



Staff Report

Report Title: Asphalt Paving RFQ 2022

Prepared By: John Yungblut, Director of Public Works

Department: Public Works

Date: Apr. 4, 2022

Report Number: PW-2022-04-27

File Number: T04 ASP 22

Attachments:

Recommendation:

THAT the Township of Huron-Kinloss Committee of the Whole hereby approves Report Number PW2022-04-27 prepared by John Yungblut, Director of Public Works AND accepts the quotation from Lavis Contracting Co. Ltd. in the amount of \$756,018.40 plus HST for the paving of hot mix asphalt AND grants an exemption to the Purchasing and Procurement Policy AND FURTHER authorizes the appropriate by-law coming forward

Background:

In previous years, Township staff typically negotiated a fair price for hot mix paving work with Lavis Contracting in lieu of tendering. One of the main reasons for this is the lack of contractors willing to bid on paving contracts on Township roads. This was confirmed in 2021, when the Kairshea Ave paving contract was tendered and one bid was received from a contractor with the same parent company as Lavis.

In 2021, Lavis Contracting informed Township staff that they would be unable to complete any paving projects in the Township due to other commitments, which is the reason for tendering.

Discussion:

The quote submitted is based on paving Concession. 12 from Bruce Road 7 to Highway 21, (a distance of 8km). Due to the significant price increase of asphalt cement (AC) and the escalating cost of fuel, the unit price in this quote is significantly higher than the tendered price in 2021. The unit price for HL-4 in 2021

was \$85.10/tonne and the quoted price for 2022 is \$105.50/tonne. Both unit prices include a 5.3% AC content.

The Ministry of Transportation (MTO) AC Price Index lists the market rate for contractors purchasing AC and is provided below from the Ontario Asphalt Pavement Council [website](#). The prices listed are per tonne of AC:

	2018	2019	2020	2021	2022
Jan	\$588.60	\$809.80	\$709.60	\$617.25	\$917.50
Feb	\$588.60	\$809.80	\$709.60	\$617.25	\$917.50
Mar	\$657.00	\$826.40	\$767.25	\$732.00	
Apr	\$689.50	\$850.25	\$757.00	\$749.80	
May	\$713.75	\$860.00	\$729.00	\$781.50	
Jun	\$761.80	\$872.00	\$711.00	\$819.00	
Jul	\$828.50	\$864.00	\$705.60	\$862.60	
Aug	\$873.60	\$836.60	\$716.25	\$891.00	
Sep	\$880.50	\$807.75	\$688.75	\$893.50	
Oct	\$870.00	\$787.00	\$662.40	\$904.60	
Nov	\$809.80	\$709.60	\$617.25	\$917.50	
Dec	\$809.80	\$709.60	\$617.25	\$917.50	

In the past, AC prices have risen in the summer months and fallen in winter months, however in 2021, the prices continued to rise into the winter, which is unusual.

The bid submitted in 2021 was based on a \$750/tonne AC price and was adjusted for the actual AC price when the paving was completed in July. The quoted price submitted for 2022 is anticipating a \$1,200/tonne AC price at the time of paving. Global supply chain disruptions combined with the ongoing crisis in Ukraine have had major implications on the crude oil market and is resulting in the expectation of further increases this summer.

It's difficult to say whether the market will return to close to normal in 2023, so staff recommend continuing with our plan to pave Concession 12 in 2022. It is the

opinion of Township staff that there is potential that a tendered price to be higher than the price quoted.

Financial Impacts:

The 2022 Capital Budget allocated \$850,000 for this asphalt paving and we expect this project will still be completed within budget despite the high asphalt cost.

Strategic Alignment / Link:

We are a prosperous community that continues to grow in a sustainable manner by investing in infrastructure.

Respectfully Submitted By:

John Yungblut, Director of Public Works

Approved By:

Mary Rose Walden, Chief Administrative Officer