

# North Edmonton ring road P3

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05/02/2009

Based on the success of the Edmonton southeast and Calgary northeast P3 projects, the latest addition to the Edmonton ring road will complete 90 per cent of the Anthony Henday Drive - having reached financial close in July 2008.

The Alberta government announced plans for the DBFO of the North Edmonton ring road in July 2007, seeking developers to construct the 21km northern leg of Anthony Henday Drive, which will stretch from Yellowhead Trail on the west side of the city to the Manning Drive Freeway on the north east side.

The Northwest Connect General Partnership submitted the lowest bid price at Can\$1.42 billion which included the cost to DBFO the project. The cost of doing the same work through traditional delivery methods was estimated at Can\$1.66 billion, convincing the Alberta government to take the cheaper route to get the road built.

According to the government, by using a P3, the contractor's control of the overall schedule provided 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 did not provide this flexibility.

## The project

In October 2007, the Alberta government issued RFPs to three consortia for the 30-year concession, the bidders were:

- North Edmonton Road Consortium - Acciona/ SNC Lavalin
- Northwest Connect - Bilfinger Berger BOT
- Plenary Roads Edmonton - Plenary Group Canada

The three proposals were evaluated against a public sector comparator to ensure they represented good value for the government and taxpayers.

In early 2008, the Northwest Connect team was selected as the preferred bidder having submitted the best bid.

Operation of the new six-lane highway section was based on an availability model, providing for contractually-fixed payments from the state throughout the operating phase.

The project reached financial close on 30 July 2008.

## Financing

The total project value was Can\$1.4 billion, of which Can\$620 million was senior debt from the three MLAs - Fortis, Depfa and Dexia - and underwriter RBC.

Fortis also acted as agent bank for the debt - which includes both bond and loan financing. Can\$500 million is coming as a grant from the province of Alberta, in the form of progress payments to cover capital costs. It will be paid out in instalments based on a milestone schedule.

Bilfinger Berger Project Investments (BBPI) committed Can\$57 million to the project in equity. The debt:equity ration

stands at 92:8.

Other members of the Northwest Connect team are:

- Graham Construction
- Parsons
- Flatiron Constructors

RBC provided a bond tranche of Can\$260.22 million which has a maturity of 33 years.

Davis provided legal counsel to the sponsors with CIT acting as financial adviser. McMillan acted as legal adviser to the banks.

Alberta Justice and Deloitte provided legal and financial advice to the government.

## Conclusion

Canada's major P3 centres are British Columbia, Ontario and Quebec and all three provinces have established organisations to facilitate P3 procurements.

Today, P3s are being used by governments in more than 25 distinct sectors. Yet regional differences and local issues dictate slightly different approaches to P3s across Canada.

The urgency of addressing Canada's infamous public infrastructure gap is compelling the federal government to rely more and more on P3s.

In light of increasing government support, P3s seem to now be part of the public economic paradigm.

## The project at a glance

Project Name	North Edmonton ring road P3
Location	Alberta, Canada
Description	The construction of the 21km northern leg of Anthony Henday Drive, which will stretch from Yellowhead Trail on the west side of the city to the Manning Drive Freeway on the north east side
Sponsors	Northwest Connect General Partnership: <ul style="list-style-type: none"> <li>• Bilfinger Berger Project Investments (BBPI)</li> <li>• Graham Construction</li> <li>• Parsons</li> <li>• Flatiron Constructors</li> </ul>
Project Duration (Including construction)	30 years
Total Project Value	Can\$1.4 billion (US\$1,133.99 billion)
Total equity	Can\$57 million (US\$48.88 million)
Total senior debt	Can\$620 million (US\$596.32 million)
Bond tranche	Can\$260.22 million (US\$254.17 million)
Maturity of bond tranche	33 years
Debt:equity ratio	92:8
Multilateral & Government Support	Can\$500 million (US\$488.79 million)
Mandated lead arrangers	RBC (underwriter) Fortis Depfa Dexia
Bond arranger	RBC
Agent bank	Fortis
Legal Adviser to sponsor	Davis
Financial Adviser to sponsor	CIT
Legal adviser to banks	McMillan
Legal adviser to government	Alberta Justice
Financial adviser to government	Deloitte

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Technical and commercial adviser to government                      AECOM  
Date of financial close                      30 July 2008

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