

Building Tomorrow

July 30, 2008

Construction set to begin on north Edmonton ring road

Edmonton... With construction set to begin August 1, motorists will be driving on the 21-kilometre north leg of Edmonton's ring road by the fall of 2011.

"Anthony Henday Drive Northwest will significantly improve traffic in Edmonton's north end when it opens in 2011," said Luke Ouellette, Minister of Transportation. "Using the made-in-Alberta P3 highway solution will mean this roadway is built two years sooner and at a cost savings for Albertans."

The Alberta government has signed a 30-year contract with the NORTHWESTCONNECT General Partnership to design, build, operate and partially finance Anthony Henday Drive from Yellowhead Trail on the west side of Edmonton to Manning Drive. This Public-Private Partnership (P3) project also includes the maintenance of Anthony Henday Drive NW.

The P3 selection process is based on the net present value (NPV) of the project, or the value of the project in today's dollars. The three bids (NPV) the province received were \$1.42 billion, \$1.49 billion, and \$1.65 billion. The cost of doing the same work through traditional delivery methods is estimated at \$1.66 billion (NPV) in today's dollars. The NORTHWESTCONNECT General Partnership had the lowest bid price at \$1.42 billion, which includes the cost to design, construct, maintain, and all financing for the project.

The Alberta government will advance \$500 million during construction and then start payments over the 30 years to NORTHWESTCONNECT General Partnership once the Anthony Drive NW opens to traffic.

"Bilfinger Berger Project Investments Inc. is very pleased to be involved as a partner with the province of Alberta in delivering this key component of road infrastructure," said John McArthur, President of Bilfinger Berger Projects Investments Inc. "Bilfinger and the entire NORTHWESTCONNECT team looks forward to working with Alberta Transportation and all other stakeholders as we move into the construction phase."

The 21-kilometre north leg of the ring road will be free-flow with no signal lights and will include eight interchanges, five flyovers, and two rail crossings, for a total of 27 bridge structures. Anthony Henday Drive NW is the third project to use Alberta's P3 procurement model for highways. The arrangement was used to build the southeast leg of Anthony Henday Drive. It is also being used to complete the northeast leg of Calgary's ring road, which will open to traffic in fall 2009.

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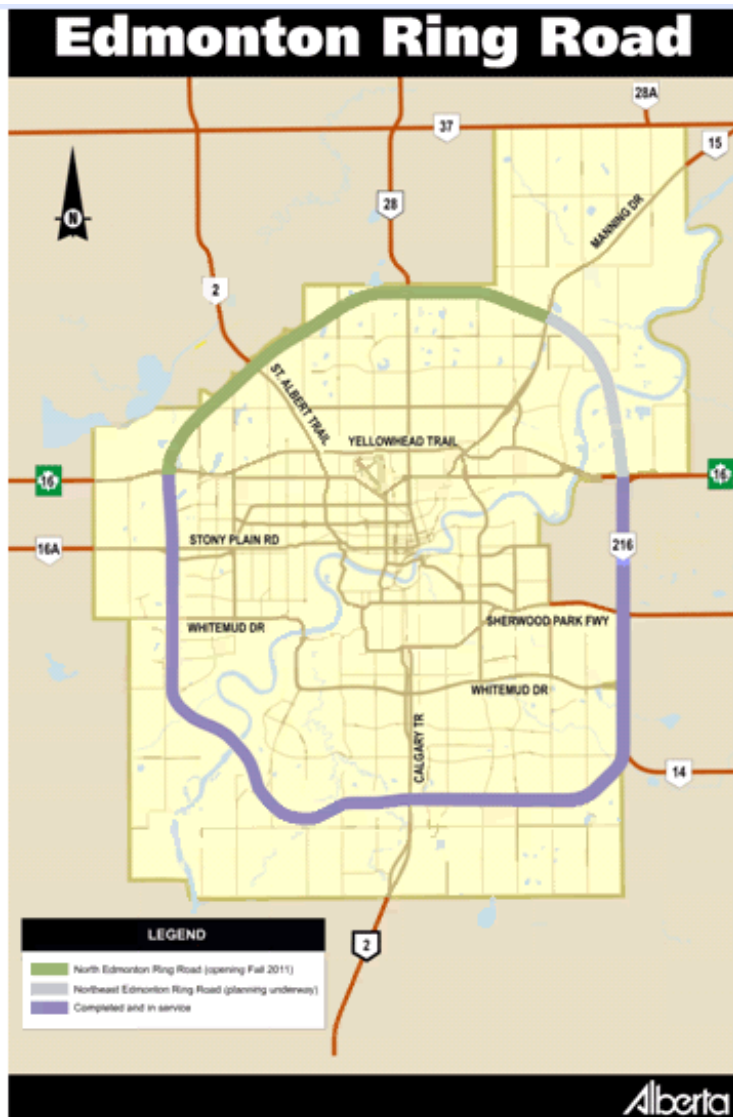
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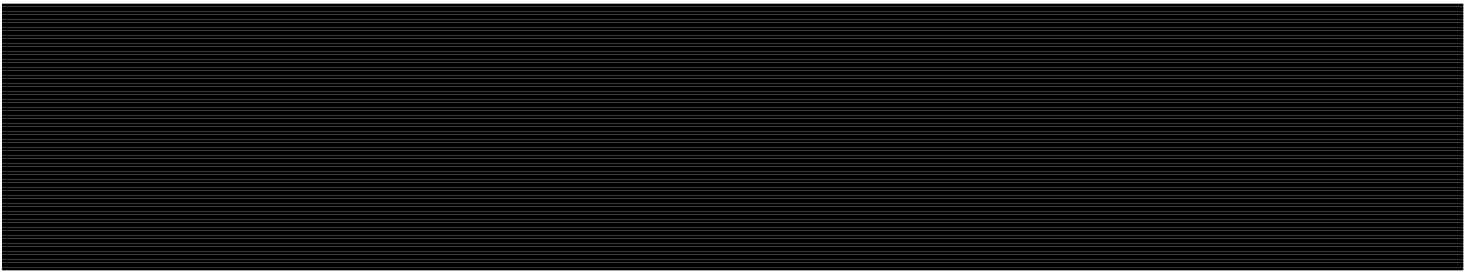
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Made-in-Alberta public-private partnership (P3) process

Highway Design, Build, Finance, Operate (P3) Process

- Under this process, a private-sector partner is responsible for the design, construction, financing, and operation of a roadway for 30 years. Once the road is open to traffic, government makes equal payments to the partner over 30 years.
- 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 (opened on time and on budget) was built using the P3 process and the northwest leg of Calgary's ring road is currently being built using the P3 process.

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.
- Potential partners may be headquartered or operate in any part of the world.
- Potential partners are usually consortiums of engineering, construction, financing, and road maintenance companies. Access Roads Edmonton Ltd., the successful partner for the southeast Edmonton ring road, Stony Trail General Partnership, the successful partner for the northeast Calgary ring road, and NORTHWESTCONNECT General Partnership, the successful partner for the northwest Edmonton ring road are consortiums.

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 up to eight months.
- Proposals are evaluated against a public sector comparator to determine if they represent good value for government and taxpayers.

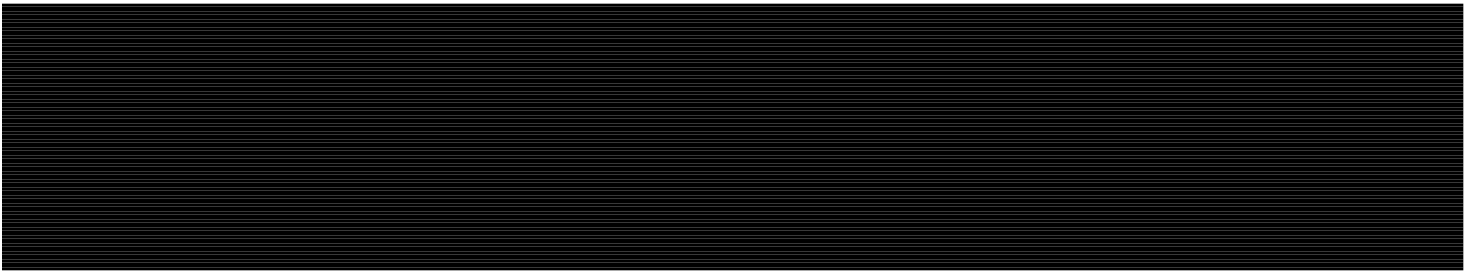
Final Contract Award

- The successful proponent enters into an agreement with government.

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Questions and Answers

What will the project cost?

The NORTHWESTCONNECT General Partnership had the lowest bid price at \$1.42 billion in today's dollars, which includes the cost to design, construct, maintain, and all financing for the project. The cost of doing the same work through traditional delivery methods is estimated at \$1.66 billion in today's dollars.

The Alberta government will advance \$500 million during construction and then start payments over 30 years to NORTHWESTCONNECT General Partnership once the Anthony Drive NW opens to traffic.

Wouldn't it be cheaper for government to build the road in the usual manner?

No. The NORTHWESTCONNECT General Partnership'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-bid-build delivery does not provide this flexibility.

How can you ensure the P3 won't be more expensive?

The three proposals were evaluated against a public sector comparator to ensure they represent good value for government and taxpayers. If clear benefits could not have been demonstrated, the project would not have proceeded as a P3.

Why do you use net present value?

The \$1.42 billion is the net present value of the project or the value in today's dollars of all the design, construction, repair, maintenance work, and financing for the project 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 \$500 million in advance payments during construction represent government's financial commitment over the life of the contract.

The contract between the Alberta government and NORTHWESTCONNECT General Partnership 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 NORTHWESTCONNECT General Partnership.

Why did the government decide to make \$500 million in advance payments to the project?

The \$500 million in advance payments reduces the overall financing cost of the project while maintaining enough private capital to ensure appropriate risk transfer to NORTHWESTCONNECT General Partnership's owner and lenders. Similar advance payments were made for the southeast Edmonton ring road P3 (\$75 million in advance payments) and the northeast Calgary ring road P3 (\$300 million in advance payments).

What is the capital cost for constructing Anthony Henday North?

As part of the P3 agreement, the province does not provide the component costs of the bid, such as the capital cost for construction. The total cost of the project is \$1.42 billion (NPV), which includes the cost to design, construct, maintain, and all financing for the project.

What are the team members of NORTHWESTCONNECT?

The team members include Bilfinger Berger Project Investments Inc., Flatiron Constructors Canada Limited, Parsons Overseas Company of Canada Ltd., Graham Infrastructure, aJV, and Carmacks Maintenance Services Ltd.

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 lack of environmental and geotechnical issues are other factors that favour 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?

One advantage is the project could 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 August 2008 and will be completed in November 2011.

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 did the P3 project not include the northeast section across the North Saskatchewan River?

Government reviewed which segment of the North Edmonton Ring Road, the northwest or northeast, should proceed first and recommended that the northwest segment from west Yellowhead Trail to Manning Drive Freeway proceed first. There are a number of issues that still need to be resolved for the remaining northeast segment from Manning Drive Freeway to east Yellowhead Trail. These issues include land acquisitions, geotechnical evaluation for the river crossing, and concluding discussions with environmental and other regulatory agencies. While the northwest segment moves forward, government continues to move ahead with final planning on the northeast section.

When will the ring road be completed?

Alberta Transportation is in the process of completing the functional design for the northeast section of Anthony Henday Drive. Government has set the goal of completing the ring road by 2015.

When will the interchange at Stony Plain Road and Anthony Henday Drive be completed?

The province recognizes the priority need for an interchange at Stony Plain Road and Anthony Henday Drive. Alberta Transportation has been completing the required functional planning and public consultation work. The design and construction of the interchange is subject to budget availability. Government has set the goal of completing the interchanges on Anthony Henday Drive by 2015, providing motorists with free-flow traffic around the entire length of the ring road.

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