showing a high level of dedication and professionalism, so why hire a contractor who is not on the top of his game? CSPs are highly qualified professionals representing all aspects of the business, including operations and the legal and technical aspects.

As a property owner or manager you need to ask your contractor the hard questions. Anyone who is unwilling or unprepared to discuss their plans for securing salt for the upcoming snow season should be viewed with caution. Structure your contracts to address market supply and demand. Expect that during the season, adjustments may need to be made based on salt and fuel prices.

About the Author

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