

January 25, 2005



**\*\*Revised\*\***

## **P3 enables Anthony Henday Drive S.E. to open in 2007**

*Edmonton...* Traffic congestion in south Edmonton will be significantly reduced by fall 2007, thanks to the construction of the Anthony Henday Drive S.E. which will connect Highway 2 to Highway 14/216.

"A public-private partnership allows for this road to be built faster and sooner," said Infrastructure and Transportation Minister Dr. Lyle Oberg. "Finding new and innovative ways of delivering highway infrastructure is crucial to meet public demands while keeping provincial spending in check."

The project, which forms the south east section of the Edmonton Ring Road, includes:

- 11 kilometres of highway with six lanes between Highway 2 and 50th Street and four lanes between 50th Street and Highway 14/216
- 24 separate bridge structures including five interchanges
- no traffic lights

"Efficient transportation corridors are essential to a city the size of Alberta's capital particularly in a region undergoing the phenomenal growth that we are," said Stephen Mandel, Mayor of Edmonton. "We view today's announcement as a commitment from the private sector and all orders of government, to the re-investment in Edmonton, and we welcome this involvement."

Following a competitive bidding process, the province asked three teams to submit proposals for this project. Access Roads Edmonton Ltd. was chosen to design, finance, build and maintain the road. Access Roads Edmonton Ltd. represents members from Alberta's engineering, road building and maintenance industries. The 30-year deal is worth \$493 million in today's dollars. The province estimates it would cost up to \$497 million if it were delivered through conventional means.

In 2003, an initial estimate of the construction cost alone of this project was \$300 million. Since then construction costs have increased due to inflation and the scope of the project has been expanded to include:

- two additional bridges
- more signs and overhead lighting
- six additional lane kilometres and

- maintenance and rehabilitation of the road for 30 years
- maintenance of Anthony Henday Drive South West for 30 years

"Access Roads Edmonton Ltd. has brought together an exceptional team of local talent and expertise to build and operate this important transportation project on time and on budget, with no risk to Alberta taxpayers," said Paul Douglas, Vice-President and Chief Operating Officer of PCL Constructors Canada Inc. "We will deliver a world-class highway that will benefit the citizens of Edmonton and Alberta for decades to come."

The benefit of the P3 approach is:

- the road will be built sooner to full-freeway specifications (no stop lights)
- capital costs are fixed and the province is protected from inflation
- the province is insulated from risks, such as weather delays, difficult ground conditions, construction defects, etc
- the road will be built on time and on budget (there are penalties for lateness and the contractor is responsible for all cost over-runs)
- there is an extended warranty of 30 years on the work.

"I want to acknowledge and applaud all of the teams who submitted proposals - whether they were the successful bidder or not," Oberg said. "They have shown vision and innovation themselves in helping us create this made-in-Alberta alternative to meeting our infrastructure needs today."

In addition to what the province is spending on this project, the Government of Canada will contribute up to \$75 million to the project through the Canada Strategic Infrastructure Fund. This fund is directed to large-scale projects of major national and regional significance, in areas that are vital to sustaining economic growth and supporting an enhanced quality of life for Canadians and their communities. The Alberta government is covering the balance of the costs.

Construction of Anthony Henday Drive S.E. will begin in spring 2005 and the road will open in October 2007.

**Revised:** This news release was amended on January 28, 2005.

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# Backgrounder

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*Jan. 25, 2005*

## **Anthony Henday Drive South East Project**

### **Project Scope**

- 11 kilometres total length from Highway 2 to Highway 14/216
- Six lanes between Highway 2 and 50th Street and four lanes between 50th Street and Highway 216/14 (with grading for two more future lanes)
- 24 separate bridge structures
- 124 lane kilometres of road
- Full freeway status (no traffic lights)
- Five interchanges offering access on or off the highway at Gateway Blvd/Calgary Trail (Highway 2), 91st Street, 50th Street, 17th Street and Highway 14/216
- Four flyovers (bridges over/under the highway with no on or off ramps) at 34 Street, 66th Avenue, 34th Avenue and Parsons Road

### **Highlights of the P3 (Design-Build-Finance-Operate) Agreement**

- All bidders had to satisfy rigorous standards set by the Province
- The contractor will be severely penalized if the project is not complete by October 26, 2007
- Tolls will not be allowed on the road and the contractor will not be allowed to put advertising up along the route to generate revenue
- The province will not start paying for this road until it opens to traffic in 2007; the province will then make monthly payments to the contractor over 30 years
- The \$75 million of federal funding will be paid to the contractor in installments as work progresses
- The 30-year warranty ensures the road will be in good condition for at least 30 years; typically, construction projects only come with a one to two-year warranty
- The province is insulated from risk including cost overruns, construction delays, weather delays, design risk, and construction defects

### **The Anthony Henday Drive S.E. Bidding Process**

The bidding process for this project was competitive, open and transparent. Initially, a Request for Qualifications (RFQ) was issued internationally to identify which companies were capable and able to do the work. The province received six excellent submissions, from which three companies were short-listed. The proposals received from these three companies had to meet rigorous standards established by the Province, after which, all three companies were invited to submit firm prices.

The work is being awarded to the company that met all the standards and provided the lowest, net present value price.

Important dates:

- September 22, 2003 - Request for Qualifications issued
- March 3, 2004 - three teams selected to submit proposals
- November 26, 2004 - final proposal submission
- December 17 2004 - identification of lowest bidder
- January 25, 2005 - contract signed

### **Alberta's Other Anthony Henday Drive Project**

- Work is progressing on the Anthony Henday Drive South West project to connect Highway 2 to Highway 16. This route forms the south west portion of the Edmonton Ring Road
- So far, four bridges have been built and paving, which got underway in fall 2004, will continue next summer
- The project is scheduled to be completed and open to traffic in fall 2006
- The project is estimated to cost about \$245 million and is funded 100 per cent by the province

## **Questions and Answers**

### **Which companies will be involved in the Anthony Henday South East Project?**

The following companies were part of the consortium that submitted the successful bid:

#### **Design**

##### **Marshall Macklin Monaghan**

Stantec Consulting Ltd.

ERES Geotechnical

Golder Associates Ltd.

Earth Tech Canada Inc.

Bel MK Engineering Ltd.

#### **Build**

##### **PCL Construction Management. Inc.**

PCL-Maxam, a Joint Venture

Lafarge Canada Inc.

Sureway Construction Ltd.

#### **Finance**

ABN AMRO Bank N.V. Canada Branch

#### **Maintenance and Operations**

Transportation Systems Management Inc.

**If the private sector is undertaking all the construction and operation of this road, do they own the road?**

The province will own Anthony Henday Drive S.E. and it will be a part of the provincial highway network. Access Roads Edmonton Ltd. will neither have ownership nor lease interest in the road.

**How much would it cost if the province were to fund this project?**

If the province were to fund this project by conventional means (including operation and maintenance for 30 years) the estimated cost would be up to \$497 million.

**Why is building the road as a P3 faster than traditional methods?**

Through a consortium, efficiencies are realized because the engineering, construction and maintenance activities are together under one contract.

**Does the province have any plans to build other roads as P3s in the future?**

There is a possibility that other sections of the ring roads in Edmonton and Calgary will be built as P3s however there are no such projects underway. The province will look at each project on a case-by-case basis and evaluate all options before deciding if a P3 is the best option.

**How is the province going to ensure that the road is designed, built and operated to high standards?**

The agreement between the province and the contractor ensures the road will meet rigorous provincial standards throughout the 30-year period, and that the road will meet or exceed predetermined standards at the end of the 30 years. Since the contractor is responsible for maintaining the road and the cost of maintenance is high, there is no incentive for the contractor to build the road to less than high standards. The province will oversee the contractor's work throughout the 30 years, and payments to the contractor are tied to its attaining the predetermined standards.

**How does the financing work?**

The contractor pays for the design and construction of the road. When the road is open to traffic, the province will make predetermined monthly payments to the contractor over 30 years to cover these construction costs, as well as the ongoing maintenance and operational costs.

**How much is the Federal Government contribution?**

The Federal Government is contributing \$75 million to the capital portion of this project through the Canada Strategic Infrastructure Fund.

**The government couldn't deliver the Calgary Courthouse under a P3 model. What makes the province think a P3 for this road will be successful?**

The P3 model used for the Calgary Courthouse is not the same as the one used for Anthony Henday Drive S.E. so it is not a fair comparison. The made-in-Alberta P3 model developed for the Anthony Henday Drive S.E. project was based on expert advice from Alberta's engineering and road building sectors as well as an analysis of P3 models from other provinces and countries. The project involved a competitive tender process where three companies were short-listed and asked to bid on the project. All three bidders had to satisfy the rigorous standards set by the province before submitting their price. The project was then awarded to the contractors whose total price for the full 30 years represented the lowest cost in today's dollars.

**Was the public given an opportunity to have any input into the road location and design?**

The public, especially those residents and businesses near the future road, were asked for their input as part of a planning study that took place in 2003. All comments received were considered in determining the road alignment, the location of interchanges and other factors. In addition to full public consultation, Alberta Infrastructure and Transportation staff worked very closely with representatives from the Alberta Roadbuilders and Heavy Construction Association and the Consulting Engineers of Alberta, in developing this unique P3 contract. As well, extensive discussions took place with owners and operators of other styles of P3 projects both within Canada and across the world, to make sure that the P3 model used on this project learned all the necessary lessons from across the world, and provided the best fit for Alberta's needs.

**Does this project include noise barriers?**

This project does not include the installation of noise barriers. Traffic noise was a factor in determining the road alignment. The road was designed to meet the provincial noise policy (which is the same as the City of Edmonton's).

**How is the province going to ensure that the road is maintained effectively once it opens to traffic?**

Since 1995, the province has outsourced maintenance to private contractors. They work to the same specifications as when the province maintained the highways. As well, the province oversees the work of maintenance contractors to ensure it is carried out efficiently and effectively. There are penalties for not meeting the standards that are required under the contract. The contractor on this project, Transportations Systems Management Inc., has been a maintenance contractor with the province since 1996.