

April 9, 2010

Stoney Trail in Calgary drives forward

Government saves \$1 billion through P3 contract

Calgary... Motorists will have 25 more kilometres of ring road to drive on by the fall of 2013.

The Alberta government signed a 33-year contract with Chinook Roads Partnership to design, build, operate and partially finance Stoney Trail from 17th Avenue SE to east of Macleod Trail. The contract also includes maintenance of Deerfoot Trail from its junction with Stoney Trail SE (currently Highway 22X) to its junction with Highway 2A.

“The contract for Stoney Trail SE will save taxpayers \$1 billion,” said Premier Ed Stelmach. “This project demonstrates that now is definitely the right time to keep investing in our public infrastructure. We’re taking advantage of lower construction prices while providing jobs for hundreds of people. The excellent industry response to this project shows confidence in Alberta’s future and that the province is a great place to invest. Projects like these ensure Alberta has the infrastructure it needs for a strong economic recovery.”

The public-private partnership (P3) contract is worth \$769 million in 2010 dollars. This compares to the estimated cost of \$1.8 billion using traditional delivery. The Alberta government will advance \$232 million during the construction phase while the federal government is providing \$100 million through the Major Infrastructure Component of the Building Canada Plan. Once the road opens to traffic, the Alberta government will make monthly payments over the remaining 30 years of the contract.

“The Government of Canada is committed to investing in highway infrastructure and creating jobs in Alberta,” said Jim Prentice, Minister of the Environment and Member of Parliament (Calgary Centre-North). “This project is providing job opportunities for Albertans and building strategic infrastructure that will promote long-term economic growth.”

Chinook Roads Partnership will start construction in May 2010 and the road will open to traffic by the fall of 2013. Chinook’s partners include affiliates of SNC-Lavalin Inc., who have been present in Alberta since the 1950s and now employ more than 1,600 people in the province, and Acciona S.A., who have been active in the P3 market in Canada since 2001 and in Alberta since 2003.

“Chinook Roads Partnership is both delighted and honoured to have earned the privilege to work together with Alberta Transportation to deliver the next important leg of Calgary’s ring road,” said Chinook Roads Partnership representatives Roger Howarth and Jim Burke. “We look forward to a long and successful relationship with the province and the City of Calgary and we will work hard to ensure our stewardship delivers a first class road by the fall of 2013 that will benefit the people of Calgary and all its visitors for 30 years and beyond.”

The project includes 25 kilometres of six-lane roadway, nine interchanges, one road flyover, two rail flyovers and 27 total bridge structures. In terms of scope, it's the largest single highway project in Alberta's history. The roadway's main line will be completely free-flow and have no traffic lights. Approximately 70 per cent of the Calgary ring road will be open to traffic once Stoney Trail SE is completed.

"Building Calgary's ring-road is a key component of our provincial and city economic development strategy," said David Bronconnier, Calgary mayor. "Enhancing the movement of people and goods around our city means improving our competitiveness, and the timing of this project couldn't be better. We're taking advantage of excellent prices and capacity in the construction industry, creating jobs and creating a ring-road network that will serve us well into the future."

Using Alberta's P3 model for highways allows Stoney Trail SE to be built two years sooner than through conventional delivery. Stoney Trail SE is the fourth project to use Alberta's P3 model for highways.

The Government of Canada is taking important steps to support economic growth in Alberta and across Canada. Canada's Economic Action Plan provides for almost \$12 billion in new infrastructure stimulus funding over two years and the acceleration of the \$33-billion Building Canada Plan, which will help address needs in communities across Canada and contribute to long-term economic growth through investments in public infrastructure, such as roads, water treatment, green energy and transit.

The Government of Alberta has a clear plan for a strong economic recovery. *The Way Forward* will bring Alberta back into a surplus position in three years by trimming government spending; using cash reserves to protect key programs; continuing to invest in public infrastructure; and ensuring that our province's industries are competitive and continue to attract investment to provide jobs and prosperity.

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Backgrounders: Stoney Trail SE project description, Alberta's Public-Private Partnership for Highways

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Stoney Trail SE Project Description



Roadway

25 kilometres of six-lane divided highway

Bridges

27 total bridge structures

Interchanges

17th Avenue SE

Peigan Trail SE

Glenmore Trail SE
114th Avenue SE
Highway 22X
52nd Street SE
Deerfoot Trail SE
McKenzie Lake Boulevard/Cranston Boulevard SE
Sun Valley Boulevard/Chaparral Boulevard SE

Flyovers

61st Avenue SE
Canadian Pacific Rail line
Canadian National rail line

Maintenance

Contract includes maintenance of Stoney Trail SE and 12 kilometres of Deerfoot Trail between Stoney Trail SE (currently Highway 22X) and Highway 2A junction.

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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, financing (whole or partial), rehabilitation, and maintenance of a roadway for 30-35 years. Once the road opens to traffic, government makes monthly payments to the partner over the remaining 30 years of the contract. Government may advance funds during construction to lower the monthly payments and make the project more attractive for bidders.
- Government is guaranteed a fixed price and delivery date for the road. The private contractor assumes risks such as inflation and weather-related delays and can be penalized for late delivery.
- Government also receives a 30-year warranty on the work, which means the road must be in the condition specified by the contract at the contract's conclusion. Under traditional delivery, warranties are usually one to two years.
- 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 taxpayers.

Request for Qualifications (RFQ)

- The RFQ determines potential bidders' qualifications and short-lists potential bidders to three proponents. For Stoney Trail SE, five potential bidders responded to the RFQ.
- Potential bidders are usually partnerships or consortia of engineering, construction, financing, and road maintenance companies.

Request for Proposals (RFP)

- The three bidders identified by the RFQ are invited to submit bids for the project. Three bidders are optimal because the competitors have a reasonable chance of success and the process remains competitive should one of the bidders withdraw.
- A bid's net present value, or its value in today's dollars, is used to compare the bids with each other and with the traditional delivery estimate. If all bids exceed the upper limit of the traditional delivery estimate, the project does not proceed as a P3.
- The interest rate used for the net present value calculations of the traditional delivery estimate and submitted bids is the estimated rate at which government could have borrowed money at the closing date for the P3 project.
- For Stoney Trail SE, the traditional delivery estimate is \$1.8 billion. The three bids were \$769 million, \$1.13 billion, and \$1.16 billion.

Final Contract Award

Government awards the contract to the compliant bid with the lowest net present value. The successful bidder enters into an agreement with government.

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