

April 6, 2026

Dear Municipal & Regional Partners,

Re: Fuel Cost Index

The Toronto and Area Road Builders Association (TARBA) represents more than 180 unionized contractors building multi-modal transportation infrastructure, including roads, transit, highways, bike lanes, and sidewalks, in the Greater Toronto Area (GTA) and Simcoe County.

As a long-standing partner, we are writing to express an urgent concern impacting current operations in the industry related to the rapid and unpredictable fluctuations in the price of fuel, and to offer practical solutions to mitigate the growing risk of project impacts.

Recent global geopolitical developments have resulted in significant and sustained volatility in fuel pricing across Ontario, with continued uncertainty expected in the coming months. This volatility is particularly acute for infrastructure contractors engaged in fuel-intensive activities under fixed-price contracts, where fuel costs are established at the time of bid and not subject to adjustment.

This is an issue affecting contractors across the construction industry. As such, we are urging Buyers of construction to consider a more nuanced approach which recognizes that this level of fuel volatility is externally driven and beyond the control of any contracting party, and to structure contracts in a manner that allocates this risk more fairly and equitably.

When contractors contemplate these exceptional and steadily increasing variables in their bid price, the Buyer will undoubtedly pay more than necessary, even though the risk may never materialize—or may affect projects unevenly. In contrast, a shared-risk model reduces uncertainty for both contractors and owners and encourages more competitive bidding.

For this reason, TARBA is advocating for the **adoption of a Fuel Cost Adjustment Index**, which can mitigate contractor risk while improving price certainty for the Buyer.

One example of contracts which contemplate a fuel price escalation clause is through the Ministry of Transportation (MTO), which applies a Fuel Cost Adjustment Index applicable to all MTO projects. The index is updated monthly, and contractor payments are adjusted where fuel prices fluctuate beyond a 5% increase or decrease threshold.

Similarly, the City of Ottawa employs its own fuel index for its linear infrastructure projects based on the MTO index; however, it is applied differently on progress payments. The City applies a uniform value of 7% of the tender price as the fuel allotment and adjusts monthly progress payments based on the fluctuations in the MTO's price index. Unlike MTO's model, Ottawa's adjustment is triggered when rates fluctuate by more than 15%.

A further example exists at the Region of Waterloo for waste collection contracts, where a fuel adjustment mechanism is applied annually to reflect the nature of multi-year contracts, triggered when fuel rates fluctuate by more than 10%.

TARBA is urging the GTA and Simcoe municipalities and regional authorities to consider adopting a model—whether from the MTO, City of Ottawa, Region of Waterloo, or a modification thereof—which fairly compensates contractors for these unpredictable and ongoing fuel price fluctuations.

Municipalities can further strengthen outcomes by streamlining procurement timelines. Reducing the gap between bid closing, award, and project start helps ensure pricing reflects current conditions, minimizing the need for contractors to include contingency premiums.

It is only through our continued partnership and collaboration that we can deliver the critical infrastructure our communities need. In considering fuel escalation on our local projects, we encourage continued dialogue and the adoption of a solution that reflects the interests of all parties.

Sincerely,



Raly Chakarova
Executive Director