

## Road Maintenance Agreements

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### Issue

The Ministry of Government Relations is undertaking consultations on a redesign of road maintenance agreements (RMA).

### Background

Government Relations began a review of industry financial contributions to RMs in 2015 which included Road Maintenance Agreements.

SARM's consistent 2015-2018 comments are as follows:

- current RMA rates do not cover the actual costs of road maintenance and loss of road life; the 2009 study commissioned by the Province indicated a need for a 75% increase in currently regulated rates
- provincially regulated RMA rates must be maintained but they must more accurately reflect the actual costs incurred by RMs for managing road assets
- a single combined rate may not cover all expenses and there should be an option for recovering costs resulting from additional damages
- there are enforcement issues with haulers
- there are concerns with the timing and frequency of traffic counts

The Province is looking for 'defensible' RMA rates to avoid another unfavorable Saskatchewan Municipal Board (SMB) ruling against an RM.

In November 2017 Government Relations presented to SARM two proposals for rate options which they shared with SARM for feedback.

1. Additional maintenance and restoration to be paid by industry based on actual verified costs incurred by the RM. This would replace the provincial rate as compensation would be for verified damage costs. This would require mandatory inspections before and after the haul. Terms of the inspections to be negotiated in the RMA.
2. A single combined rate that would address both road maintenance and restoration and loss of road life. An additional 20% surcharge would be applied to this option for a province wide contingency fund for road damages that are over and above the combined rate. This contingency fund would be administered by a third party and managed by representatives from government, municipal sector and industry.

SARM provided feedback on the proposed options indicating that clarification was needed on enhanced requirements for collection, agreeing with the need for a more individualized approach to RMA rates, disagreeing with concept of a contingency fund as defined by the Province, and offering to host a focus group with select RMs to provide local feedback on the options presented.

The Ministry of Government Relations responded to SARM's feedback in January 2018 indicating stating that if no suitable regional option can be found then the default is a province-wide rate structure and that the contingency fund they've designed is not a merit-based program and there are mechanisms built into its design to ensure equal money available for all eligible applicants. The Ministry agreed that the focus group consultation arranged by SARM would be a good opportunity to solicit local feedback on the options. Finally, they stated being in support of finding ways to improve RM traffic counts.

In March 2018 SARM hosted a consultation on the proposed options for road maintenance agreements facilitated by Tracey Bakkeli.

There was no clear guidance provided by our membership on either of the two RMA redesign options proposed by the Province.

### **Key Messages**

SARM's past positions on RMAs, which were informed by extensive consultation with our membership through the Resource and Economic Development Committee (R&EDC) have been overlooked except for a minor RMA rate increase in 2014 and 2015.

The Minister has indicated a willingness to explore other options.

### **SARM's Recommendation to the Province**

Based on recent feedback from a sampling of our members, SARM cannot agree to either of the two RMA redesign concepts provided by the Ministry. Instead, we would like to offer a third option for consideration by the Province which includes the following components:

- The Province initiate a study to be undertaken by a third-party consultant to develop regional maximum defensible RMA rates for road maintenance and restoration as well as loss of road life maximums to be set in regulation. Rates would include winter and summer maximum road maintenance rates for primary and secondary roadways as well as maximum rates for loss of road life for primary and secondary roadways.



- That SARM be a member of the contract committee to assist in the development of the RFP, provide feedback through the process, and aid in accessing necessary cost information from RMs.
- SARM would agree to the use of Area Transportation Planning Committee regions as the basis of the maximum rates if RMs can charge above the maximum with approval from the Province based on the provision of defensible proof of why this maximum has been exceeded. Defensible proof would include data showing costs incurred above current rates for road maintenance and shortening of life as well as other changes that might require a rate increase such as increased weights allowed. There should also be a mechanism in place so that bordering RMs can opt to utilize the rates of a neighbouring ATPC if that better reflects the industry and activity in their RM.
- RMA rates in regulation would be increased every 3 years based on the consumer pricing index for key roadway inputs as per a formula agreed to by the entities, including SARM, that form the contract committee.
- That RMs retain the same authorities that they currently have to seek additional remuneration for costs of damages to roads above that collected through RMAs in cases where road damages are the result of undue care and attention or simple negligence.
- That RMs retain the authority to charge road improvement fees to a developer requesting that a road be upgraded or agreeing that a road should be upgraded or that they may enter into a Road Construction Agreement with a developer for the construction of a new road so the developer can access its interests.
- That the responsibility of an RM under an RMA be to ensure that the roadway remains in the same condition that it was in at the time the RMA was signed by both parties. This would require inspections by both parties prior to signing an agreement.
- That fees for dust control, which can be an add-on to a RMA, be set in regulation as well.
- That RMAs be provided to the Province for public access which would give RMs another tool to identify haulers utilizing their roadways that may be required to enter into an agreement with them.