

Backgrounder

December 17, 2010

PROJECT COSTS OF THE WINDSOR-ESSEX PARKWAY

The Contract with the Windsor Essex Mobility Group

The Windsor Essex Mobility Group (WEMG) has signed a contract with the Province to design, build, finance and maintain The Windsor-Essex Parkway (the Parkway) and will receive annual payments from the province over a 30 year period. These payments cover:

- design
- construction
- lifecycle repair and renewal (of the Parkway and community features for 30 years)
- project financing.

The contract with the Windsor Essex Mobility Group is for a fixed price of \$1.4 billion in today's dollars, to be delivered by a fixed completion date. The alternative financing and procurement (AFP) model transfers most project risks to WEMG – the private sector. For instance, the contract agreement makes WEMG responsible for increases in costs due to design errors and omissions, project management and sub-contractor co-ordination, increases in construction material prices and labour costs, schedule and project completion delays, and other related constructions risks. In the past, many of these risks were the responsibility of the public sector.

The Province's 30-year maintenance agreement with WEMG will ensure the Parkway will be kept in excellent working condition over the term of the agreement. WEMG is responsible for repair and renewal of the Parkway throughout the contract term. For example, if potholes and pavements need repair or the electrical systems need repair or replacement parts, the private sector is responsible for keeping them in good repair. The public sector has built in a 30-year guarantee for these physical features.

Annual Payments to WEMG

The Province will invest \$1.4 billion, the value to deliver the Parkway today (also known as the net present value). WEMG will receive annual payments from the Province. Over the 30 year life of the contract, the total payments will add up to \$2.2 billion (nominal cost). Annual payments to WEMG are performance-based and these can be withheld by the Province if WEMG does not meet the agreed to performance standards, which are based on MTO's performance-standards.

Additional Project Costs

To date, Ontario has invested more than \$277 million, including \$229 million for property.

The following banks will provide financing for the Parkway during construction: Bank of Tokyo-Mitsubishi UFJ, BNP Paribas, Caja Madrid, Banesto, Crédit Agricole CIB, Dexia Crédit Local, ING Capital, Santander, Société Générale, and WestLB AG.