# Regina Bypass Project

# Public-Private Partnership

# Value for Money Assessment Report


**November 2015**

SaskBuilds

Government of Saskatchewan

# EXECUTIVE SUMMARY

The Regina Bypass (bypass) project is a priority for the government of Saskatchewan to respond to the unprecedented economic and population growth that is placing pressure on the existing highway system in the capital region. The publicly owned bypass will also improve safety for all drivers travelling to, from and through the Regina-area.

On May 5, 2014, the Government of Saskatchewan announced its decision to move forward with the Regina Bypass as a Design-Build-Finance-Operate-Maintain (DBFOM) Public-Private Partnership (P3). By using the P3 model, the Saskatchewan government will maintain ownership of the highway and complete it on-time and on-budget approximately six years sooner than could be achieved through a conventional approach. Using a P3 is faster, better and less expensive when compared to a traditional approach.

The bypass is the largest transportation infrastructure project in Saskatchewan's history and will have significant positive effects on the province's economy and on public safety. The project is forecasted to create approximately 8,200 construction-related jobs in Saskatchewan, and by diverting trucks around the city it will reduce congestion on Regina's main arteries and contribute to the growth of the Global Transportation Hub.

The project has involved broad consultations with municipalities and the public and more than a decade of detailed planning by government and external experts. It will encompass approximately 60 km of roads, service roads, 12 overpasses, 32 bridges, numerous culverts, overhead signs, etc. and is designed to meet the short and long-term needs of Regina-area communities and the province as a whole.

Together, these benefits will improve public safety, create economic development opportunities, attract investment to the region, strengthen the connection between communities, and contribute to an improved quality of life for Saskatchewan people.

***Interesting Facts***

*Building the Bypass will require:*

- *17 million cubic metres of dirt. That is the equivalent of 12 times the amount moved for the Wascana Lake "big dig" project;*
- *26,000 cubic metres of concrete, which is enough to fill 2,600 cement mixer trucks;*
- *More than 1400 km of rebar, which is enough to stretch from Regina to Calgary and back; and*
- *Between new highways, service roads, interchanges and repaving, the project reaches 464 single lane kms – the distance from Regina to Medicine Hat.*

## Value for Money

To select the best procurement approach for the project, a value for money (VFM) assessment was completed by independent financial advisor Ernst & Young, which compared the DBFOM P3 procurement to a traditional Design-Bid-Build (DBB) procurement. Ernst & Young's findings are included in this report.

Using a P3 approach, the Net Present Value (NPV) of the total project cost was $1.88 billion, compared to $2.26 billion for a traditional DBB. This represents a $380 million (or 16.8%) savings over the contract term. Cost savings were achieved through construction and design innovations, life-cycle optimization, risks shifted from the public to the private sector, and a fixed-price Project Agreement. The VFM savings do not include the additional $200 million investment being made in the project by the Government of Canada, through PPP Canada.

## Timeline

The procurement process, led by SaskBuilds, began on May 13, 2014, with the Request for Qualifications (RFQ) phase.

On August 18, 2014, three teams were shortlisted for the Request for Proposals (RFP) phase:

- Queen City Infrastructure Group;
- Regina Bypass Partners (formerly Sasklink Global Transportation Partners); and
- Wascana Development Partners.

On May 29, 2015, after leading a competitive process, the Government announced Regina Bypass Partners as the Preferred Proponent (Project Co). Regina Bypass Partners comprises the following companies as a single entity: Graham Infrastructure Ltd., VINCI Infrastructure Canada Ltd., Parsons Canada Ltd., GraCorp Capital Partners LP, Carmacks Enterprises Ltd., McElhanney, Urban Systems, Buckland and Taylor, EXP Services Ltd., Clifton Associates, and Delcan Corporation.

On July 29, 2015, the Government signed the 34 year Project Agreement (four-year construction period and 30-year operating, maintenance and rehabilitation term) with Regina Bypass Partners.

Construction on the bypass began in summer 2015. In fall 2017 the first phase of construction will be open to motorists and the full bypass will be complete in fall 2019.

## Fairness Advisor

An independent and external Fairness Advisor was engaged to monitor the two stages of the competitive selection process. The Fairness Advisor determined that both the RFQ and RFP processes were fair and impartial. The Fairness Advisor report is available on www.saskbuilds.ca. A summary is included in this report.

## Project Scope

The new bypass will include these new and improved elements:

- New four-lane highway from Highway 11 to south of Dewdney Avenue and from Highway 1 west to Highway 1 east (Tower Road);
- Twelve new interchanges: Hill Avenue, Highway 1 West, Highway 11, 9th Avenue North, Dewdney Avenue, Rotary Avenue, Highway 6, Highway 33, Tower Road, the Pilot Butte access, Highway 48, and Highway 46;
- Three new intersections: Armour Road, Courtney Street, and Fleet Street;
- Several new service roads to facilitate local access;
- Four new flyovers: over the Last Mountain shortline railway between Armour Road and Highway 11, over the Canadian National mainline between Dewdney Avenue and 9th Avenue North, over the Canadian Pacific spur railway line at Dewdney Avenue, and over the CP railway between Highway 33 and Highway 1 east of Regina;
- Improvements to the western portion between Highway 1 and south of Dewdney Avenue, including the Highway 1 interchanges west of Regina;
- Improvements to the CP Rail flyover between Rotary Avenue and Highway 1 west of Regina; and
- Highway 6 south of Regina will be twinned between the existing four-lane section and the Regina Bypass.

The Regina Bypass Partners will provide the operations, maintenance, and rehabilitation for the bypass for the term of the contract.

## Route Selection

The route for the Regina Bypass was chosen by the Ministry of Highways and Infrastructure after years of extensive study using commonly accepted transportation engineering methodology by internal and external civil engineering experts. The planning process included extensive public consultation including 24 separate consultation events since 2008 and involvement from six municipal governments in the Regina east area. Benefits of the route include:

- It is the best alignment for the possible future completion of a north and northeast route around the city;
- It allows sufficient spacing for overpasses on Highway 1 east at the Pilot Butte Access and Highway 48 at White City;
- Alternative routes were assessed and generally required the construction of more roads and at least one more railway overpass; and
- No additional benefits were identified in the additional routes studied.

The project agreement for the Regina Bypass has been signed and executed and construction is underway.

After reviewing the Ministry of Highways and Infrastructure's route selection process, the Saskatchewan Provincial Auditor found in their 2014 Volume 2 report:

*"that the Ministry actively sought input from the public and stakeholders throughout the process. It has held numerous public open houses (e.g., November 28, 2013 South Bypass open house) or required its consultants to obtain public and stakeholder input through stakeholder meetings and public open houses. Also, it either directly or through its consultants involved the City of Regina and the affected municipalities (e.g., Rural Municipalities of Edenwold and Sherwood) at various stages (e.g., their participation on a Steering Committee and Technical Project Committee in its 2012 Bypass Location Review). It used its website to keep the public informed of the timing and results of public consultations and of its key decisions (e.g., preferred route and map). Prior to making its final decision on the preferred route, it allowed for and considered public comment.*

*With the assistance of its consultants, Highways set evaluation criteria and made them public. It used them to evaluate and score the various alternate routes and interchange designs. When determining the alternate routes to study in more depth, Highways narrowed down the possibilities according to those that received the highest scores; it used its website to make the scores public. It then used the evaluation criteria to further evaluate those options and select a preferred route and interchange design. We did not find evidence of undue influence of third parties (e.g., landowners) during this selection process."*

*Provincial Auditor Saskatchewan, 2014 Report – Volume 2, page 85*

# Regina Bypass Project

## Value for Money Report

November 2015

Building a better working world

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# 1. Introduction

Ernst & Young LLP ("EY") has prepared this Value for Money report ("the Report") for the Regina Bypass project ("the Project") solely on the instructions of SaskBuilds Corporation ("SaskBuilds"). It has been prepared solely for the purposes of SaskBuilds. The Report is based on objective analysis and information provided to EY by SaskBuilds, Ministry of Highways and Infrastructure (the "Ministry") and other entities and does not necessarily represent EY view, comments, conclusions and opinions.

Our Report has not considered issues relevant to third parties. Any use a third party may choose to make of our Report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use and to the fullest extent permitted by law we do not accept or assume responsibility to anyone other than SaskBuilds for our work, for this Report or for the opinions formed.

Our Report to SaskBuilds is based on inquiries of, and discussions with, SaskBuilds, the Ministry and other entities. We have not undertaken any form of investigation, audit, substantiation or verification procedures for the information, data and projections provided to us. We have not sought to verify the accuracy of the data or the information and explanations provided.

The purpose of the Report is to provide key information about the Project. The Report provides an overview of the Project and describes the process for selecting the capital procurement method. Additionally, the Report outlines the competitive selection process and provides key information about the legal agreement entered into by the Ministry in relation to the Project (the "Project Agreement") and the Value for Money (VFM) assessment.

Key abbreviations used in the Report and their meaning are set out in the table below.

**Table 1 – Abbreviated terms**

| Abbreviation | Meaning |
|---|---|
| DBB | Design-Bid-Build |
| DBFOM | Design-Build-Finance-Operate-Maintain |
| NPV | Net Present Value |
| P3 | Public-Private-Partnership |
| RFP | Request for Proposals |
| RFQ | Request for Qualifications |
| VFM | Value for Money |

# 2. Executive Summary

On May 5, 2014, the Government of Saskatchewan announced its decision to move forward with the Project as a Design-Build-Finance-Operate-Maintain ("DBFOM") Public-Private Partnership ("P3"). The procurement process, led by SaskBuilds, began on May 13, 2014 with the Request for Qualifications (RFQ) phase.

Three teams were shortlisted for the Request for Proposals ("RFP") phase on August 18, 2014:

- Queen City Infrastructure Group;
- Regina Bypass Partners (previously announced as Sasklink Global Transportation Partners); and
- Wascana Development Partners.

On May 29, 2015, the Government announced Regina Bypass Partners as the successful proponent ("Project Co.") Regina Bypass Partners comprises companies from the following groups:

- Graham;
- VINCI;
- Parsons;
- Carmacks; and
- Connor Clark & Lunn.

The Government signed a 34 year Project Agreement (four-year design and construction phase and 30-year post-construction operating, maintenance and rehabilitation term) with Regina Bypass Partners on July 29, 2015.

The Project will see the construction, operation, maintenance and rehabilitation of new roads, service roads and overpasses, as well as, a number of existing roads and overpasses. The Project will improve public safety and support economic growth in Saskatchewan. Construction on the publicly owned Project began in June 2015 through an early works agreement and is scheduled to be completed by October 2019. Priority components, including the portion of the Project from Balgonie to Arcola Avenue (Highway 33 interchange) but excluding the Pilot Butte interchange, will open in advance of the full Project completion.

By using the DBFOM model, the Saskatchewan Government expects the Project to be completed on-time and on-budget approximately six years sooner than could be achieved through a traditional approach.

### PPP Canada Contribution

The Government of Canada, through PPP Canada will invest up to $200 million towards the construction of the Project.

### Innovation

The Project will feature a number of design innovations that will contribute to a better quality design for the Project and lower costs over the term of the Project Agreement.

### Value for Money

To select the best procurement approach for the project, a Value for Money ("VFM") assessment was completed, which compared the DBFOM procurement option to a traditional Design-Bid-Build ("DBB") procurement. Using a P3 approach, the Net Present Value ("NPV") of the total project cost over 34 years was $1.88 billion, compared $2.26 billion for a traditional DBB. This represents a $380 million (or 16.8%) savings over the term of the Project Agreement. Cost savings were achieved through

construction and design innovations, life-cycle optimization, risks transferred from the public to the private sector, and a defined price Project Agreement.

### Fairness Advisor

An independent, expert external Fairness Advisor was engaged by SaskBuilds to monitor the competitive selection process and concluded that it was fair and impartial.

The Fairness Advisor's report to SaskBuilds for the RFP process is provided in Appendix A.

# 3. Background

Saskatchewan is experiencing unprecedented economic and population growth, which has placed increasing pressure on its transportation infrastructure. The City of Regina and the communities on Highway 1 east of the city have grown tremendously in recent years – and continue to grow.

Driver safety is a primary concern along this busy stretch of highway. The Project is intended to improve safety for all drivers, whether they are local commuters, tourists or truckers hauling goods to, from and through the Regina area. It is expected that a significant percentage of heavy goods vehicle traffic will be diverted around the city as a result of the Project and it will reduce congestion on Regina's main arteries and contribute to the growth of the Global Transportation Hub.

The project has involved broad consultations with municipalities and the public, and more than a decade of detailed planning by government and external experts. The Project has been designed to meet both the short and long-term needs of Regina-area communities and the province as a whole. The Saskatchewan Government will own all new and existing highway infrastructure developed for the Project.

Once complete, the Project will be the largest transportation infrastructure in Saskatchewan's history and will have a major impact on the provincial economy.

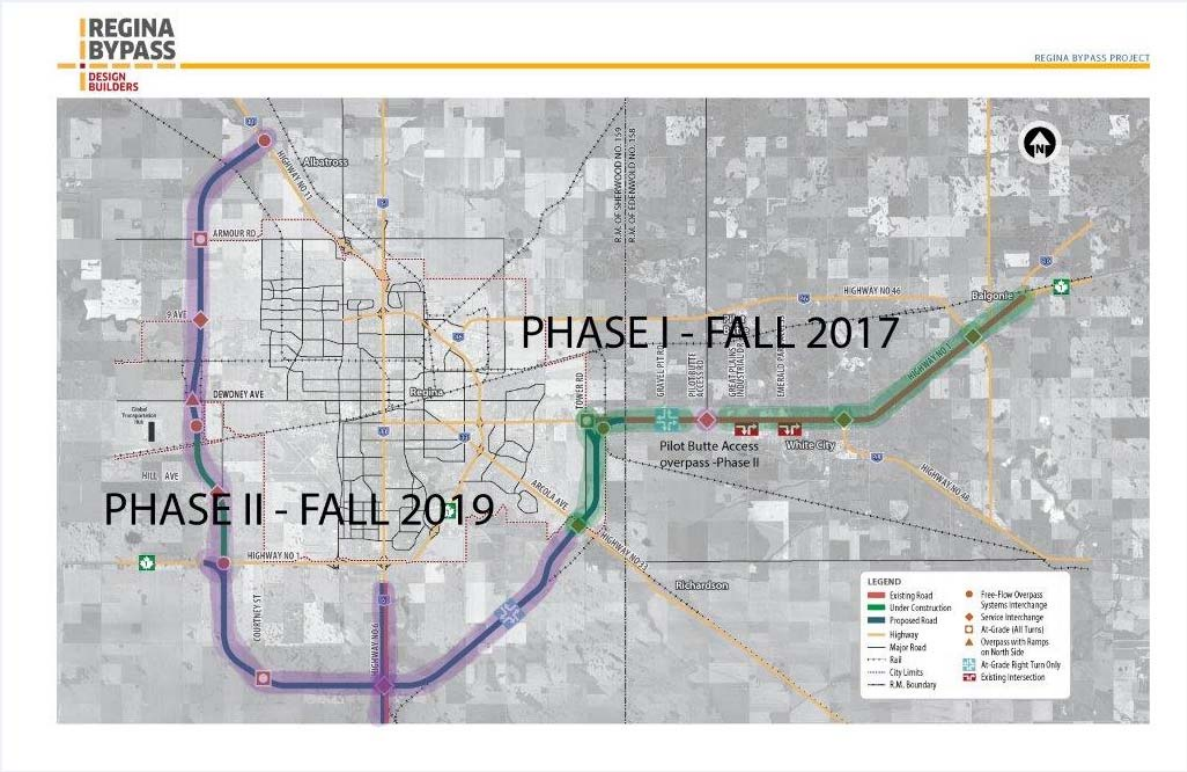
## 3.1 Project Overview

The Project will see the construction, operation, maintenance and rehabilitation of a free flow highway corridor through the Regina region. The project will comprise the following:

- New four-lane highway from Highway 11 to south of Dewdney Avenue and from Highway 1 west to Highway 1 east (Tower Road);
- Twelve new interchanges (at Hill Avenue, Highway 11, 9th Avenue North, Dewdney Avenue, Rotary Avenue, Highway 6, Highway 33, Tower Road, the Pilot Butte access, Highway 48, and Highway 46);
- Three new intersections (at Armour Road, Courtney Street, and Fleet Street);
- New service roads as required to facilitate local access;
- New flyover over the Last Mountain shortline railway between Armour Road and Highway 11;
- New flyover over the Canadian National mainline between Dewdney Avenue and 9th Avenue North;
- New flyover over the Canadian Pacific spur railway line at Dewdney Avenue; and
- New flyover over CP railway between Highway 33 and Highway 1 east of Regina.

Improvements to existing infrastructure will also be made, which will include modifications to the western portion of the proposed project between Highway 1 and south of Dewdney Avenue, including the Highway 1 interchanges west of Regina, and the CP Rail flyover between Rotary Avenue and Highway 1 west of Regina. Highway 6 south of Regina will be twinned between the existing four-lane section and the Project.

**Figure 1 – Project overview map**




Following Substantial Completion, the private sector partner will provide the operations, maintenance and rehabilitation for the Project for a 30-year term. This will include, but is not limited to the following:

- Operation and maintenance of new highway infrastructure, with the exception of Highway 6 south of Regina;
- Operation and maintenance of existing infrastructure between Highway 1 west of Regina to south of Dewdney Avenue which is currently being constructed under a Design-Bid-Build (DBB) procurement method, and Highway 1 east of Regina between Tower Road and Balgonie which has been in operation for decades; and
- Ongoing rehabilitation of the above, with the exception of Highway 6 south of Regina.

## 3.2 Project Goals

The goals of the Project include:

- Facilitating economic growth in Saskatchewan by eliminating a key transportation bottleneck and creating efficient passenger and goods movement;
- Addressing growing commuter traffic that is facing increased congestion as a result of economic growth;
- Improving safety and promoting a more livable community, in an area where collisions, noise and air pollution are currently concentrated in an urban environment;
- Providing better access to the Global Transportation Hub and other key logistics and employment centres, where free-flow truck access is essential for continued growth of these major economic drivers;
- Improving the efficiency and safety of travel on the National Highway System; and

- Facilitating connections with trade routes – another key component in the continued development of a regional hub for the movement of goods.

## 3.3 Innovation & Cost Saving Opportunities

In addition to enabling economic growth for the region, reducing congestion and improving safety, the Project features a number of important innovations and cost saving opportunities:

*PPP Canada Contribution*
The Government of Canada, through PPP Canada will invest up to $200 million towards the construction costs of the Project.

*Highway 1 and Highway 46 Interchange (Balgonie)*
A roundabout was introduced in the project design. Roundabouts are used in many parts of the world because they offer the benefit of higher intersection capacity, fewer stops, shorter delays, and a general increase in user safety.

*Tower Road and Highway 1 Eastbound On-Ramp*
The two lane Highway 1 eastbound on-ramp from Regina will fly over the traffic lanes, rather than taking the traffic lanes up and over the ramp. This will result in a smaller disruption to traffic flows in and out of Regina on the existing Highway 1 during the construction.

*Highway 1 West*
The design will include changes to the northbound to westbound traffic movements and westbound to westbound lane combinations.

*Pavement Design*
An innovative technical approach to pavement lifecycle was incorporated into the project. This alternative requires less re-surfacing over the life of the Project Agreement term while still meeting performance requirements and hand-back requirements. This approach will lead to fewer delays for users.

# 4. Project Delivery Options

## 4.1 Methodology

To select the best procurement approach for the project, an analysis of the procurement options was completed to determine the appropriate option to follow.

Multi Criteria Analysis was used to qualitatively assess a wide spectrum of potential procurement options, including Design-Bid-Build, Design-Build, Design-Build-Finance, Design-Build-Finance-Maintain and Design-Build-Finance-Operate-Maintain, for their alignment with the goals and objectives of the Project. The Multi Criteria Analysis indicated that the DBFOM procurement option was most closely aligned with the criteria. Quantitative analysis was then undertaken to review whether DBFOM would provide VFM when compared to the DBB procurement route which had traditionally been used to procure projects of this nature.

A VFM assessment was therefore completed to compare the life-cycle risk-adjusted costs of the two procurement options: traditional DBB and DBFOM. The purpose of the VFM assessment was to identify the procurement option that would provide the greatest value through the design, construction and operations, maintenance and rehabilitation phases of the project. A financial model was developed to compare which approach generated the greatest VFM.

The VFM assessment process included a comprehensive risk analysis to identify and quantify the risks retained by the public sector under each procurement option. Other costs were also incorporated including: design, construction, operations, maintenance, and rehabilitation related costs; and transaction costs (legal, fairness, technical advisors, project management, and contract management fees). Model specific adjustments were made to ensure a fair comparison between procurement options. For example, the DBB model was adjusted to account for differences in tax treatment and insurance costs between the public and private sectors (the "Competitive Neutrality" adjustment).

Differences in timing and cash flows between procurement options are an important consideration in the analysis of long term cash flows. In order to allow for these differences a discounted cash flow approach was utilised. A discount rate was applied to the projected future cash flows to allow for timing differences.

## 4.2 Procurement Options

In its quantified procurement options analysis, the costs of the DBB approach and the DBFOM approach were compared. The two options are described in the following sections:

### 4.2.1 Design-Bid-Build

DBB is the most common procurement method used by the Saskatchewan Government to design and build infrastructure. Using this model, the Ministry would hire private sector engineering firms and consultants to design the Project. The Ministry would then issue a tender for the construction. The construction contractor would build the Project based on the engineer's specifications. The Ministry would make monthly progress payments to the contractor based on the level of construction completeness.

The design would be procured separately from construction, and therefore the Ministry would retain the risk for any errors or omissions in the design. In addition the Ministry would retain key construction risks such as schedule, construction, operations, maintenance, and rehabilitation costs. Schedule delays or unexpected increases in cost would result in a cost to the Ministry, not to the contractor.

Further, the contractor is only tasked with constructing the Project and is not involved with the Project beyond the construction warranty period. The Ministry would own the Project and be responsible for all operational, maintenance and rehabilitation costs.

### 4.2.2 Design-Build-Finance-Operate-Maintain

DBFOM is a P3 procurement method in which a private partner, comprising a group of companies (engineering firms, construction contractor, operations, maintenance, and rehabilitation provider, and lender/equity provider) would be hired to design, construct, finance, operate and maintain the Project as part of a long-term contract. The Project Agreement term includes the four-year design and construction phase and a 30-year operating, maintenance and rehabilitation term. This approach would involve a two-stage competitive selection process: Request for Qualifications (RFQ) and Request for Proposals (RFP).

In contrast with the DBB model, the DBFOM model uses financial incentives to facilitate on-time and on-budget project delivery, as well as to ensure quality operating, maintenance, and rehabilitation services. A significant proportion of the risks for changes to design, construction cost and schedule, operations, maintenance and rehabilitation costs are transferred to Project Co. During construction, the Ministry would be able to monitor Project Co.'s performance and any partial contribution of funding would be contingent upon specific construction completion requirements set out in the Project Agreement. This type of performance oversight works to incent Project Co. to complete the Project on time and according to the requirements of the Project Agreement. During the operating term, the Ministry would monitor Project Co.'s performance and payments over the operational phase (the "Monthly Service Payments") are performance based. The Ministry would be able to make deductions where Project Co. breaches its operating, maintenance and rehabilitation obligations in the Project Agreement.

There is also the potential for additional innovations having one team design, build, operate, maintain and rehabilitate the Project. This is because the nature of the long-term relationship creates an added incentive to reduce whole life costs of the Project. The integration of design and construction phases also translates into a more time efficient project schedule, as aspects of the two activities can occur simultaneously.

The 30-year commitment by Project Co. to operate, maintain, and rehabilitate the Project means that Project Co. has a vested interest to deliver the best quality asset up-front. This commitment drives innovation in the Project design, which can deliver cost-savings to the Ministry over the operating, maintenance and rehabilitation term through reduced operating, maintenance and rehabilitation costs.

The private sector partner would be required to finance a portion of the construction costs. Payments to the private sector partner which enable the repayment of this financing would be contingent upon performance and meeting contractual requirements. This provides a strong incentive for on-time delivery.

The Ministry would continue to own the Project under the DBFOM model. At the end of the contract term, the Project's condition must meet required hand-back requirements for the standard and condition of the assets as prescribed in the Project Agreement.

## 4.3 Procurement Options Analysis Result

The VFM assessment indicated that the P3 DBFOM approach would provide greater VFM than the traditional DBB approach for this project (the final VFM assessment is presented in Section 7). Based on this assessment it was determined that the DBFOM option should be used to procure the Project.

# 5. Procurement Process

The procurement followed a rigorous, competitive, open, transparent and fair process. A two-step process based on Canadian best-practice precedent was undertaken, entailing a Request for Qualifications phase and a Request for Proposals phase. These phases are described further below.

## 5.1 Request For Qualifications

The RFQ initiated the procurement phase of the Project by inviting interested proponents to indicate their interest in the Project through submission of an RFQ response. A short-list of three proponents was taken forward to the next stage of the procurement process based on an evaluation of the RFQ submissions. The evaluation considered each respondent's financial capacity to undertake the Project and their technical experience of delivering projects of a similar scope and size. Five teams submitted compliant responses to the RFQ. An RFQ Evaluation Committee, which included representatives from SaskBuilds, the Ministry and external expert advisors, selected the three teams in Table 2 to advance to the next stage.

**Table 2 – Shortlisted Proponent Teams**

| Proponent Team | Design | Construction | Financing (Equity / Debt) | Maintenance |
|---|---|---|---|---|
| Queen City Infrastructure | ▸ AECOM<br>▸ Tetra Tech<br>▸ MMM Group | ▸ Aecon<br>▸ Flatiron<br>▸ Dragados | ▸ ACS<br>▸ Aecon<br>▸ InfraRed<br>▸ Hochtief<br>▸ CIBC | ▸ Volker Stevin Highways |
| Regina Bypass Partners (previously SaskLink Global Transportation Partners) | ▸ Parsons<br>▸ McElhanney<br>▸ Urban Systems<br>▸ Buckland and Taylor<br>▸ exp<br>▸ Clifton Associates | ▸ Graham Infrastructure<br>▸ Vinci Infrastructure Canada<br>▸ Parsons Canada<br>▸ Carmack Enterprises | ▸ Graham Capital<br>▸ Vinci Concessions<br>▸ Parsons Enterprises<br>▸ Connor Clark & Lunn<br>▸ National Bank | ▸ Vinci Concessions<br>▸ Carmacks |
| Wascana Development Partners | ▸ Stantec<br>▸ AMEC<br>▸ Westridge Construction<br>▸ Kelly Panteluk Construction | ▸ SNC Lavalin<br>▸ Kiewitt | ▸ SNC Lavalin<br>▸ Kiewitt<br>▸ Scotiabank | ▸ SNC Lavalin |

## 5.2 Request For Proposals

The RFP phase was used to select the successful proponent from the short-listed proponents based on an evaluation of technical and financial proposals submitted in response to the RFP issued. The proposals were evaluated by an RFP Evaluation Committee, which included representatives from SaskBuilds, the Ministry and external expert advisors. The short-listed proponent with the lowest priced technically compliant bid was selected as the Successful Proponent.

## 5.3 Project Timeline

The table below provides a summary of the timeline and key milestones for the Project.

| Table 3 - Project Timeline | |
|---|---|
| **Milestone** | **Date** |
| Assessment of procurement options / PPP Canada application | April 2013 - May 2014 |
| RFQ phase | May 2014 – July 2014 |
| RFQ evaluation period | July 2014 – August 2014 |
| Shortlisted proponent teams announced | August 2014 |
| RFP phase | August 2014 – May 2015 |
| RFP technical evaluation | April 2015 |
| RFP financial evaluation | May 2015 |
| Successful Proponent announced | May 2015 |
| Project Agreement signed | July 2015 |
| Design and Construction phase | August 2015 – October 2019 |
| Phase One Substantial Completion | October 2017 |
| Substantial Completion | October 2019 |
| Project Agreement period post Substantial Completion | October 2019 – October 2049 |

## 5.4 Fairness Advisor

A Fairness Advisor, P1 Consulting Inc., was engaged by SaskBuilds to monitor the competitive selection process and offer an assessment about the procedures and whether or not the competitive selection process was carried out in a fair and reasonable manner. The Fairness Advisor was provided access to all documents, meetings, and information related to the evaluation processes throughout the RFQ and RFP stages. The Fairness Advisor issued reports to SaskBuilds for both the RFQ and the RFP stages of the competitive selection process. In the reports issued for the RFQ and RFP, the Fairness Advisor concluded that steps taken by SaskBuilds and the Ministry ensured a fair and open process, stating that, "the principles of fairness, openness, consistency and transparency have been maintained throughout the procurement process." The Fairness Advisor's report for the RFP is located in Appendix A and the RFQ report is available at www.saskbuilds.ca/projects

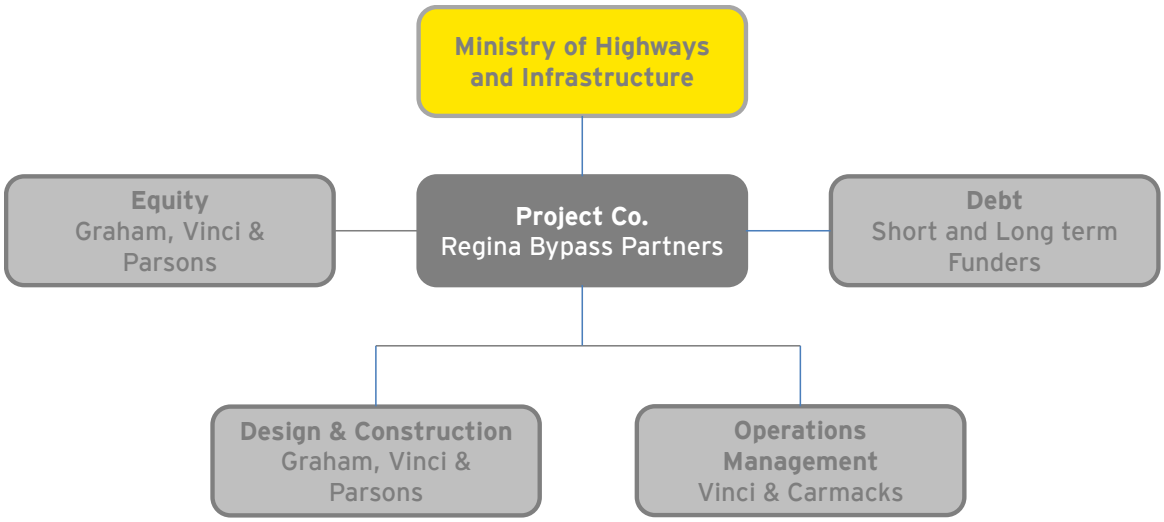
# 6. Project Agreement Overview

## 6.1 Profile of the Private Sector Partner

SaskLink Global Transportation Partners was announced as the Successful Proponent on May 29, 2015. This entity has since been legally incorporated in Saskatchewan as "Regina Bypass Partners". Regina Bypass Partners (Project Co.) is a consortium of companies consisting of the following key members:

| Table 4 - Regina Bypass Partners composition and roles | |
|---|---|
| **Consortium Leads** | |
| ▸ Graham Capital Partners LP<br>▸ Vinci Concessions<br>▸ Parsons Enterprises Inc. | |
| Graham, VINCI and Parsons serve as the integrated consortium leads and will oversee all aspects of the project, including: financing, planning, design, construction, and operations, maintenance and rehabilitation and performance monitoring for the Project Agreement term. | |
| **Equity Providers** | |
| ▸ Graham Capital Partners LP<br>▸ Connor Clark & Lunn (CC&L GVest fund)<br>▸ Vinci Concessions<br>▸ Parsons Enterprises Inc. | |
| The risk capital for the project will be provided 37.5% by Graham and the CC&L GVest fund managed by Graham, 37.5% by Vinci and 25% by Parsons. | |
| **Lenders** | |
| *Short term*<br>▸ National Bank of Canada (Lead Arranger) | *Long term*<br>▸ National Bank Financial Inc. (Underwriter)<br>▸ RBC Dominion Securities Inc. (Underwriter) |
| The lenders will provide senior debt capital for the project through a number of shorter term facilities with maturity of 6 years or less. | Longer term debt for the Project is provided in the form of rated bonds underwritten by National Bank Financial Inc. and RBC Dominion Securities Inc. |
| **Design Lead** | |
| ▸ Parsons Canada Ltd. | |
| As the design lead, Parsons will be responsible for the design of the Project. Parsons will be supported by a number of firms including McElhanney, Urban Systems, Buckland and Taylor EXP Services Ltd., Clifton Associates and Declan Corporation. | |
| **Construction Leads** | |
| ▸ Parsons Canada Ltd.<br>▸ Graham Infrastructure Ltd.<br>▸ Vinci Infrastructure Canada Ltd.<br>▸ Carmacks Enterprises Ltd. | |
| An integrated team (Vinci, Carmacks, Graham and Parsons) will have primary responsibility for the project's design-build requirements, and subcontractors will perform some of the design-build activities. | |
| **Operations, Maintenance and rehabilitation** | |
| ▸ Vinci Concessions<br>▸ Carmacks Enterprises Ltd. | |
| Vinci and Carmacks will be jointly responsible for the operational, maintenance and rehabilitation deliverables. | |

Figure 2 – Relationship between the Ministry and Regina Bypass Partners




## 6.2 Key Terms of the Project Agreement

The Project Agreement between the Ministry and Regina Bypass Partners includes a four-year design and construction phase and a 30-year operations, maintenance and rehabilitation term. Key responsibilities of note under the terms of the Project Agreement are as follows:

*Independent Certifier*

- An independent expert, LeighFisher Canada Inc. (the "Independent Certifier") has been selected through a competitive tendering process and jointly funded by the Ministry (50%) and Project Co. (50%) to provide independent oversight and monitoring of construction progress and quality; and
- At Substantial Completion, the Independent Certifier issues a certificate for completion once Project Co. has met the design and construction requirements set out in the Project Agreement.

*Regina Bypass Partners Responsibilities*

- Achieve substantial completion of certain elements of the Project[1] ("Phase One Substantial Completion") by October 2017 and substantial completion of the remainder of the Project ("Substantial Completion") by October 2019;
- Finance the construction over the Project Agreement term;
- Provide operational, maintenance and rehabilitation services as specified in the Project Agreement;
- Develop and implement a renewal plan to ensure the Project meets the performance requirements; and,
- Complete hand-back requirements for 2049 when Project Co. transitions the operating, maintenance, and rehabilitation responsibilities for the Project over to the Ministry.

*Ministry of Highways and Infrastructure Responsibilities*

- Own the Project;
- Make payments due under the Project Agreement in a timely manner and subject to any deductions as set out in the Project Agreement;

[1] Includes the portion of the Project from Balgonie to Arcola Avenue (Highway 33 interchange), but excluding the Pilot Butte interchange

- Retain right to monitor the performance of Regina Bypass Partners throughout the Project Agreement term, including design and construction phase and the operating, maintenance and rehabilitation term; and
- Remain publicly accountable for the Project.

## 6.3 Project Costs

The total expected NPV of the DBFOM procurement option based on the 34-year Project Agreement (four-year design and construction phase and 30-year operations, maintenance and rehabilitation term) is $1.88 billion in 2015 dollars. The capital construction costs are approximately $1.2 billion.

During the design and construction phase, the Ministry will make two lump-sum payments. This first will occur shortly after the Phase One Substantial Completion ($103.5 million), and the second will occur shortly after Substantial Completion ($507.4 million). These payments are fixed.

During the design and construction phase the Ministry will make monthly "O&M Interim Services Payments" to Project Co. for the operation and maintenance of:

- Existing infrastructure where handed over; and
- Completed elements of the Project.

Following Substantial Completion, the O&M Interim Service Payments will end and Ministry will make Monthly Service Payments for the 30 year operating, maintenance and rehabilitation term. The O&M Interim Services Payments and the Monthly Service Payments are both subject to deductions where Regina Bypass Partners does not meet its obligations as per the Project Agreement. The O&M Interim Services Payments and Monthly Service Payments are comprised of operation, maintenance and rehabilitation costs. The Monthly Service Payments additionally cover capital debt and financing elements. Monthly Service Payments vary over the Project Agreement term as the maintenance and rehabilitation portion are indexed and the rehabilitation needs of the Project vary from period to period. The capital debt components of the payments are constant over the Project Agreement term.

## 6.4 Accounting Treatment

The P3 capital asset and the amount owing for the liability of the private financing are recorded over the design and construction phase as a percentage of completion as the asset is constructed. The accounting value for the asset is the total of the provincial capital contributions paid during or on completion of construction (in nominal dollars at the point of payment) and the present value of repayments over time to repay the private financing. These repayments are discounted at the Province's long-term borrowing rate at the date of signing of the Project Agreement to the date the P3 capital asset is available for use. The accounting treatment used for the project aligns with Canadian public sector accounting standards.

## 6.5 Quality Performance and Monitoring

Regina Bypass Partners' performance will be continuously monitored throughout the Project Agreement term. A number of mechanisms have been established to achieve this, including:

**Design & Construction Phase**

- During design and construction the Independent Certifier, jointly appointed and funded by Regina Bypass Partners (50%) and the Ministry (50%), is responsible for reviewing and monitoring construction progress and quality, as well as reviewing invoices.
- The design and construction phase Works Committee oversees the construction of the Project. The Committee is comprised of the Ministry, Regina Bypass Partners and SaskBuilds representatives.

The Committee meets monthly to discuss matters relating to the Project and to review the reports from the Independent Certifier.
- Milestone and Substantial Completion payments are withheld until Project Co. meets the technical design specifications outlined in the Project Agreement.

**Operational Term**
- The Bypass Management Committee provides oversight and direction on matters related to the operating, maintenance and rehabilitation. The Committee meets monthly throughout the life time of the Project Agreement and includes representatives from the Ministry, Regina Bypass Partners, and SaskBuilds (SaskBuilds will be involved in monthly meetings for approximately one-year following Substantial Completion. SaskBuilds will then transition to an oversight role, receiving annual updates from the Committee). The Committee reviews and monitors Regina Bypass Partners' performance throughout the life of the Project Agreement.
- The Ministry will perform inspections and testing to check reports and ensure the requirements continue to be met.
- Regina Bypass Partners' lenders will also review performance during the operations, maintenance and rehabilitation phase.

**PPP Canada Financial Agreement**
- For the design and construction phase, the PPP Canada Fund Management Committee will meet, at minimum semi-annually, to monitor the progress of the Project and the compliance of the Ministry and Regina Bypass Partners with the Project Agreement.
- The Ministry will report annually to PPP Canada.

**Performance-Based Payment**
- Payments are performance-based, which means they may be reduced in the event Regina Bypass Partners does not meet the performance standards of the Project Agreement. This provides a level of protection for taxpayers in that payments are conditional upon the availability of the highway and performance of services.

**Project Agreement Completion**
- The Ministry and Regina Bypass Partners will undertake a number of activities to assess the condition of the Project, starting 54 months prior to Project Agreement expiry. This assessment will ensure the asset is in the condition specified in the Project Agreement. Financial penalties will be applied if the asset is not delivered to the Ministry in the specified condition.
- After the Project Agreement expires, the Ministry will assume responsibility for operating, maintaining and rehabilitating the Project.

## 6.6 Adjustment to Payments

The Project Agreement allows for adjustments to the payments made by the Ministry to Project Co. The adjustments are made to reflect specific circumstances, including:
- ***Deductions:*** the Monthly Service Payment may be reduced if Regina Bypass Partners does not meet the performance requirements outlined in the Project Agreement. Deductions will vary depending on the incidents' severity and duration.
- ***Indexation:*** the operations, maintenance and rehabilitation component of the Project Agreement is indexed by the Canadian consumer price index (CPI) with periodic adjustments to the payment through benchmarking.
- ***Utilities Cash Allowance:*** Project Co. is responsible for managing utility conflicts (including oil and gas pipelines) as they relate to the Project. At the start of the design and construction phase Project Co. sets aside an "Initial Cash Allowance Amount" to fund certain aspects of the utilities costs. In the event that utilities costs covered by the cash allowance exceed the Initial Cash Allowance Amount, the Ministry is responsible for sharing the excess costs with Project Co. Alternatively, if at

the end of the design and construction phase, a portion of the Initial Cash Allowance Amount is unused, then the Ministry is entitled to receive a financial credit for that remaining amount.

- ***Change in Law:*** if there is a discriminatory change in law that impacts Project Co.'s capacity to perform in accordance with its obligations under the Project Agreement, the Monthly Service Payment may be adjusted to leave Regina Bypass Partners in no better or worse position than if that change in law had not occurred.

## 6.7 Risk Allocation Summary

An important advantage of a P3 is the opportunity to appropriately allocate risks to the party or parties best able to manage them. In some cases, Regina Bypass Partners is the appropriate party to manage a risk, whereas in others it may be the Ministry, or a shared risk between the two parties. The Project Agreement includes detailed risk allocation provisions over the four-year design and construction phase and 30-year operations, maintenance and rehabilitation term. This approach transfers key risks to Regina Bypass Partners, such as construction, cost, and schedule, and adds value through design and private sector innovation. Table 5 below summarizes the key risk allocation between the Ministry and Regina Bypass Partners.

**Table 5 - DBFOM Risk allocation summary**

| Risk | Retained by Ministry | Transferred to Project Co. | Shared |
|---|---|---|---|
| **Permits and Approvals** | | | |
| Permits | ✓ | | |
| Road and structure code during Design and construction | | | ✓ |
| **Site Conditions / Environmental** | | | |
| Geotechnical | | ✓ | |
| Contamination from construction activity | | ✓ | |
| Contamination from operations and maintenance activity | | ✓ | |
| Relocation of utilities and railway services | | | ✓ |
| Environmental condition of site | | | ✓ |
| **Design and Construction** | | | |
| Scope changes (owner initiated) | ✓ | | |
| Construction delays (owner initiated) | ✓ | | |
| Cost overruns (materials, labour, etc.) | | ✓ | |
| Weather (excluding supervening events) | | ✓ | |
| Construction and commissioning delays | | ✓ | |
| Traffic and safety management | | ✓ | |
| Design errors or omissions | | ✓ | |
| Construction delays (Project Co. initiated; labour shortage; surrounding facilities) | | ✓ | |
| Construction Contractor Default | | ✓ | |
| Resource Availability (construction equipment; materials; labour) | | ✓ | |
| Latent defects (excluding West Regina Bypass) | | ✓ | |
| Deficiencies (excluding West Regina Bypass) | | ✓ | |
| Operation and Maintenance Interim Services | | ✓ | |
| Force Majeure | | | ✓ |
| Change in Law | | | ✓ |

| Table 5 - DBFOM Risk allocation summary (continued) | | | |
|---|---|---|---|
| **Risk** | **Retained by Ministry** | **Transferred to Project Co.** | **Shared** |
| **Operational** | | | |
| Scope Changes (owner initiated) | ✓ | | |
| Unanticipated Labour & Material – Volume | | ✓ | |
| Service Delivery | | ✓ | |
| Contamination from operations and maintenance activity | | ✓ | |
| Force Majeure | | | ✓ |
| Change in Law | | | ✓ |
| **Lifecycle and Residual** | | | |
| Major Road Structure Reconfiguration and Improvements (owner initiated) | ✓ | | |
| Lifecycle Rehabilitation costs | | ✓ | |
| Routine, light and medium maintenance costs | | ✓ | |
| Default of Operations & Maintenance Provider | | ✓ | |
| Meeting the Hand-back Requirements | | ✓ | |
| Latent defects in existing infrastructure | | | ✓ |

## 6.8 Risk Adjustment

In order to ensure comparison of options on a like for like basis, an adjustment to allow for the differences in the risks retained under each procurement option was estimated.

This section sets out the methodology for estimating the appropriate value of risks retained by the Public Sector, transferred to a third party or shared between the parties (public and private sector) depending on the project delivery method.

### 6.8.1 Risk Quantification

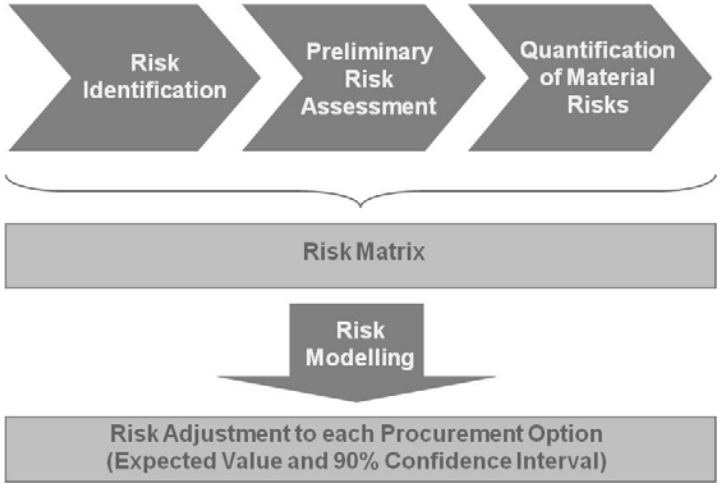
The Project presents different inherent risks depending on its procurement option. The foundation for risk allocation is based on the premise that the party which is able to manage a given risk most efficiently (i.e. at the lowest cost) should assume that risk. Once the identified risks have been quantified, their value (i.e. the expected cost of these risks) is incorporated into the project cash flows in order to compare the procurement models on a risk-adjusted basis.

To quantify the risk values under the DBFOM procurement option and under the DBB procurement option, a risk workshop was held with the key stakeholders of the Project. The workshops were initially carried out over 2 days and involved experts in a number of areas (including construction, highways operation, legal and finance) from the Ministry, SaskBuilds, other government departments and advisors to the Project. The workshops involved identification by the participants of the key risks relevant to the project and different procurement options. Each risk was then quantified under each procurement option by assessing the likelihood and impact of occurrence of the risk using a 3-point estimate (best case, worst case and most likely scenario) based, where possible, on demonstrated experience. For example, the risk of cost over-runs under DBB was assessed by reviewing actual experience of over-runs on previous DBB projects implemented. The allocation of the risks under each procurement option was also estimated (assuming either retained by the public sector, transferred to the private sector or shared) based on experience of the Ministry or on the basis of the risk allocation set out in the proposed project agreement.

The risk quantification process was updated several times throughout the Project, in order to ensure that the identification, allocation and quantification of risks reflected changes in the final technical scope and the final project agreement.

The process to estimate the risks in the Project is summarized in the diagram below:

**Figure 3 – Overview of the risk quantification process**




## 6.8.2 Risk Modelling

A risk model was created using the information contained in the final agreed risk register. Specific software for risk modeling, @RISK, was used to perform a Monte Carlo simulation[2] with this information. For each risk, the RiskTrigen (a function contained within the @RISK software) distribution was selected into which the values for best, expected and worst outcomes were input.

The RiskTrigen distribution was selected as it provides for a triangular distribution defined by three points, one at the most likely value and two at the specified lower and upper percentiles. Given the level of accuracy associated with the inputs, using a more refined distribution model was considered unwarranted. The best and worst outcomes were set to represent the 5th and 95th percentiles along the RiskTrigen distribution. The objective of the Monte Carlo analysis is to provide a range of possible values for each procurement option within which the final outcome is expected to lie.

*2 A Monte Carlo analysis is a form of stochastic modeling used to evaluate a probability distribution by performing a simulation of the probability distribution over a large number of iterations. In performing the analysis the Monte Carlo, simulation takes randomly selected variables across the range of the probability distribution to provide a range of potential values of the risk. The calculation is repeated a large number of times to obtain the distribution of the expected values of the risks. A sample of 10,000 iterations was used in the simulation to ensure that the results were not adversely impacted by any sampling bias.*

# 7. Value For Money Assessment

This section of the Report provides a summary of the final VFM estimated to have been achieved in undertaking the DBFOM procurement option rather than the DBB procurement option which would otherwise have been undertaken. The assessment is based on the actual costs proposed and subsequently contractually committed to by the successful proponent in the case of the DBFOM option. For the DBB procurement option the assessment is based on the estimated cost of the Ministry undertaking the Project under a reference design developed to meet the same minimum performance requirements as the DBFOM procurement option specified under the RFP issued to the shortlisted proponents.

VFM is estimated by calculating the NPV of the total costs of the Project under each procurement option. The cash flows have been considered for the Project over the term of the expected design and construction phase plus a 30 year operating phase.

## 7.1 Key Timing and Economic Assumptions

The table below provides a summary of the timing assumptions that apply to the Project under the both of the procurement options:

| Table 6 - Timing Assumptions | |
|---|---|
| | **Date** |
| Financial Close Date | July 29, 2015 |
| Design and Construction Start Date | August 4, 2015 |
| Design and Construction phase | 51 months |
| Milestone payment date | October 31, 2017 |
| Substantial Completion Date | October 31, 2019 |
| Full operations Start Date | November 1, 2019 |
| Operation phase | 30 years |

The timing assumptions are based on the key milestones set out within the project agreement and on which the successful proponent's pricing was based.

The following economic assumptions were used in preparing the analysis and apply to both procurement options.

| Table 7 - Economic Assumptions | |
|---|---|
| **Escalation Assumptions** | |
| CPI | 2.0% |
| **Discount Rate** | |
| Discount Rate | 3.10% |

## 7.2 NPV of the DBB Procurement Option

Under the DBB procurement option the estimated NPV of the Project to the Government of Saskatchewan would have been approximately $2,261.4 million ($2015). This amount includes:

- The expected direct costs of the Province's DBB procurement option relating to the construction works and operation, maintenance and rehabilitation of the Project;
- Ancillary costs incurred by the Sponsors for procuring and managing the project;
- The expected value of risks retained by the public sector. Under the DBB option the public sector would retain the majority of the key risks that unforeseen costs and time delays during both the design and construction and operating phases (with the operating phase considered over a 30 year period for the purpose of this comparative analysis) will lead to higher than expected costs. Key risks retained under the DBB procurement option include delays relating to approvals, the relocation of utilities and railway services, the risks relating to service delivery (meeting appropriate availability and performance standards), the risks relating to the condition of the assets over the longer term, geotechnical risks and risks relating to procurement of the Project; and
- A competitive neutrality adjustment amount to allow for the difference in the taxation and insurance requirements between the DBFOM and DBB procurement options.

The breakdown of the NPV of the expected DBB procurement option cost is shown in the table below:

**Table 8 : Base Case VFM results - DBB**

| | ($ million) |
|---|---|
| Construction costs | 1,226.6 |
| Operating costs | 65.3 |
| Rehabilitation costs | 354.3 |
| **Sub-total (Construction, operating and rehabilitation costs)** | **1,646.2** |
| Ancillary Costs | 89.0 |
| Retained Risks | 476.9 |
| Competitive Neutrality | 49.3 |
| **Total NPV** | **2,261.4** |

## 7.3 NPV of the DBFOM Procurement Option

Under the DBFOM agreement the estimated NPV of the Project to the Government of Saskatchewan will be approximately $1,881.5 million ($2015). This amount includes:

- Payments to the private sector partner based on the signed Project Agreement which include:
  - Monthly O&M Interim Service Payments to compensate the private sector partner for operating existing or newly completed sections of highway prior to Substantial Completion of the Project;
  - A "Milestone Payment" providing partial compensation for completion of key elements of the Project in advance of Substantial Completion of the whole Project;
  - A "Substantial Completion Payment" providing partial compensation for the remaining construction and development costs at Substantial Completion; and
  - Service Payments made monthly over the operational term of the Project;
- Ancillary costs to the Sponsors for procuring and managing the project; and
- The expected value of risks retained by the public sector under the procurement option. Under the DBFOM procurement option there is a significant transfer of risk to the private sector partner who are obligated to provide the serviced assets on time and on the basis of the pricing set out within the

signed Project Agreement. The value of risk retained is therefore significantly reduced when compared to the DBB procurement option above. Key risks retained under the DBFOM procurement option include an element of the risks relating to the relocation of utilities and railway services, risks relating to procurement of the Project, the risk of scope changes initiated by the Ministry at various phases of the project and risks relating to the experience of the Ministry team in managing DBFOM projects.

The breakdown of the NPV of the expected DBFOM cost is shown in the table below:

**Table 9 - Base Case VFM results - DBFOM**

| | ($ million) |
|---|---|
| Payments to the private sector partner | 1,787.0 |
| Ancillary Costs | 45.1 |
| Retained Risk | 49.4 |
| **Total NPV** | **1,881.5** |

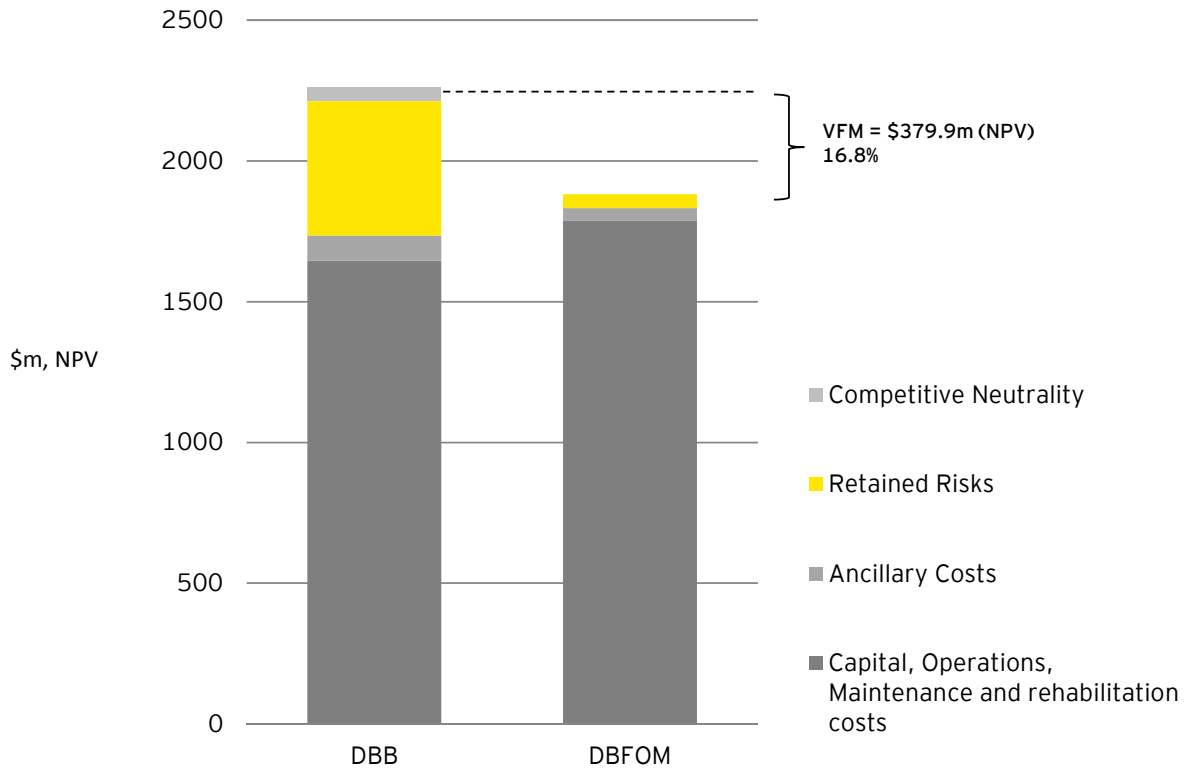
## 7.4 Summary

The table below and figure on the following page provide a summary and comparison of the NPV of the DBB and DBFOM procurement options.

**Table 10 - VFM Comparison**

| | DBB ($ million) | DBFOM ($ million) |
|---|---|---|
| Payments to the private sector partner | 1,646.2 | 1,787.0 |
| Ancillary Costs | 89.0 | 45.1 |
| Retained Risk | 476.9 | 49.4 |
| Competitive Neutrality adjustment | 49.3 | - |
| **Total NPV** | **2,261.4** | **1,881.5** |
| **NPV Difference (compared to DBB, $ million)** | **379.9** | |
| **NPV Saving (compared to DBB, %)** | **16.8%** | |

Figure 4 – VFM comparison




The VFM assessment shows that the DBFOM procurement option provides a $379.9 million value for money saving when compared to traditional procurement method (equivalent to 16.8% of the expected NPV of the DBB procurement option costs).

**Impact of PPP Canada Contributions**

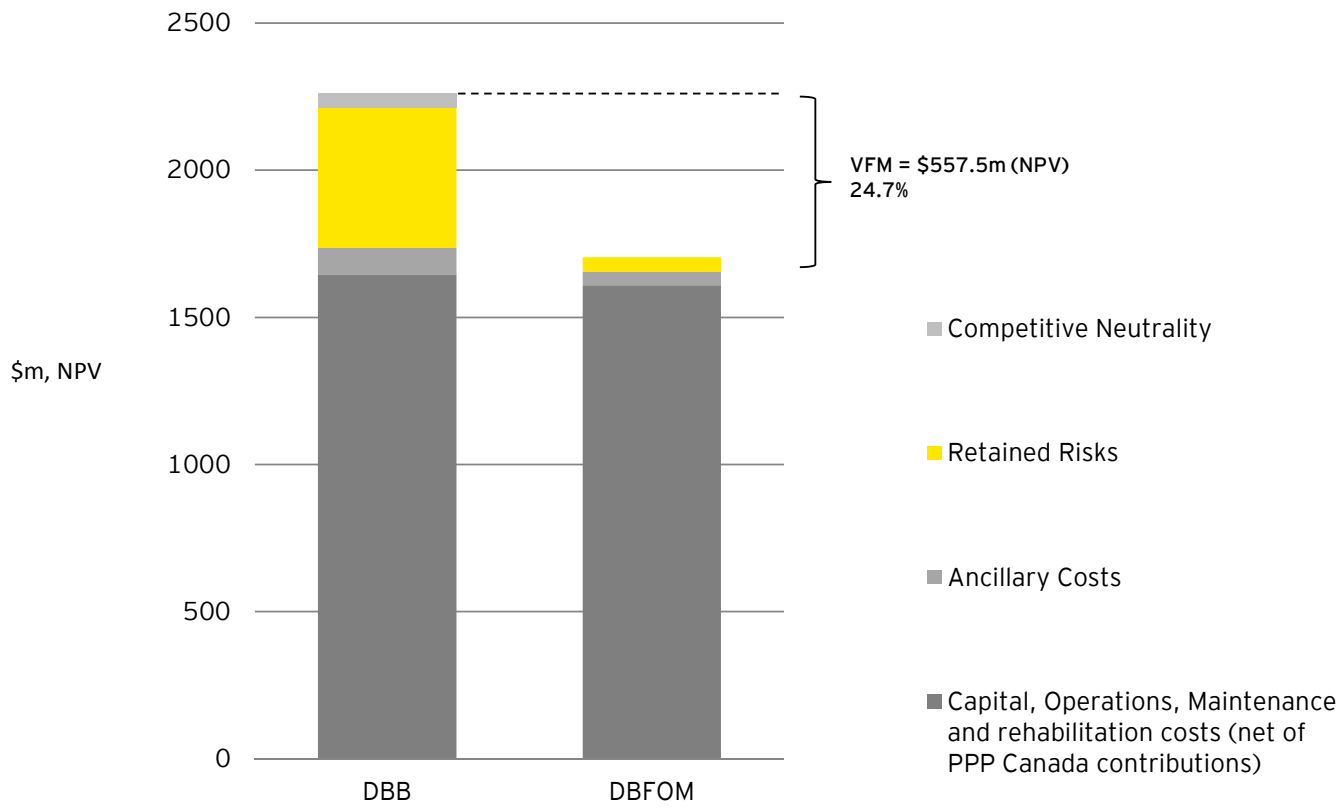
As noted in Section 3.3, the Government of Canada, through PPP Canada will invest up to $200 million towards the construction costs of the Project under the DBFOM procurement option. This amount is expected to be made through contributions at Phase One Substantial Completion and Substantial Completion. Based on the Province receiving the maximum contribution from PPP Canada the expected NPV benefit of these contributions using a discount rate of 3.1% is $177.6 million.

The table and figure which follow provide a summary and comparison of the NPV of the DBB and DBFOM procurement options allowing for the PPP Canada contributions.

The VFM assessment shows that when the expected PPP Canada contributions are factored in the DBFOM procurement option provides a $557.5 million value for money saving when compared to traditional procurement method (equivalent to 24.7% of the expected NPV of the DBB procurement option costs).

| Table 11 - VFM Comparison (net of PPP Canada contributions) | | |
|---|---|---|
| | DBB ($ million) | DBFOM ($ million) |
| Payments to the private sector partner | 1,646.2 | 1,787.0 |
| PPP Canada contributions | - | (177.6) |
| Payments to the private sector partner (net of PPP Canada contributions) | 1,646.2 | 1,609.4 |
| Ancillary Costs | 89.0 | 45.1 |
| Retained Risk | 476.9 | 49.4 |
| Competitive Neutrality adjustment | 49.3 | - |
| **Total NPV (net of PPP Canada contributions)** | **2,261.4** | **1,703.9** |
| **NPV Difference (compared to DBB, $ million)** | **557.5** | |
| **NPV Saving (compared to DBB, %)** | **24.7%** | |

Figure 5 – VFM comparison (net of PPP Canada contributions)



# Appendix A – Fairness Advisor Report

May 13th, 2015

Mr. Rupen Pandya
President & CEO
**SaskBuilds Corporation**
720-1855 Victoria Avenue
Regina, Saskatchewan S4P 3T2

**Subject: Request for Proposals to Design, Build, Finance, Operate & Maintain the Regina Bypass Project, RFP Reference Number: SBRBP-RFP**

Dear Mr. Pandya:

P1 Consulting was retained to perform fairness auditing services and provide an independent attestation on the Regina Bypass Project (the "Project) procurement process. Our mandate was to review and monitor the bid documents and communications, provide advice on best practices, review and monitor the evaluation and decision-making processes that are associated with the Request for Proposals (RFP) to ensure fairness, equity, objectivity, transparency and adequate documentation throughout the evaluation process.

The Project is located in the immediate vicinity of Regina, the capital of the Province of Saskatchewan. A clear and convincing need for a new bypass has been demonstrated in order to serve the Regina Region's growing population and allow new economic development initiatives. The existing highway infrastructure is inadequate for current levels of traffic demand, provides a severe impediment to traffic flow, and places a major restriction on commercial and population growth. The Project consists of a free flow highway corridor through the Regina Region, which includes approximately 58 km of 4-lane highway (including 40km of new 4-lane highway) and service roads along with a number of interchanges and intersections. The Project was procured as a public-private partnership and the Successful Proponent will be required to design, construct and partially finance the Project, and to operate, maintain and rehabilitate it, for a term which ends 30 years following scheduled opening of the final sections of the road.

In our role as Fairness Monitor, P1 Consulting made certain that the following steps were taken to ensure a fair and open process:

- Compliance with the requisite procurement policies and procedures and the laws of tendering for the acquisition of services relating to public sector procurement;
- Adherence to confidentiality of bids, and the evaluation process;
- Objectivity and diligence during the procurement process in order to ensure that it was conducted in an open and transparent manner;
- Proper definition and use of evaluation procedures and assessment tools in order to ensure that the process was unbiased;

P1 Consulting Inc.

- Compliance of project participants with strict requirements of conflict of interest and confidentiality during the procurement and evaluation processes;
- Security of information;
- Prevention of any conflict of interest amongst evaluators on the selection committee;
- Oversight to provide a process where all bidders were treated fairly.

The Fairness Monitor actively participated in the following steps in the process to ensure that fairness was maintained throughout:

- Review session of the draft RFP Documents;
- Proponents' Meeting;
- Commercially Confidential Meetings with the Proponents;
- Review of the RFP Addenda, Requests for Information (RFI), Requests for Rectification (RFR), Requests for Clarification (RFC) and Notices;
- Review of evaluation process and guideline; and
- Proposal receipt, bid evaluation and selection of the Successful Proponent.

As the Fairness Monitor for the **Regina Bypass Project,** we certify that, at the time at which this report was prepared, the principles of fairness, openness, consistency and transparency have, in our opinion, been maintained throughout procurement process. Furthermore, no issues emerged during the process, of which we were aware, that would impair the fairness of this initiative.

Yours truly,

Jill Newsome

Jill Newsome
Lead Fairness Commissioner

**EY** | Assurance | Tax | Transactions | Advisory

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