

# Calgary Ring Road - Canada

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Ila Halai

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Alberta's Stoney Trail NE - which has been labelled The Little Brother of Golden Ears - has closed the Can\$650 million (US\$560m) financing of the P3 ring road project, the second bank-wrapped loan to close in North America

The project was first mooted in 2003 when the Alberta government turned to the private sector to design, build, partially finance and operate an 11km stretch of new ring road around the city for US\$300 million.

At the time, transport minister Ed Stelmach said that if the PPP method proved successful, the city would use the same method to complete the ring roads around Edmonton and Calgary.

As is the case with the Calgary ring road, Golden Ears Bridge near Vancouver and the highway through the Kicking Horse Canyon in the Rocky Mountains, all deals have been arranged based on availability models.

The government assumes the traffic risk.

It is not surprising that Canada's provincial P3 market is on the move with a host of projects in the pipeline, projects that are to be tendered out or in procurement process include:

- Port-Mann 1 project (to be tendered out this year)
- the US\$343 million A25 motorway project (to be tendered in the next few months)
- the US\$791 million Montreal Autoroute 30 highway in Quebec (in the bidding process)

Projects in the pipeline include:

- dualling of Highway 11 between Saskatoon and Prince Albert in Saskatchewan
- the US\$823 million Evergreen rapid transit line in Vancouver

Four years later and the Calgary ring road project has come to fruition.

## The Project

The project will extend Stoney Trail eastward from Deerfoot Trail to 17 Avenue SE and involves the construction of 21km of four and six-lane roadway, with 23 bridges and six interchanges.

It also includes maintenance of Stoney Trail NW from its junction with Deerfoot Trail to 16 Avenue NW.

It has a 30-year concession period and the road is expected to be completed in two years.

Early completion will ease increasing traffic in the city, and along a significant trade corridor in the province.

So why was a P3 considered for this project? A business case that compared conventional delivery methods to a P3 concluded that it was the best option.

The projects scope, lack of environmental and geotechnical issues were other factors that favoured the P3 process.

The Alberta Advisory Committee on Alternative Capital Financing agreed with the P3 process, putting the project well and truly on track.

#### Background

A ring road proposal for Calgary was investigated in 2003 when the Alberta government invited the private sector to build an 11km highway using a P3.

Due to the success of this project, the Calgary ring road project was put forward with RFQ's issued in February 2006.

Four of the industry's biggest players entered the race for Alberta's second PPP scheme in April 2006, these included groups led by:

- Bilfinger Berger
- ABN Amro
- Macquarie
- SNC Lavalin

The rivals then had until the end of the month to put together RFP's for the venture before the government would invite three groups to proceed to the next round on tendering in autumn

Three groups were invited to participate in the tender in May 2006. The teams were:

- Stoney Trail Group - led by Bilfinger Berger
- Alberta Trails Group - led by Carillion Canada
- Access Roads Calgary - ABN Amro

A preferred bidder was selected in December and took only two months to reach financial close.

#### Financing

Dexia, Fortis and FGIC closed the financing on the Can\$650m (US\$560m) PPP project on 16 February 2007.

The total debt size is around Can\$140 million (US\$120m) with Dexia and Fortis acting as MLA and swap providers. The tenor for the debt is 29.5 years.

The debt:equity was arranged on a 90:10 basis and the monoline was FGIC - the total equity is Can\$15.5 million (US\$13.2m).

Alban de Laselle at Dexia said: 'This is, to our knowledge, the second wrap loan ever closed in North America and the second one on which Dexia Canadian team acted as MLA.

'This transaction was depicted as Golden Ears Bridge projects "little brother". It is somewhat true that it is with the same sponsor, the same bank acting as MLA on both transactions (Dexia Canada), and more importantly the same kind of wrapped loan structure.'

The two banks were 50:50 on the bank-wrapped debt with FGIC wrapping both the loan and the swap.

David Slade, partner at the New York office for Allen & Overy - which acted as legal adviser to the banks alongside McMillan Binch Mendelsohn - said: 'Perhaps the most notable feature of the deal was that the monoline issued the financial guaranty without using an offshore trust structure.'

The Alberta government provided a grant of Can\$300 million (US\$259m) during construction and then starts payments of Can\$21 million (US\$18m) per year over the 30-year concession to the Stoney Trail Group once the road project opens

to traffic.

The Can\$140 million (US\$120m) debt plus the equity of Can\$15.5 million (US\$13.2m) and the Alberta government advance gives a total project value of Can\$455.55 million (US\$389.4m).

The price of debt is north of CDOR+60bp.

Kerri Fox, managing director and head of global export and project finance at Fortis' New York office, said: 'It is an excellent project and the financing that was put into place in partnership with Dexia and FGIC demonstrates the value that can be added to a consortium's bid by the use of monoline wrapped bank loans.'

Conclusion

The Golden Ears Bridge project seems to have set off a growing trend for wrapped bank-financed projects in North America.

Canada's major P3 centres are British Columbia, Ontario and Quebec and all three provinces have established organisations to facilitate P3 procurements, but a general lack of consistency across jurisdictions remains a challenge.

Better coordination between governments and private sector partners, standardised agreements and a predictable flow of projects will help build the expertise needed to create and manage large-scale projects and generate enough business for developers.

The P3 process in Canada is still being developed and refined with each provincial jurisdiction often wanting its own tendering process and documentation - healthcare and transport sectors are currently showing the most promise.

Despite these challenges, Canada is making great strides towards a stable and efficient market with the government optimistic that a sustainable P3 market will develop within five years.

The project at a glance

Project Name	Calgary ring road
Location	Province of Alberta, Canada
Description	DBFO of Stoney Trail - from its junction with Deerfoot Trail to 17 Avenue SE, also included is maintenance of Stoney Trail NW from its junction with Deerfoot Trail to 16 Avenue NW
Sponsors	Stoney Trail Group led by Bilfinger Berger
Operator	Calgary Transportation
Project Duration (Including construction)	33-years
Construction Stage	3 years
Total Project Value	Can\$455.55 million (US\$389.4m)
Total equity	Can\$15.5 million (US\$13.2m)
Equity Breakdown	100 per cent Bilfinger Berger
Total senior debt	Can\$140 million (US\$120m) with a tenor of 29.5 years
Senior debt breakdown	Dexia 50 per cent Fortis 50 per cent
Senior debt pricing	North of CDOR+60bp
Debt:equity ratio	90:10
Grant	Can\$300 million (US\$255.7m)
Grant provider	Alberta Ministry of Transport
Mandated lead arrangers	Dexia Fortis
Administrative agent	Fortis

Monoline	FGIC
Legal Adviser to monoline	Torys Burnett & Duckworth
Legal Adviser to sponsor	Davis & Co
Financial Adviser to sponsor	CIT
Legal adviser to banks	Allen & Overy McMillan Binch Mendelsohn
Legal adviser to government	In House
Financial adviser to government	PwC CIBC
Date of financial close	16 February 2007

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