

MEMORANDUM

TO: William J. Mueller, Village President and Board of Trustees

FROM: David Hulseberg, Village Manager

DATE: September 11, 2008

SUBJECT: A Resolution Requesting the Illinois Attorney General to Investigate Sodium Chloride (Road Salt) Prices

This memorandum provides a background and a recommendation that the Village Board request that the Illinois Attorney General take immediate steps to initiate an investigation into price manipulation and anti-competitive activities by salt companies in violation of the laws of this State and the United States

Background: The Village of Lombard depends upon sodium chloride (“Road Salt”) to maintain the safety of public sidewalks and roadways during periods of snow and ice. The Village of Lombard and other Northeastern Illinois communities participated in the State’s joint purchasing program for Road Salt, and either received no bid, or an extraordinarily high bid, pursuant to the State of Illinois’ solicitations for Road Salt delivery. This was despite Illinois’ initial bid closing date having been consistent with those states having received reasonable bids.

The 2008/2009 bid tabulations for Road Salt delivered in our region, including 70 Wisconsin counties participating in the State of Wisconsin bid, and 277 Michigan local governments participating in the State of Michigan bid, reveal average Road Salt prices of \$49.85 and \$45.26 per ton, respectively. Other Northeastern Illinois communities are receiving prices for “unlimited quantities” as high as \$232.00 per ton. The salt industry’s position – that such dramatic increases for delivered product result primarily from increased diesel fuel costs – is clearly not supported by the facts.

The average diesel fuel prices have increased approximately 36% over the past year, while 2008 bids for delivered Road Salt show an increase of as much as 570% over last year’s Illinois state contract of \$40.69 per ton. The industry leader, Salt Institute, reports that 2006 and 2007 bulk Road Salt prices, excluding transportation costs, were \$25.37 and \$28.92 per ton, respectively, but this year’s bulk prices are as high as \$82.00 per ton, an amount more than 280% higher than last year. At the same time, publicly traded salt companies have recently reported second quarter profits for the first time in their histories.

Record high prices and corporate profitability, in combination with apparent market concentration at all levels of the industry, demand that salt companies be investigated regarding illegal collusion, price-gouging, price-fixing and other anti-competitive activities;

Staff recommends that the Village Board hereby request that the Illinois Attorney General take immediate steps to initiate an investigation into price manipulation and anti-competitive activities by salt companies in violation of the laws of this State and the United States and that the Illinois Attorney General's Office report to all Illinois municipalities said Office's findings relative to the subject matter, and, upon any finding of wrong doing, prosecute the companies/individuals involved, on behalf of the State and its citizens. Further, the Illinois Attorney General should seek the participation of the attorney generals of other states to join with Illinois in this investigation, and any legal action to recover the costs of prosecution and price manipulation on behalf of their states and citizens.

Recommendation: Staff recommends that the Village Board authorize the Village President and Village Clerk to sign the attached resolution and that certified copies of this Resolution shall be sent to those Illinois State Senators and Illinois State Representatives who represent portions of the Village of Lombard, as well as the Metropolitan Mayors Caucus.