



SRPI.23.056 - Attachment 3 -
Ontario Sewer & Watermain Construction Association Letter
Dated March 18, 2022
Beaver Creek Pond A, SWMF 27-2

March 18, 2022

Hon. Doug Ford
 Premier of Ontario
 Room 281, Legislative Building
 Queen's Park, Toronto
 M7A 1A1

Sent Electronically

Re: Inflationary Impacts to Public Infrastructure Projects

Dear Premier,

On behalf of the undersigned Construction Associations, we are expressing our urgent concern regarding the current inflationary environment for construction materials and labour. There exists serious risk to public infrastructure and associated economic development in Ontario if mitigation measures are not introduced.

The global pandemic and a resurgent economy have led to high demand for common construction materials. Coupled with materials production issues, transportation constraints and port capacity, prices for key materials such as fuel, steel, and lumber appear to be on course to reach an all-time high. According to the Industrial Product Price Index (IPPI) produced by Statistics Canada, the cost of diesel and biodiesel fuel increased by 47.6%, while the cost of metal building and construction materials has increased by 45.7% from January 2021 to January 2022. The price of softwood lumber in Canada soared 58.9% over three months alone (October 2021 to January 2022). A composite index of 11 major cities in Canada indicated an increase of 21.7% for the cost of residential buildings and 11.2% for non-residential buildings in Q4 2021. ¹ We can only surmise that the situation has grown worse since then.

Although there are mitigation measures in place for contractors bidding and working on the province's public transportation infrastructure projects through the Ministry of Transportation's (MTO) indexes for fuel and asphalt cement, many municipalities do not have such indexes and many municipal contracts do not contain price escalation clauses. Further to this, key direct material inputs to MTO and municipal contracts (steel, lumber, ready-mixed concrete) are excluded from protection.

¹ Alex Carrick; "Canadian Construction Material Costs Soar; and then there's the Price of Oil"; Daily Commercial News, March 14, 2022. Data based on Statistics Canada's Industrial Product Price Increase (IPPI), Table 18-10-0266-01.

<https://canada.constructconnect.com/dcn/news/economic/2022/03/canadian-construction-material-costs-soar-and-then-theres-the-price-of-oil>

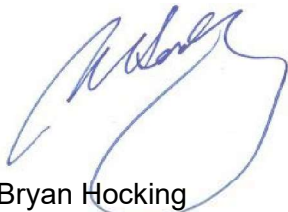
This skyrocketing trend in the price of fuel and input costs has manifested itself in disruption of aggregate delivery activities outside several large pit and quarry operations. These actions have significantly constrained the supply of aggregate and have already led to serious supply-chain impacts for aggregate-dependent industries such as concrete and asphalt production.

The risk associated with uncertain inflation impacts has the potential to constrain the building of public infrastructure through high costs and workforce disruptions. Higher risk factors force an escalation of bid prices for public contract which only fuels further inflation. This imperils ambitious provincial and municipal infrastructure projects designed to keep our economy moving and support crucial GDP growth.

The members of our Associations build and maintain the majority of the provincial and municipal infrastructure in Ontario, collectively supporting hundreds of thousands of direct and indirect jobs in the process. We urgently and respectfully propose that an emergency industry consultation be convened with the province and other public owners towards the development of suitable mitigation measures. For potential discussion purposes, we have included several suggestions in the appendix attached to this letter.

We look forward to an opportunity to work with government on this critically important issue.

Sincerely,



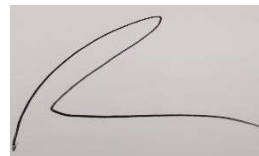
Bryan Hocking
Chief Executive Officer
Ontario Road Builders' Association



Giovanni Cautillo
President
Ontario General Contractors Association



Norm Cheesman
Executive Director
Ontario Stone, Sand and Gravel Association



Patrick McManus
Executive Director
Ontario Sewer and Watermain Association



Peter Smith



Rick Logozzo

Executive Director
Heavy Construction Association of Toronto



Bart Kanters
President
Concrete Ontario

President
Toronto and Area Road Builders Association



Nadia Todorova
Executive Director
Residential and Civil Construction
Alliance of Ontario



Peter McDonald
Executive Director
Ontario Association of Foundation Specialists

Cc: Hon. Caroline Mulroney, Minister of Transportation
Hon. Kinga Surma, Minister of Infrastructure
Hon. Peter Bethlenfalvy, Minister of Finance
Hon. Prabmeet Sarkaria, President of the Treasury Board

Appendix: Potential Measures to Assist in Mitigating Construction Materials Inflation

- A regulation requiring indexing adjustments for key materials and input costs in all publicly tendered contracts (wood, steel, asphalt cement, ready mixed concrete, fuel, labour).
- A regulation requiring indexing to occur after a certain threshold is met regarding the costs of key materials and inputs (e.g., when an established baseline for material and labour costs has been exceeded by a certain threshold post-tender, the index would apply).
- A new provincial fund which would be available to subsidize current and future public infrastructure projects where the increase in the price of certain input construction material and labour costs (post-tender) has exceeded the average 10-year inflation rate for such items.