



REQUEST FOR DECISION

SUBJECT: **Alberta Roadbuilders and Heavy Construction Association Fuel Surcharge & Tonne/Km Rates Review**

SUBMISSION TO: REGULAR COUNCIL MEETING REVIEWED AND APPROVED FOR SUBMISSION
MEETING DATE: April 11, 2023 CAO: MANAGER: JF
DEPARTMENT: OPERATIONS DIR: RA PRESENTER: JF
STRATEGIC PLAN: Governance LEG:

RELEVANT LEGISLATION:

Provincial (cite) – N/A

Council Bylaw/Policy (cite) – Council Motion 22.06.304. Council Motion 22.07.422. Council Motion 22.10.572. Council Motion 22.10.573. Policy 4004 – Equipment Contractors Registry.

RECOMMENDED ACTION:

MOTION: That Council review the implementation of the 2022 Alberta Roadbuilders and Heavy Construction Association's (ARHCA) Rental Rate Guide as it pertains to Greenview's Expression of Interest Program.

MOTION: That Council direct Administration to continue to pay 60% of the cost recovery fuel surcharge in The Alberta Roadbuilders and Heavy Construction Association's June 14, 2022 addendum to the 2022 Rental Rate Guide to be reviewed at the first Council meeting in July 2023.

MOTION: That Council direct Administration to maintain tonne/km rates at \$0.20 per tonne/km with a \$1.00 basic loading factor in all areas except for \$0.22 per tonne/km with a \$1.00 basic loading factor on the Forestry Trunk Road to be reviewed at the first Council meeting in July 2023.

BACKGROUND/PROPOSAL:

At the October 11, 2022 Regular Council Meeting, Council reviewed and subsequently directed Administration to continue to follow the Alberta Roadbuilders and Heavy Construction Association's (ARHCA) addendum to the 2022 rental guide at 60% as per Council's previous motion to this effect on July 12, 2022.

ARHCA has indicated that the 2023 rates will factor in the 2022 fuel surcharge rates. However, ARHCA doesn't make its current books available until April. Greenview's EOI Program and Contractors Registry Policy indicates that the upcoming year's rates will be taken from the previous year's (2022's) ARHCA book. Continuing to implement the cost recovery fuel surcharge through the 2023 construction season would be a consistent application of the surcharge.

Administration has implemented the fuel cost adjustment as per Council's motion.

- When applied to gravel trucks, the average increase is 14%.
- When applied to heavy equipment, the average increase is 5%.
- Gravel trucks are hired twice as often as heavy equipment resulting in a combined average increase of 11%

Between July 13, 2022 and December 31, 2022:

- Construction & Engineering paid EOI contractors \$655,806.37
- Operations paid EOI contractors \$3,233,596.73
- These totals combined are \$3,889,403.10
- Applying the 11% average increase, the adjusted rate is estimated to have cost a total of \$427,834.34 in additional expenditures up to December 31, 2022

As of March 18, 2023, diesel prices have dropped an average of 24% since the motion was passed on July 13, 2022.

BENEFITS OF THE RECOMMENDED ACTION:

1. The benefit of Council accepting the recommended motion is there will be consistent rates going through the 2023 construction season. As fuel rates are presently lower than when the first motion was passed to implement the adjustment, it seems reasonable to Administration to continue to apply the surcharge at 60% with Council's direction.

DISADVANTAGES OF THE RECOMMENDED ACTION:

1. A disadvantage of the recommended motion is that from ARHCA's website: "ARHCA serves mainly as a lobby organization for its membership..." and "ARHCA advocates on behalf of contractors, suppliers, consulting engineers, and other professionals who work with them."

ALTERNATIVES CONSIDERED:

Alternative #1: Council has the alternative to adjust the Alberta Roadbuilders and Heavy Construction Association's (ARHCA) Addendum to 2022 Rental Rate Guide – Fuel Prices in Construction.

Alternative #2: Council has the alternative to pass an additional motion to remove the implementation of the addendum and return to EOI rates which were in effect prior to July 13, 2022.

FINANCIAL IMPLICATION:

Direct Costs: As of December 31, 2022, direct additional costs associated with the fuel surcharge applied by motion 22.07.422 are an estimated \$427,834.34

Ongoing / Future Costs: The ARHCA fuel surcharge is estimated to cost \$800,000.00 in 2023 at current rates.

STAFFING IMPLICATION:

Should Council choose to pass motions regarding ARHCA fuel cost adjustment and tonne/km rates, Administration will send an emailed letter to EOI Contractors to inform of Council's decision.

PUBLIC ENGAGEMENT LEVEL:

Greenview has adopted the IAP2 Framework for public consultation.

INCREASING LEVEL OF PUBLIC IMPACT

Inform

PUBLIC PARTICIPATION GOAL

Inform - To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.

PROMISE TO THE PUBLIC

Inform - We will keep you informed.

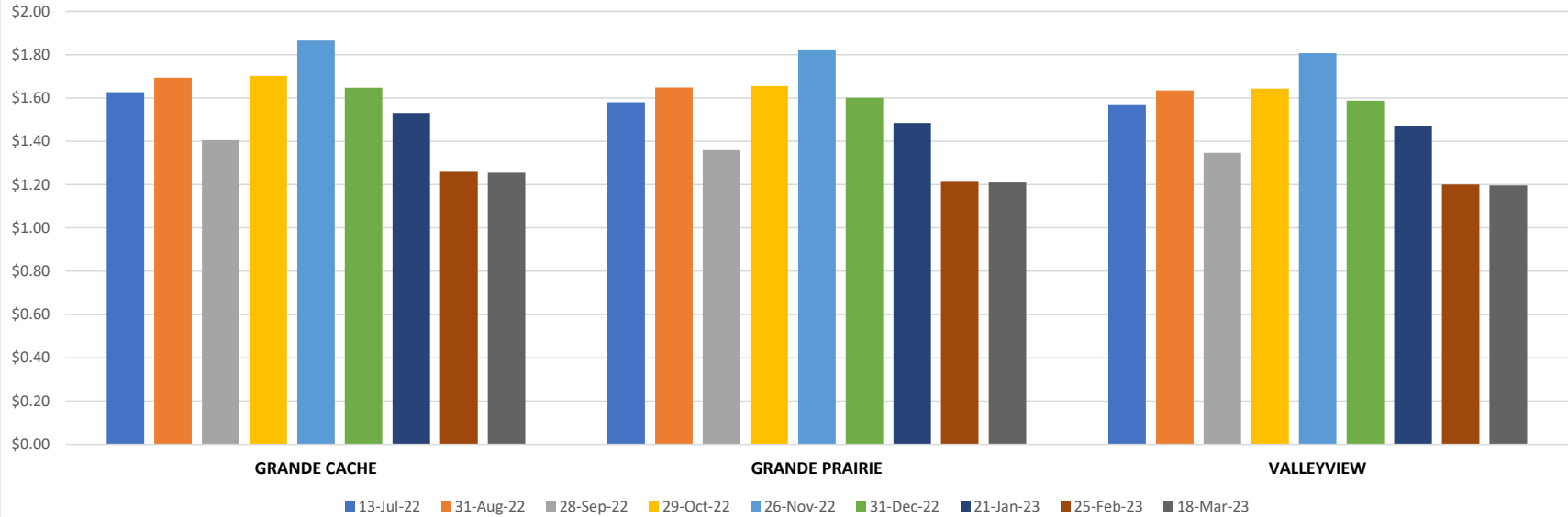
FOLLOW UP ACTIONS:

Should Council choose to pass motions regarding ARHCA fuel cost adjustment and tonne/km rates, Administration will send an emailed letter to EOI Contractors to inform of Council's decision.

ATTACHMENT(S):

- Cardlock Fuel Price Tracking
- 2022 ARHCA & Contractor Rate Motions
- ARHCA 2022 Notice of Addendum

UFA Cardlock Unmarked Diesel Rates - Jul 2022-Mar 2023



	13-Jul-22	31-Aug-22	28-Sep-22	29-Oct-22	26-Nov-22	31-Dec-22	21-Jan-23	25-Feb-23	18-Mar-23
Grande Cache	1.6269	1.6939	\$1.4049	\$1.7019	\$1.8659	\$1.6469	\$1.5309	\$1.2589	\$1.2549
Grande Prairie	1.5799	1.6479	\$1.3589	\$1.6559	\$1.8199	\$1.6009	\$1.4849	\$1.2129	\$1.2089
Valleyview	1.5669	1.6349	\$1.3459	\$1.6429	\$1.8069	\$1.5879	\$1.4719	\$1.1999	\$1.1959



MUNICIPAL DISTRICT OF GREENVIEW

2022 Motions re: ARHCA, Fuel Cost Adjustments, and Stockpiling Rates

June 14, 2022: MOTION: 22.06.304 Moved by: COUNCILLOR WINSTON DELORME

That Council direct Administration when hiring gravel hauling contractors through the Equipment Contractors Registry, stockpiling projects with haul distances of 60.0 Km or less be calculated at an hourly rate, while stockpiling projects with haul distances of greater than 60 Km be calculated at a tonne/km rate.

For: Reeve Olsen, Deputy Reeve Bill Smith, Councillor Dale Smith, Councillor Delorme, Councillor Ratzlaff, Councillor Rosson, Councillor Berry, Councillor Burton, Councillor Scott, Councillor Schlieff, Councillor Didow

CARRIED

July 12, 2022: MOTION: 22.07.422 Moved by: COUNCILLOR JENNIFER SCOTT

That Council adjust Greenview's Expression of Interest to follow 60% of the ARHCA addendum to 2022 rental guide fuel prices in construction and enforce price increase of 3 cents per tonne/km with a review date at the first council meeting in October 2022, effective as of July 13, 2022.

For: Reeve Olsen, Deputy Reeve Bill Smith, Councillor Delorme, Councillor Ratzlaff, Councillor Rosson, Councillor Berry, Councillor Dale Smith, Councillor Scott, Councillor Schlieff, Councillor Didow

Against: Councillor Burton

CARRIED

October 11, 2022: MOTION: 22.10.572 Moved by: COUNCILLOR WINSTON DELORME

That Council review the implementation of the 2022 Alberta Roadbuilders and Heavy Construction Association's (ARHCA) Rental Rate Guide as it pertains to Greenview's Expression of Interest Program.

For: Reeve Olsen, Deputy Reeve Bill Smith, Councillor Delorme, Councillor Ratzlaff, Councillor Rosson, Councillor Berry, Councillor Dale Smith, Councillor Burton, Councillor Scott, Councillor Schlieff, Councillor Didow

CARRIED

October 11, 2022: MOTION: 22.10.573 Moved by: DEPUTY REEVE BILL SMITH

That Council direct Administration to continue to follow the Alberta Roadbuilders and Heavy Construction Association's addendum to the 2022 rental guide fuel prices in construction at 60% of and enforce a price increase of 3 cents per tonne/km haul with a review date at the first council meeting in February 2023.

For: Reeve Olsen, Deputy Reeve Bill Smith, Councillor Delorme, Councillor Ratzlaff, Councillor Rosson, Councillor Berry, Councillor Burton, Councillor Scott, Councillor Schlieff, Councillor Didow

Against: Councillor Dale Smith

CARRIED



MUNICIPAL DISTRICT OF GREENVIEW

February 14, 2023: MOTION: 23.02.75 Moved by: COUNCILLOR WINSTON DELORME

That Council review the implementation of the 2022 Alberta Roadbuilders and Heavy Construction Associations (ARHCA) rental Rate Guide as it pertains to Greenview's Expression of Interest Program.

FOR: Reeve Olsen, Deputy Reeve Bill Smith, Councillor Didow, Councillor Dale Smith, Councillor Delorme, Councillor Rosson, Councillor Scott, Councillor Ratzlaff, Councillor Burton, Councillor Berry

ABSENT: Councillor Schlieff

CARRIED

February 14, 2023: MOTION: 23.02.76 Moved by: COUNCILLOR TOM BURTON

That Council direct Administration to continue to pay 60% of the cost recovery fuel surcharge in the Alberta Roadbuilders and Heavy Construction Association's June 14, 2022, addendum to the 2022 Rental Rate Guide to be reviewed at the first Council meeting in April 2023.

FOR: Reeve Olsen, Deputy Reeve Bill Smith, Councillor Didow, Councillor Dale Smith, Councillor Delorme, Councillor Schlieff, Councillor Rosson, Councillor Scott, Councillor Ratzlaff, Councillor Burton, Councillor Berry

CARRIED

Deputy Reeve Bill Smith exited the meeting at 1:46pm

February 14, 2023: MOTION: 23.02.77 Moved by: COUNCILLOR JENNIFER SCOTT

That Council direct Administration to maintain tonne/km rates at \$0.20 per tonne/km with a \$1.00 basic loading factor in all areas except for \$0.22 per tonne/km with a \$1.00 basic loading factor on the Forestry Truck Road to be reviewed at the first Council meeting in April 2023.

FOR: Reeve Olsen, Councillor Didow, Councillor Dale Smith, Councillor Delorme, Councillor Schlieff, Councillor Rosson, Councillor Scott, Councillor Ratzlaff, Councillor Burton, Councillor Berry

ABSENT: Deputy Reeve Bill Smith

CARRIED



Alberta Roadbuilders &
Heavy Construction Association

NOTICE OF ADDENDUM

Date: June 14, 2022

To: Municipal Road Infrastructure Owners
Private Sector Infrastructure Owners
Public and Private Agencies Referencing the ARHCA Equipment Rate Guide

From: Ron Glen, CEO, Alberta Roadbuilders and Heavy Construction Association (ARHCA)

Re: **Fuel Cost Recovery surcharge addendum to 2022 Rate Guide**

The volatility in global oil markets have caused fuel prices to exceed contractors' abilities to absorb costs. The ARHCA Rental Rate Guide published each year provides owners and contractors with a reasonable per hour base price (inclusive of a contractor's cost of ownership and operating costs) for more than 1000 different models and makes of heavy equipment used in road construction, maintenance and in other industries such as forestry. Equipment financing, labour, material and in particular fuel prices have escalated dramatically in-year since our book was published in February.

The benchmark price for diesel consisting of the posted rack rate plus applicable taxes, less the off-road rebate used in the 2022 Rate Guide was \$1.35/litre. Oil prices have since spiked due to international events and political responses to isolate Russian aggression in Europe. The impact on local fuel prices is a risk beyond the capacity of contractors to manage and without risk sharing amongst construction partners, contractors will incur substantial losses.

For this reason, in response to this unforeseen change in international oil markets, the ARHCA is issuing an addendum to the 2022 Rate Guide to include a Fuel Cost Recovery Surcharge. ARHCA has developed an approach that balances reasonable application with simplicity of administration. The surcharge rates are based on a fuel cost as at June 2 of \$1.96/litre and consumption measured by net horsepower averaged across 13 major types of heavy equipment. As seen in the attached table, for equipment with engines of less than 150 net horsepower the surcharge is \$9.25 per hour. The surcharge rate increases in step changes of approximately 150 hp up to the largest machines which have over 1100 hp. Equipment engine power is easily confirmed by manufacturer and third-party sources found on-line. The category surcharge is then added to the specific equipment rental rate for the specific manufacturer and model listed in the Rate Guide.

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Alberta Roadbuilders &
Heavy Construction Association

The ARHCA will continue to monitor the situation and, if necessary, provide further guidance in case prices drop or rise significantly during the construction season. **Please note:** this surcharge is inclusive of applicable taxes, but does not cover inflationary pressures for other materials, labour, or services that contractors and subcontractors are currently absorbing.

While we anticipate that by next year, the situation will most likely have stabilized, the current surcharge is outlined in the table attached, and on the ARHCA website.

Contractors recognize that all organizations are facing cost pressures. While the industry has survived through two years of pandemic related challenges, the cooperation of all partners in construction is needed now more than ever to deliver projects as best we can.

Thank you,

Ron Glen, CEO, ARHCA

Attachment: Fuel Cost Recovery Surcharge Table

CC: ARHCA Board of Directors



ADDENDUM TO 2022 RENTAL RATE GUIDE

Cost-Recovery Fuel Surcharge 2022

ARHCA is issuing this addendum to the 2022 Rental Rate Guide for a fuel surcharge to be added to the hourly rates as per the table below. To establish a new rate for a piece of equipment, please use the existing rental rate as published in the 2022 Rental Rate Guide and **add** the surcharge based upon the NET horsepower of the equipment being used. The net horsepower is available on the sites below using the manufacturer and the model number of the unit:

Constructionequipmentguide.com

Ritchiespecs.com

Lectura-specs.com

COST RECOVERY FUEL SURCHARGE FOR 2022 - as of June 14, 2022 *Includes applicable taxes

Net Horsepower Rating

0-150 HP	\$9.25
151-300 HP	\$20.75
301-450 HP	\$30.25
451-600 HP	\$38.00
601-750 HP	\$48.50
751-900 HP	\$68.00
901-1050 HP	\$79.50
1051-1200 HP	\$106.00

****This surcharge is in effect as of June 14, 2022 and may be revised should fuel markets vary significantly during the 2022 construction season.*