

June 22, 2026

Dear Municipal & Regional Partners,

Re: Asphalt Cement Price Index

The Toronto and Area Road Builders Association (TARBA) represents more than 190 unionized contractors building multi-modal transportation infrastructure, including roads, transit, highways, bike lanes, and sidewalks, in the Greater Toronto Area (GTA) and Simcoe County.

Asphalt cement (AC) is one of the most significant cost components in hot mix asphalt. In recent months, the Ontario AC market has experienced substantial price increases, with the MTO AC Price Index rising from \$1,067.25 per tonne in February 2026 to \$1,530.00 per tonne in May 2026, a 43 per cent increase in just three months. These fluctuations are impossible for contractors to predict at the time of tender and price into fixed-price contracts. This can lead to project delivery challenges and, in the long-term, higher bid prices through increased contingencies.

As a long-standing partner, we are writing to urge municipal owners to **adopt an AC Price Index like the one used by the Ontario Ministry of Transportation (MTO)**.

For decades, MTO has successfully protected both owners and contractors from significant market swings through a transparent AC price adjustment mechanism tied to a published monthly index. Importantly, MTO's approach does not adjust contracts for every market fluctuation. Price adjustments are triggered only when the monthly AC Price Index varies by more than five per cent from the index in effect at tender closing. This balanced approach protects taxpayers from unnecessary adjustments while ensuring contractors are not exposed to extraordinary market volatility.

Risk allocation works best when risks are assigned to the party best positioned to manage them. Contractors can effectively manage construction operations, scheduling, and quality. Global AC pricing, however, is driven by refinery production, energy markets, and supply chain factors that neither municipalities nor contractors can control. Shared-risk contract models improve market certainty, attract competitive bids, and help ensure infrastructure projects are delivered efficiently and cost effectively. This approach also aligns with TARBA's recommendation that municipalities adopt a [Fuel Cost Adjustment Index](#).

As municipalities continue to invest billions in transportation infrastructure, procurement models must evolve to reflect today's market realities. Fair and balanced risk-sharing mechanisms help ensure projects are delivered on time, on budget, and with the greatest value for the public.

TARBA recommends that municipalities adopt AC price adjustment provisions modelled on MTO contract practices, including:

- Use of the published Ontario AC Price Index as the basis for adjustments;
- A five per cent threshold before adjustments apply;
- Symmetrical upward and downward adjustments to protect both owners and contractors; and
- Application of adjustments only to the AC component of hot mix asphalt.

This proven approach promotes fairness, transparency, competition, and long-term value for municipal infrastructure investments.

We also recognize that many projects have already been tendered or awarded under existing procurement frameworks. Given the unprecedented increase in AC prices in 2026, TARBA encourages municipalities and contractors to work collaboratively to review current contracts and explore reasonable adjustments where appropriate. A willingness to revisit pricing assumptions that have been materially affected by extraordinary market conditions can help ensure projects proceed as planned, maintain competitive contractor participation, and avoid unnecessary project delays or disruptions.

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. We would welcome the opportunity to continue the dialogue with public owners and provide any further information.

Sincerely,



Raly Chakarova
Executive Director