

February 22, 2007

## **Northeast Calgary ring road construction starts in spring**

### **Public-private partnership (P3) will complete project two years earlier**

Calgary... Motorists will be driving on the northeast leg of Calgary's ring road by the fall of 2009.

The Alberta government has signed a 30-year contract with the Stoney Trail Group to design, build, operate and partially finance Stoney Trail from its junction with Deerfoot Trail to 17 Avenue SE. The contract also includes maintenance of Stoney Trail NW from its junction with Deerfoot Trail to 16 Avenue NW.

The Alberta government will advance \$300 million during construction and then start payments of \$21 million per year over the 30 years to Stoney Trail Group once the road opens to traffic. This equates to \$650 million in today's dollars, which is the deal's net present value. The cost of doing the same work through traditional delivery methods is estimated at between \$1 billion and \$1.1 billion in today's dollars.

"The P3 arrangement allows the road to be finished two years earlier than conventional delivery and represents excellent value for taxpayers," said Premier Ed Stelmach. "The early completion responds to rapidly increasing traffic in the city and helps government address a priority of managing growth pressures."

Government received two other bids for the project, one lower than the traditional delivery estimate and one within that \$1 billion to \$1.1 billion range. Bids were evaluated using their net present values and the bid with the lowest net present value won the contract.

A key partner of the Stoney Trail Group, Bilfinger Berger BOT president John McArthur said their firm is pleased to be part of a project that will help to move people and goods through such a significant trade corridor in the province.

"With over 20 P3 projects in our current portfolio, the Calgary Ring Road is Bilfinger's first project in Alberta and represents a very important milestone for our group," said McArthur. "We are looking forward to a long-term partnership with the province for the successful implementation of the project."

The project will extend Stoney Trail eastward from Deerfoot Trail to 17 Avenue SE and involves construction of 21 kilometres of four and six-lane roadway and 23 bridge structures, including six interchanges. Construction starts in April and the road will open to traffic in October 2009.

Mayor Dave Bronconnier offered his strong support for the Alberta government's plan to build the northeast section of Calgary's ring road.

"Deerfoot Trail is the busiest road in Alberta, with over 160,000 vehicle trips a day on some sections," said Bronconnier. "The northeast section of the Stoney Trail ring road is an essential piece of infrastructure to ease pressure on the Deerfoot and this announcement is excellent news for Calgarians. On behalf of our city, I'd like to thank Premier Stelmach, Infrastructure and Transportation Minister Luke Ouellette, and their colleagues in government for moving forward with this important project."

Stoney Trail NE is the second project to use Alberta's public-private partnership model for highways. The

arrangement is being used to build the southeast leg of Edmonton's ring road, which will open to traffic in October 2007.

This is one of the actions under Premier Stelmach's plan to manage growth pressures. Other priorities for the government are to govern with integrity and transparency, improve Albertans' quality of life, build a stronger Alberta, and provide safe and secure communities.

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**Backgrounders attached**

**Media enquiries may be directed to:**

Trent Bancarz  
Communications  
Alberta Infrastructure and Transportation  
(780) 427-0623

To call toll-free within Alberta dial 310-0000.

**Backgrounder**

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**Stoney Trail NE project description**

Total length is 21 kilometres.

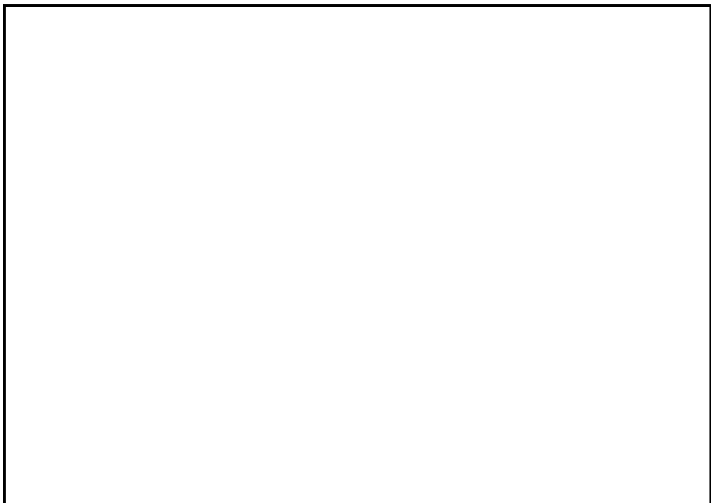
Six-lane sections from Deerfoot Trail to Metis Trail (44 Street NE) and McKnight Boulevard to 16 Avenue NE. Other sections are four-lane.

Interchanges at Deerfoot Trail, Metis Trail, Country Hills Boulevard, Airport Trail, McKnight Boulevard, and 16 Avenue NE.

Signalized t-intersection at 17 Avenue SE. An interchange will be built when Stoney Trail is extended south of 17 Avenue SE.

Construction of two new railway bridge structures and rehabilitation of two existing railway bridge structures.

Contract includes maintenance of both Stoney Trail NE and NW for 30 years.





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**Alberta's public-private partnership for highways**

Design, Build, Finance, Operate (P3) Process

- Under this process, a private-sector partner is responsible for the design, construction, partial financing, and operation of a roadway for 30 years. Once the road is open to traffic, government makes monthly payments to the partner over 30 years. Government may advance funds during construction to lower the monthly payments. In the case of Stoney Trail NE, government will advance \$300 million during the construction phase.
- Government is guaranteed a fixed price and delivery date for the road. Risks such as inflation and weather-related delays are assumed by the private contractor. The contractor can be penalized for late delivery.
- Government also receives a 30-year warranty on the work. Under traditional delivery, warranties are usually only one to two years.
- This made-in-Alberta approach to highway construction was developed using best practices from other successful public-private partnerships throughout the world.
- Part of the process includes a comprehensive evaluation of a project's suitability for a P3. P3s are used only when there are clear benefits to government and taxpayers.
- The southeast leg of Edmonton's ring road currently is being built using the P3 process. The contractor is on schedule to complete construction by October 2007.

### **Request for Qualifications (RFQ)**

- The RFQ is used to determine potential partners' qualifications and to short-list potential partners to three proponents. RFQs usually take up to three months to prepare, submit, and review. For Stoney Trail NE, government received four RFQ submissions.
- Potential partners may be headquartered or operate in any part of the world.
- Potential partners are usually consortia of engineering, construction, financing, and road maintenance companies. Stoney Trail Group, the successful partner for the northeast Calgary ring road, is such a consortium. Major partners include Bilfinger Berger BOT Inc., Flatiron Constructors, Graham Construction and Engineering Inc., Parsons Overseas Company of Canada, and Carmacks Enterprises.

### **Request for Proposals (RFP)**

- The three potential partners identified by the RFQ are invited to submit proposals for the project.
- Preparation, submission, and review of proposals usually take approximately six months.
- Proposals are evaluated to determine if they represent good value for government and taxpayers. A proposal's net present value, or its value in today's dollars, is used to compare the proposals with each other and with the benchmark of the traditional delivery costs.

### **Final Contract Award**

- Government awards the contract to the compliant proposal with the lowest net present value.
- The successful proponent enters into an agreement with government.

### **Questions and Answers**

Why was a P3 considered for this project?

A business case that compared conventional delivery to a P3 concluded that this project is a strong candidate for the P3 process. The project's scope and relative lack of environmental and geotechnical issues

were other factors that favoured the P3 process. The Alberta Advisory Committee on Alternative Capital Financing also recommended a P3 be considered for this project.

### **What are the advantages of using a P3?**

There are many. One is the project will be built and in service two years earlier than conventional delivery. Secondly, government is guaranteed a fixed price and delivery date for the project, which means risks such as inflation and weather-related delays are borne by the contractor. Thirdly, the work comes with a 30-year warranty, while most projects delivered conventionally only have one or two-year warranties.

### **When does construction start?**

Construction starts in April 2007 and will be completed in November 2009.

### **Why is construction faster than through conventional delivery?**

The contractor's control of the overall schedule is more flexible and allows for more efficient use of resources.

### **Why do the \$300 million payments during construction and the payments over 30 years add up to more than \$650 million?**

The \$650 million is the net present value of the Stoney Trail Group's proposal or the value in today's dollars of all the design, construction, repair, and maintenance work over 30 years. Net present value was used to evaluate the three proposals so that an "apples to apples" comparison could be made between them and the traditional delivery estimate. The payments over 30 years plus the \$300 million in advance payments during construction represent government's financial commitment over the life of the contract.

The contract between the Alberta government and Stoney Trail Group is similar to offering a homeowner a fixed payment schedule over 30 years that includes all the costs of purchasing and operating the home over that time period. This protects the homeowner from inflation and ensures maintenance and/or renovations are done when needed. The Alberta government receives similar protection through the contract with Stoney Trail Group.

### **Wouldn't it be cheaper for government to build the road in the usual manner? Why or why not?**

No. The Stoney Trail Group's proposal is well below the traditional delivery estimate. By using a P3, the contractor's control of the overall schedule provides the flexibility to innovate, take advantage of economies of scale, and use resources more efficiently. For a project of this scale, traditional design-build delivery does not provide this flexibility.

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