

July 14, 2005

TO: John Szerlag, City Manager

FROM: Brian P. Murphy, Assistant City Manager/Services  
Jeanette Bennett, Purchasing Director  
Timothy L. Richnak, Public Works Director

SUBJECT: **Agenda Item** - Bid Waiver - Purchase of One (1) 64,000 GVW Tandem Axle Dump Truck

### **RECOMMENDATION**

On April 4, 2005, Troy City Council approved a contract to purchase four (4) tandem axle dump trucks from the low total bidders, Bi-State Sterling Truck Center of Toledo, OH and Monroe Truck Equipment of Flint, MI. (Resolution #2005-04-149-E18) Bi-State and Monroe Truck Equipment have agreed to provide the Motor Pool Division with one (1) additional tandem axle dump truck, at the original bid price of \$81,897.00 and \$47,687.00 respectively, for an estimated total cost of \$129,584.00. The Motor Pool Division recommends the purchase of the 2006 tandem axle dump truck.

### **BACKGROUND**

In March of 2005, bids were received for the purchase of four- (4) tandem axle dump trucks. The bid was awarded to Bi-State Sterling Truck Center for the chassis and Monroe Truck Equipment for the dump bodies on the basis of their low total bid of \$129,584.00 per truck. The new Tandem-Axle has a Sterling cab and chassis, Model LT9513 with Stainless Steel 10-yard dump body and salt spreader, 12-foot front snowplow and 10-foot underbody scraper. The truck is also equipped with a 75-gallon calcium chloride auto pre-wet system. In addition to the standard Sterling warranty, Caterpillar will warranty the diesel engine for seven (7) years or 100,000 miles and Williams Detroit Allison, the automatic transmission for five (5) years or unlimited miles against failure or malfunction.

Bi-State Sterling Truck Center of Toledo, OH, has indicated that they have experienced approximately a 4% price increase since the equipment was originally bid. There would be no benefit to the City to re-bid this item since staff has documented price volatility industry wide for steel (see articles attached) and other materials such as rubber and oil. Also, the City purchased four (4) trucks in the last bid process vs. one truck in the current budget. By purchasing the tandem axle dump truck from the same manufacturer, the unit will be identical to existing equipment on order, making training, repairs and parts procurement much easier for our employees. This tandem axle dump truck will replace a 1993 Ford, tandem axle dump truck with front mounted snow plow, tailgate salt spreader and underbody scraper.

### **BUDGET**

Funds for the tandem axle dump truck are available in the 2005-06 fiscal year Equipment Replacement Fund Account #565.7981.

Total Estimated Award:	\$129,584.00
Budget:	\$140,000.00

Prepared by: Samuel P. Lamerato, Superintendent of Motor Pool

**SECTION A - REPLACEMENT UNITS**

ITEM	QTY.	REPLACES	DESCRIPTION	UNIT COST	EST. COST
1	12	A	Police Patrol Cars	\$23,000	\$276,000
2	4	B	Detective Cars	\$21,000	\$84,000
3	1	C	Command 4X4	\$28,000	\$28,000
4	3	D	Police Service Aids 4X4 Pickups	\$25,500	\$76,500
5	1	E	Fire Department 4X4	\$28,000	\$28,000
6	4	F	Staff Vehicles	\$15,500	\$62,000
7	2	G	2-1/2 YD. Dump Trucks 4X4 W/Plows	\$30,000	\$60,000
8	1	H	2-1/2 YD. Crew Cab Dump Trucks	\$30,000	\$30,000
9	1	I	Crew Cab Pickup	\$22,500	\$22,500
10	6	J	Pickup Trucks	\$16,000	\$96,000
11	2	K	Pickup Trucks 4X4 W/Plows	\$23,000	\$46,000
12	1	L	Crew Truck W/Air Compressor & Crain	\$80,000	\$80,000
<b>13</b>	<b>1</b>	<b>M</b>	<b>10-12 Yard Dump Truck Stainless W-Snow Plow, Salt Spreader &amp; Float</b>	<b>\$140,000</b>	<b>\$140,000</b>
14	2	N	Truck Mounted Street Sweepers	\$150,000	\$300,000
15	2	O	Trailer Mounted Arrow Boards (Battery)	\$9,000	\$18,000
16	1	P	Trailer Mounted Air Compressor	\$14,000	\$14,000
17	1	Q	72" Riding Mower W/Snow Blower 4X4	\$17,000	\$17,000
					\$1,378,000



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Dear Sam,

Thank you for the opportunity to add an additional truck to your P.O. 201005560000. We have checked with our suppliers for the equipment needed to complete another truck, and all have agreed to hold prices for us through the end of July 2005. With this commitment we can offer to do the same. We will need from you an add on to this P.O. by August 1, 2005 which will hold prices on an additional truck. This does not mean that we have to build by that date, we just need a solid commitment from the City of Troy, to hold these prices. With that commitment we will place all required equipment on order as of that date. The build date will be dependant upon the chassis availability, and the corresponding equipment availability.

Please phone with any questions you may have, or should you require additional information, or clarification. Again Thank you for this opportunity, and your support of our company.

Best regards,

Scott Hanewall



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**BI-STATE STERLING TRUCK CENTER**



City of Troy Michigan  
500 W. Big Beaver  
Troy, Michigan 48084  
Attn: Sam Lamerato

6/05/05

Mr. Lamerato,

This letter is in response to your inquiry of the possibility of adding another truck to your current order with our dealership. We have contacted Sterling Trucks and confirmed that you may order additional Sterling chassis, with the exact equipment specifications currently on order, to maintain the current pricing schedule.

I have negotiated the price extension until the last day of July 2005. We need a written purchase order by that date in order to guarantee the current contract / bid pricing.

With the impending emissions for 2007 we both know there will be a price increase, as it did for the past 2004 emissions. There have been discussions as to the amount of this increase; I look for it to be in \$4,000.00 - \$ 7,000.00. Not to mention the extended delivery on certain specifications caused by the large fleets be proactive in their ordering previous to the changes.

Should you have any questions or comments, feel free to call me @ the dealership, 800-686-1694 ext. 3008.

Thank you,

A handwritten signature in black ink, appearing to read "William R. Burroughs".

William R. Burroughs

Commercial Truck Sales

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**E-17 Standard Purchasing Resolution 2: Bid Award – Lowest Acceptable Bidder Meeting Specifications – Fertilization Services at Sylvan Glen and Sanctuary Lake Golf Courses**

Resolution #2005-04-149-E-17

RESOLVED, That a contract to furnish all materials, equipment, and labor for one-year requirements of Fertilization Services at Sylvan Glen and Sanctuary Lake Golf Courses with an option to renew for an additional year is hereby **AWARDED** to the lowest bidder meeting specifications, Turf Grass, Inc. of South Lyon, MI, for an estimated total cost of \$34,140.00, at unit prices contained in the attached bid tabulation opened March 15, 2005, a copy of which shall be **ATTACHED** to the original Minutes of this meeting.

BE IT FURTHER RESOLVED, That the award is **CONTINGENT** upon contractor's submission of properly executed bid documents, including insurance certificates and all other specified contract requirements.

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**E-18 Standard Purchasing Resolution 1: Award to Low Bidders – Four (4) 64,000 GVW Tandem Axle Dump Trucks**

Resolution #2005-04-149-E-18

RESOLVED, That a contract to purchase four (4) 64,000 GVW Tandem-Axle Dump Trucks is hereby **AWARDED** to the low total bidders, Bi-State Sterling Truck Center of Toledo, OH and Monroe Truck Equipment of Flint, MI for an estimated total cost of \$327,588.00 and \$190,748.00 respectfully, at unit prices contained in the bid tabulation opened March 1, 2005, a copy of which shall be **ATTACHED** to the original Minutes of this meeting.

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**E-19 Standard Purchasing Resolution 3: Option to Renew – Automobile, Light Truck, Farm, and Construction Equipment Replacement Parts**

Resolution #2005-04-149-E-19

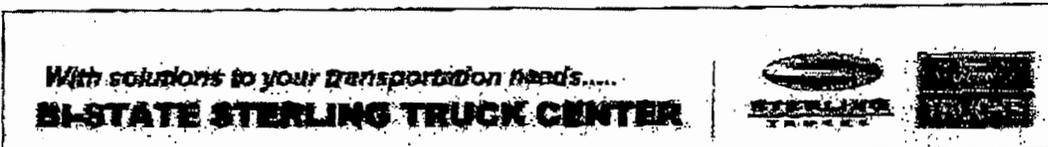
WHEREAS, On May 6, 2002, three-year contracts with the option to renew for three additional years to provide automobile, light truck, farm, and construction equipment replacement parts were awarded to the lowest acceptable bidders meeting specifications, Kirk's Automotive, Terminal Supply, Jack Doheny Supply Company, DTS Fluid Power, LLC (previously Rubber Materials), and Shults Equipment, Inc. (Resolution #2002-05-288-E10).

WHEREAS, All the above named vendors have agreed to exercise the three-year option to renew the contracts under the same price discount structure, terms, and conditions.

NOW, THEREFORE, BE IT RESOLVED, That the options to renew the contracts are hereby **EXERCISED** with Kirk's Automotive, Terminal Supply, Jack Doheny Supply Company, DTS Fluid Power, LLC (previously Rubber Materials), and Shults Equipment, Inc. to provide automobile, light truck, farm, and construction equipment replacement parts under the same pricing structure, terms, and conditions as the original contracts expiring May 6, 2008.

JUL 13 2005 5:21PM HP LASERJET 3200

P.1



City of Troy  
500 West Big Beaver  
Troy, Michigan 48084  
Attn: Sam Lamerato

Mr. Lamerato,

In regards to your interest in adding on to your current contract with us, I submit the following.

It has become an accepted industry standard that the raw cost of the common components that make up most manufacturers' chassis rise on average 4% - 7%.

As axles to engines, are made up of steel, the price of steel alone causes wide fluctuations in the total chassis cost. Not to mention labor, benefits to those individuals who assemble these units.

We are now on the cusp of a new emissions requirement for 2007. This alone is expected to add \$ 5,000.00 - \$ 7,000.00 conservatively, just for engine makers to comply.

And I am sure you were made aware of the extended lead time that the early fleet orders caused by trying to get all "pre emissions engines" last go around.

Sterling, as perhaps other truck providers, no longer has a general month of model year change as in the past. Sterling uses an allotment of components to determine end of model year.

Should you elect to not add an additional chassis at our current contract price, a new bid process could easily make this a 2007 model as early as say, October 2005.

Should you have any additional questions or comments, please call me 800-686-1694 ext. 3008

Sincerely,

A handwritten signature in black ink, appearing to read "WRB" followed by a flourish.

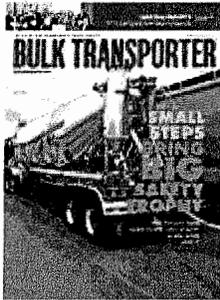
William R. Burroughs  
Commercial Truck Sales



## Tank trailer, truck builders struggle with steel prices, component shortages

Oct 1, 2004 12:00 PM

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SOARING steel prices may have been one of the biggest challenges for tank trailer builders and truck manufacturers over the past year, but it's not the only material-based problem they faced. Tires are emerging as another issue.

Tire concerns cropped up in the second half of the year and have been a big topic of discussion at recent truck shows. Original equipment manufacturers (both truck and trailer) report being put on allocation by some of the largest tire suppliers to the industry.

"Within the past 60 days, our company was put on allocation," one trailer manufacturer said during the International Trucking Show in September in Anaheim, California. "In fact, Bridgestone has cut off our tire supplies for the rest of the year. Michelin says they have plenty of widebase tires but only limited supplies of standard size truck tires. It's been a long time since we've seen component shortages on this level."

### Historic high

With regard to steel, historically high prices have been the chief problem. US Cargo tank builders report that they have been able to get enough sheet and plate to meet demand, but raw material price increases are adding \$4,000 to \$6,000 to a stainless steel tanker.

"We saw stainless steel prices climb 70% to 100% this year, which translated to a 10% to 15% increase in the trailers we built," says Bruce Wadman, president of Brenner Tank LLC. "Steel prices are the highest I've seen in 15 years in this business."

"We think we might see some moderation in steel prices in 2005, and supplies should be adequate. If any shortages do occur, we should see them first in carbon steel, which is widely used throughout the world for cargo tanks and many other products."

Terry Taylor, president of Bulk Resources Inc, adds that his company was able to get as much 316 and 304 stainless as it needed this year. There were also good supplies of 22-gauge bright stainless steel jacketing.

"We didn't experience any shortages, but we certainly paid hefty prices," he says. "Type 316 stainless has a base price of more than \$1 a pound. Stainless steel dipped to about 75 cents in June and July but were back up to 89 cents in August."

### Trailer demand

Higher steel prices cut into demand for new stainless steel tank

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trailers in 2004. Wadman says demand was off by 10% to 20% from what he believes it could have been.

Steel component availability is another issue that hurt demand, according to both tank trailer and truck builders. Mack Truck officials report that steel wheel hubs have been in such short supply that the company has been providing aluminum hubs at no extra cost to some customers. Shortages of steel axles, valves, and manways also are being reported.

"We're definitely seeing delays in getting steel components," says Todd Vincent, West-Mark sales manager. "We're facing lead times of as much as 12 weeks right now for components such as axles. However, we're still able to deliver a new trailer within about 90 days."

The surging steel prices and product shortages caught many truck and trailer manufacturers by surprise. After all, lower steel prices were expected after President Bush removed the tariffs on imported steel in December 2003.

#### Shortage factors

A number of factors are blamed for shortages of some types of steel and overall higher prices:

Worldwide demand for steel has increased dramatically, especially in China, where the economy has been superheated in order to improve the country's infrastructure leading up to the Beijing Olympics in 2008. Last year, China's demand for steel increased by 38 million tons — more than the total used by Mexico and Canada annually. Although some Chinese commercial banks temporarily suspended lending in April and the government said it would curb investment in roads and bridges, China's steel prices did not drop significantly and US prices continued to rise.

China's steel demand is expected to continue growing in the near term. In an effort to meet the demand, every steel manufacturer in the world, including those in the United States, is shipping product to China, helping to create a global shortage. Industry experts say it will be at least three years before enough new production capacity comes on line in China to offset the demand for imported steel.

A weaker US dollar has made foreign steel more expensive in this country at the same time it is favoring the export of US-made steel. In the past, imported steel helped protect truck and trailer manufacturers from price competition.

On the international front, prices for 300-series stainless steels are at lofty levels. For instance, prices in Europe for grade 304 hot rolled stainless steel are up 46% over 2003, and price hikes for grade 304 cold rolled have been comparable.

Consolidation of US steelmakers has cut capacity in the United States. This is another factor reducing the overall availability of steel in the United States, which means more customers than product.

#### Coke prices

Price increases have been posted for the raw materials used to

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## NOTE



make steel. One reason is that a coalmine fire in West Virginia in 2003 reduced by 25% the US output of coke, which is made from coal and is used to make steel. Coke prices tripled in the wake of the fire.

Scrap steel is in short supply, and scrap prices also have tripled. This has raised costs for the mini-mills that recycle scrap steel.

Supply shortages remain for nickel and chromium, both of which are ingredients in stainless steel. The shortages in these metals seem likely to extend well into 2005.

US steel mills across the board have been impacted by higher energy prices, especially natural gas. Now that crude oil has hit \$50 a barrel, it's unlikely that energy prices will abate anytime soon.

Steel producers responded to the domestic and international challenges with higher prices, surcharges, and allocations. The surcharges, adopted early in the year, appear to have had the biggest impact on truck and trailer builders.

According to a survey by the Precision Metalforming Association, 85% of steel users said they were forced to pay a surcharge, and 90% said suppliers raised their base prices. Almost half said at least one supplier canceled an order in January.

### Surcharges

US Steel, citing higher costs for natural gas and raw materials, reportedly added a surcharge of \$30 per ton. Nucor, the largest US steel producer, took it even further, announcing a surcharge in February of \$93 a ton on reinforcing, merchant, and structural products, and a surcharge of \$100 a ton for special bar products that became effective March 1.

Many of the surcharges appear to be giving way to overall price increases that could remain in place for quite awhile. "US steel manufacturers have been become very aggressive at grabbing higher prices," Wadman says. "We have little choice but to pay those prices."

He adds that one of the big questions is what will the US steel manufacturers do with the increased revenues? Will they just reap the profits without taking adequate steps to improve and modernize their operations to be more competitive, efficient, and productive in the future?

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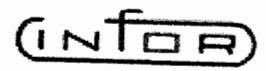
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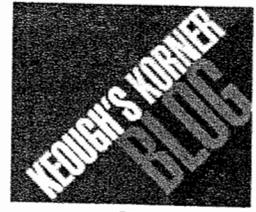
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News  
**Steel prices cause concern**  
**Distributors and manufacturers prepare for surcharges and possible shortages as steel prices rise**  
 By Jack Keough, Editor  
 Industrial Distribution May 1, 2004



**Newton, Mass.**—Rising steel prices, surcharges and possible shortages are creating havoc for industrial distributors and manufacturers, and there appears to be no end in sight.

In March, for example, The Timken Co. announced price increases on its steel bar products. Non-contract prices increased by \$30 per ton for all sizes and grades of carbon and alloy steel bars, effective with April 4 shipments.



"Scrap concerns are well documented throughout the industry, and our surcharge system has been effective in recovering some of these cost increases. Escalating costs in our industry have permeated all other consumable items as well, and this base price increase is necessary to address those costs," Robert N. Keeler, Timken's director of steel sales for North and South America, said in a prepared statement.



*Purchasing* magazine, a sister publication of INDUSTRIAL DISTRIBUTION, reports that market prices are rising because of cost increases for steel scrap, iron ore, pig iron and coke—the residue left after coal is distilled. The magazine reports that though demand is awakening from a three-year slumber, steel hasn't been available in sufficient

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quantities this year, and the end result is much costlier shipments. Some distributors say that fastener prices have increased up to 35 percent as a result.

Steel is used in making bearings, fasteners, shelving, construction materials and a number of other products that distributors sell.

Tom Stundza, executive editor of *Purchasing*, said that hot-rolled sheet steel, which cost \$350 per ton in January, rose to \$585 per ton in April.

China is one reason for the surge in prices. Stundza, an expert in steel pricing issues, said China's demand for steel has exploded as it builds infrastructure for the Beijing Summer Olympics in 2008, as well as for its own internal consumption. Chinese steel consumption rose 30 percent last year, to 250 million metric tons, or one-third of the world output for rolled steel.

To feed their mills, Chinese producers have been scouring the world for scrap steel, causing scrap prices in the United States, the world's largest supplier, to rise by as much as 80 percent over the past year. Steel costs 30 percent more on average since early January, and further price increases are expected.

Stundza said some supply shortages are occurring in the United States for several reasons: delayed delivery of orders and low inventories at the service centers; a seasonal pickup in demand by consumer and commercial manufacturing firms; an unexpected demand from such metalworking segments as machinery and off-road equipment; and a resurgence in demand by construction firms involved in non-residential construction projects.

Some U.S. and overseas manufacturers say that plants could face shutdowns if the problems persist.

Truck body and equipment manufacturers report they are going from a situation where steel was readily available, to one in which long-term steel supply contracts and guaranteed pricing have been eliminated.

In *Truck Equipment News*, a newsletter published by the National Truck Equipment Assn., a member reported that its guaranteed price on a blanket order for steel was recently cancelled. The company, which makes truck equipment and parts, was told there would be a surcharge of 15 percent to 20 percent.

Some big customers are challenging higher spot prices and, especially, the surcharges. General Motors, for example, the largest steel consumer in the United States, is rejecting invoices from steel suppliers that include such "non-negotiated extra charges" as mill surcharges and freight premiums. Smaller companies don't have the clout to combat such charges.

Jack Cahill, president of bearings and power transmission distributor Kaman Industrial Technologies, said the steel problems are severe, but not as bad as what occurred during the recession of 1970-71, when prices skyrocketed and shortages resulted.

Still, some companies are concerned enough about the steel problem that they are double-booking product "so they'll have it when they need it," pointed out Craig Ketchum of Red Man Pipe & Supply, a large distributor of pipe, valves and fittings.



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