

By email to BruceG.Kenny@ottawa.ca

April 19, 2022

City of Ottawa
Attention: Bruce Kenny
A/Manager, Design and Construction Branch
Infrastructure and Water Services Department

Re: Impact of Inflation on Infrastructure Projects

Dear Bruce,

We are writing to follow up on our recent discussions regarding the current unprecedented hyper-inflation crisis and its impact on infrastructure projects in the City of Ottawa.

This past month has seen record cost increases, with every indication that costs will climb higher in the coming weeks and months. This is particularly acute for contractors engaging in infrastructure contracts, which do not provide an opportunity to adjust for cost increases. At this time, subcontractors and suppliers are generally guaranteeing their prices for 7 days only.

Some increases since the same time last year that we are aware of include:

| Cost of | Approximate increase |
|------------------------|----------------------|
| Construction equipment | 17% |
| Concrete | 12% |
| Aggregates | 25% |
| Concrete pipe | 12% |
| Trucking | 14% |
| Fuel | 60% |

Other increases of concern include the costs of tipping fees, PVC pipe and cement.

If we must include the risk of continued cost increases in bid prices, the City will undoubtedly pay more for construction than it should. Materials cost escalation clauses would help mitigate the risk to contractors and offer more price certainty to the City.

We would like to work together to alleviate the burden placed on the contractors to ensure successful completion of projects to everyone's benefit. Some steps to help alleviate this burden could be:

- Awarding contracts as quickly as possible, preferably within 7 days of closing as this is the length of time that suppliers are guaranteeing their prices. We will do our part by encouraging suppliers to expand the window of guarantee.
- Including a materials cost escalation clause in new contracts and applying a materials cost escalation clause to existing contracts. This would alleviate the risk to both the City and contractors.

We look forward to continuing discussions to ensure reasonable solutions to the current cost increase crisis.

Please do not hesitate to contact me if you require further information.

Regards,

A handwritten signature in black ink that reads "K Sutherland". The signature is written in a cursive, flowing style.

Kathryn G. Sutherland, P.Eng., LL.B., FEC
Executive Director
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