

# Anthony Henday Drive Southeast Leg Ring Road

<b>Model:</b>	Design-Build-Finance-Operate
<b>Location:</b>	Edmonton, Alberta
<b>Project Sponsor:</b>	Alberta Infrastructure and Transportation
<b>Proponent:</b>	Access Roads Edmonton Ltd.; Macquarie Essential Assets Partnership; PCL Construction Management Ltd.; Lafarge Canada Inc.; Marshall Macklin Monaghan; Stantec Consulting; Transportation Systems Management Inc.; and ABN AMRO Bank N.V.
<b>Capital Cost:</b>	\$365 million
<b>Agreement Value:</b>	\$493 million
<b>Contract Term:</b>	30 years (post-construction completion)

## Project Description:

The southeast leg of Anthony Henday Drive is the portion of Edmonton's new ring road between Gateway Boulevard and Highway 216/14. Components include: 11 km of divided highway with four to six lanes; auxiliary lanes, cross-roads and property access roads; 20 separate bridge structures; five interchanges; and four flyovers (bridges over the highway).

The pre-procurement planning involved two unique features. One was extensive consultation with over 40 industry participants concerning the substance of the RFQ and RFP documentation. The second element was removing the Best-and-Final-Offer stage typical of P3 projects. The Ministry wanted to increase competition but remove the need for extensive negotiations. Proponents were required to bid a fixed price and, once selected, the preferred proponent was to execute the project agreement. Ultimate selection was based on the "lowest compliant bid" and proponents were essentially bidding on an identical contract.

## Project Impetus:

The Province of Alberta had been accumulating land for a transportation and utility corridor around Edmonton for 30 years. Construction of other portions of the ring road began in the mid-1990s under traditional design-build contracts. The road is intended to provide traffic relief from the city centre and area highways. The Province's capital plan requires all major infrastructure projects to include investigation of alternative financing options. In February 2003, the Ministry of Infrastructure and Transportation investigated P3s in projects around the world and determined a DBFO model would be feasible for the project. A business case determined that value-for-money would be achieved versus traditional delivery.

## The Agreement:

Access Roads Edmonton Ltd. (AREL) will design, build and finance the southeast leg of the road. It will operate and maintain the southeast leg as well as the west/southwest legs for 30 years. The southeast leg remains owned by the Province, which licenses it to AREL for the term of the agreement. The government retains the right to undertake future expansion at its own



## Transparency Checklist:

- PSC
- Process Advisor
- Fairness Auditor
- Competitive Procurement

## Procurement & Agreement Timeline:

RFQ Issued.....	9/23/2003
Shortlist .....	3/2004
RFP Issued .....	5/2004
RFP Closed .....	11/2004
Pref Prop.....	12/2004
Comm Close .....	1/2005
Fin'l Close .....	1/2005
Construction.....	Fall 2007
Contract Exp.....	10/25/2037

expense and responsibility. Detailed performance measures dictate the payment level to AREL.

Risk allocation and final agreement documentation were finalized with proponents prior to the final RFP and pricing submission, which the Ministry believes helped optimize the risk transfer. The government did not assume any financing risk and did not want to introduce tolls or shadow tolls. It took on risk for: unknown environmental problems; aboriginal/treaty rights; defects in the other road legs already completed; and industry insurance cost increases. Shared risks include: utilities in the transportation corridor; municipal permits; Ministerial permissions; changes in laws; and force majeure.

**Financial Characteristics:**

Construction costs amount to \$365 million, with \$75 million from the federal government's Canada Strategic Infrastructure Fund, which is flowed to AREL as progress payments. The balance of the capital costs are financed from equity (10%) and bond financing (90%). Two series of bonds were issued for \$149.5 million and \$136.1 million. During construction, the bonds will be serviced from a portion of the bond proceeds. AREL provided a \$50 million letter of credit at financial close, which is held in security until construction is completed.

The Province makes a single monthly payment comprised of capital and operating/maintenance. The capital payment is withheld should the road not be ready in time. In December 2005, Macquarie Essential Assets Partnership acquired 81% of ABN's equity interest in AREL. Macquarie Essential Assets Partnership retains a call option to purchase the remaining 19% equity from ABN at construction completion.

**Results & Lessons Learned:**

Net savings are estimated at \$3 million over the life of the agreement. However, in light of rapidly increasing material and labour costs in Alberta, the price certainty and quality assurance of the P3 are significant. The planned fall 2007 opening is two years earlier than under traditional delivery. As the Province noted, a "30-year extended warranty" is significantly better than the traditional two-year warranty under design-build models, offering long-term value-for-money to taxpayers.

**Related Website:**

[www.accessroadsedmonton.ca](http://www.accessroadsedmonton.ca)

**Public Sector Contact:**

Neill McQuay  
Executive Director, Major  
Capital Projects  
Alberta Infrastructure and  
Transportation  
Tel: (780) 415-1076  
E: [neill.mcquay@gov.ab.ca](mailto:neill.mcquay@gov.ab.ca)

**Private Sector Contact:**

Alina Osorio  
CEO  
Macquarie Essential Assets  
Partnership  
Tel: (416) 607-5035  
E: [alina.osorio@macquarie.com](mailto:alina.osorio@macquarie.com)

*This article originally appeared in the Canadian PPP Project Directory, published by the Canadian Council for Public-Private Partnerships in November 2006. It is reprinted, with some minor revisions, with approval from the Canadian Council for Public-Private Partnerships.*