

PUBLIC HEARING

October 21, 2004

Fort Providence NT

**Deh Cho Bridge Corporation
Proposed Mackenzie River Bridge**

Presented by:

Russell Neudorf

Deputy Minister, Department of Transportation
Government of the Northwest Territories

Good afternoon.

I am pleased to be able to appear at this Public Hearing on behalf of the Government of the Northwest Territories in support of the Deh Cho Bridge project. I would like to make it clear that the GNWT is a partner with the Deh Cho Bridge Corporation to build a bridge across the Mackenzie River. I am here to speak of the history of the project, of the GNWT's relationship with the DCBC, of the benefits of the project and of the due diligence the GNWT has conducted throughout this process.

As early as 1958, the federal government contemplated building a bridge across the Mackenzie River near Fort Providence. A consultant's report dated from 1958 provided a cost estimate of \$6.2 million for bridge construction. Even at that price, the bridge was deemed too expensive. Since the opening of the highway to Yellowknife in the 1960s traffic has crossed the river by ferry in the summer and fall, and by ice bridge in the winter and spring.

Unfortunately, without a bridge, the reliability and effectiveness of the road system and the connectivity to southern Canada is interrupted during winter freeze-up and spring break-up. This interruption averages 5 weeks in the spring. The interruption during freeze up is, for now, as little as a day or two. However, during the last 10 years freeze up has occurred later and later and the Department of Transportation is concerned that there will be a return of longer interruptions of service during freeze up in the future if the trend continues.

All of these factors result in disruptions in the all-weather road service to the communities of the North Slave region. This is viewed by the general population as a considerable social inconvenience and causes increased costs for local business through enhanced inventory costs, to transportation companies through inefficiencies and the need to resort to more expensive modes of transportation.

Despite the costs and inefficiencies associated with the existing crossing, the bridge is still beyond the financial means of the Government of the Northwest Territories. We simply can't afford to commit the approximately \$60 million from our limited capital budget. We have too many other pressing needs.

This is where a group called the Fort Providence Combined Council Alliance enters. This Alliance, composed of leaders of the Fort Providence Dene, Metis and Hamlet Councils, conceived a plan to enter into an arrangement with the Government of the Northwest Territories to construct the bridge. With grants from the GNWT and the federal government, the Alliance hired Andrew Gamble and Associates to undertake a feasibility study.

The feasibility study proposed a public-private partnership between the GNWT and the Alliance. The Alliance would design, construct, finance and operate the bridge and transfer it to the GNWT at the end of the thirty-five year concession

period. During this period, the GNWT would commit to an annual contribution from ongoing ferry/ice bridge savings and the collection of user fees from commercial vehicles.

Public-private partnerships are innovative tools of public policy, bringing together the strengths of the public and private sectors. They have become an accepted means of providing needed infrastructure in Canada and around the world. While all PPPs are unique, the key difference between a PPP and the conventional method of procurement is the responsibility for project execution and subsequent operation and the sharing of risk. Typically, the government assigns responsibility for the design, construction, finance and operation to the private sector. The 401 Highway in Ontario, the Confederation Bridge linking PEI to the mainland and the Anthony Henday Drive in Edmonton are well-known projects on a growing list of PPP in Canada.

Since the GNWT first received the preliminary feasibility study from the Alliance in February 2002 and recognized the merits of the proposal we have worked with them and their corporation to realize our long held goal of constructing the bridge.

The decision to deal with the Alliance was rooted in the GNWT's core values of:

- Self reliance – northern people having the tools and resources to live independently and to exercise self determination
- Partnership – working with others to maximize our resources and potential
- Respect – treating all residents with respect, dignity, compassion and fairness and having respect for our natural environment.

Our goal is to create both northern and aboriginal business opportunities, to ensure that the benefits from both government projects and economic developments remain in the North to the extent possible. This project will produce both short and long term benefits including employment, training, business opportunities and revenue for the community. These returns will be used for improvements in the community and for creating other economic opportunities.

After a series of discussions, it was the opinion of both the Alliance and the GNWT that there were enough positive indications to proceed with formal negotiations leading to a Concession Agreement. The Alliance and the GNWT signed a Memorandum of Intent on November 15, 2002. It established the principles and commitments that were to guide the parties and their roles and responsibilities. The Alliance would be responsible for designing, financing, building, operating and maintaining the bridge. The GNWT would be responsible for providing a revenue stream to Alliance and for the administration and collection of tolls. A key parameter of the MOI was that tolls on commercial vehicles were to be the equivalent of \$5 to \$6 per tonne.

Both the federal Department of Indian and Northern Affairs Canada and the GNWT Department of Transportation committed additional funding to the Alliance to further the development of the project.

In June 2003, the 14th Legislative Assembly passed third reading of the *Deh Cho Bridge Act*. The Act authorizes the Minister of Transportation to enter into agreements with a concessionaire for the purpose of financing, operating and maintaining the Deh Cho Bridge and to prescribe and administer the collection of tolls from vehicles travelling over the bridge. In its consultation and discussion, the GNWT considered the social-economic impact of the project including the effects of the tolls and concluded that the benefits outweighed the costs. As part of the legislative process, members of the Legislative Assembly conducted public hearings in Fort Providence, Fort Rae and Yellowknife. They heard broad support for the bridge from the public in general, from aboriginal and community leaders and from the business sector. The message was clear. Everyone wants the bridge to be built.

The GNWT and the DCBC conducted negotiations that culminated in the initialling of the Concession Agreement on October 21, 2003, in Fort Providence. The Concession Agreement provides the framework of the arrangement and was crafted to satisfy the parameters and conditions set out in the Memorandum of Intent.

Negotiations with the DCBC to finalize the Concession Agreement are ongoing. We have not reached agreement on every issue, but no issue is considered a 'deal breaker' and there is confidence that every issue will be successfully resolved. There are a number of key events that will occur over the next few months leading up to finalizing the Concession Agreement and starting construction. For the DCBC, these include:

- Completion of the Environmental Assessment and obtaining all land and water licenses,
- Completion of the bridge design,
- Tendering the contract by the DCBC to construct the bridge and obtaining a maximum price, and
- Finalizing the financial arrangements and costs with TD Securities.

For the GNWT, these include:

- Approving the bridge design,
- Determining the toll rate and administration costs, once the variables are set, and
- Seeking Cabinet approval of the financial and program implications of entering into the Concession Agreement.

It is important to understand that we are still in the process of negotiating an arrangement and that as much as the GNWT wants the bridge, we have to protect the public interest and ensure that we are receiving value for money. It is

a continual process of due diligence that started, as I mentioned earlier, when we first received that proposal.

The first step, as part of the GNWT's due diligence was to examine the costs and benefits, to take a close look at the economics of the project and determine if on balance it made sense to proceed. This was especially important in light of the proposed toll on commercial traffic and the already high cost of living in the North. The GNWT commissioned Nichols Applied Management to carry out a rigorous Benefit/Cost analysis as prescribed by the Treasury Board of Canada. The consultant assessed the relative economic merits of the project and quantified the costs and benefits, and addressed the significant, unquantifiable effects. In addition, the consultant determined, where possible, the economic impact to the following groups:

- The mining industry in the Slave Geological Province
- The trucking industry
- Businesses
- Consumers
- All levels of government

The report concluded that the project would generate net benefits within the range of acceptable returns, that the direct economic benefits outweigh the costs. The report also presented the other benefits, both economic and social, not easily to quantify, including

- Increased regional and territorial economic development stimulated by greater efficiency and reliability of the highway network and reduced transportation costs;
- Improved relations between businesses and residents due to improved service and lower transportation costs;
- Reduced sense of isolation due to improved connections with the region and to southern Canada, especially during freeze up and break up;
- Improved access to government services and employment opportunities;
- Increased opportunities for Aboriginal training, employment, business development and equity investment; and
- Support for the policies and objectives of the GNWT, including the Department of Transportation's vision for roads in the NWT, which is based upon two objectives: 1) creating opportunities for economic development and 2) connecting communities.

The Benefit-Cost analysis also showed that the level of benefits generated by the bridge to be different for various user groups. The expected savings are greater in respect to traffic diverted from the ferry as compared to the ice bridge. Businesses that utilize the crossing year-round will enjoy other cost reductions associated with extra handling, warehousing, inventory carrying and other expenses now incurred during spring break up. The overall cost of community resupply will be less even with a toll of \$6/tonne. However, the cost savings for mine resupply will not be great enough to outweigh the toll.

Results of the Benefit-Cost analysis were released during the public consultation on the Deh Cho Bridge Act to give confidence to the public by demonstrating the GNWT's due diligence and presenting an independent economic overview of the project.

A condition of the MOI was that the DCBC would develop a design and construction scheme acceptable to both parties. The GNWT hired BP-TEC Engineering Group to act as our advisors. Their role is to assess the DCBC's design to ensure that it meets the prescribed design standards and is constructible. Since the beginning, the parties have agreed that their negotiations would be conducted in respect of professional confidentiality. The design review is an integral part of the negotiating process by which the parties refine the design by reciprocal adjustments and accommodations. To make public one step in the sequence would misrepresent the give-and-take character of the negotiating process. Although the GNWT's Technical Advisors have provided an interim review and assessment of the proponent's design, in the context of continuing negotiations, it must remain confidential. Nonetheless, for the purposes of these hearings, the GNWT has provided a copy of the technical review and assessment to the MVEIURB in so far as it is relevant to environmental matters and considerations. The resulting letter that went into the public registry listed 4 issues and stated that all other portions of the report dealt strictly with engineering issues. Discussions between the engineering teams will continue until all the design issues are resolved to the satisfaction of both parties.

As per the Deh Cho Bridge Act, the GNWT is responsible for setting and collecting tolls on commercial vehicles using the bridge. The Department of Transportation hired IBI Group, a consulting firm that specializes in tolling solutions, to advise us on options. They reviewed the unique features of this project including the remote and harsh conditions and low traffic volumes. They presented a number of possible systems ranging from the conventional manual toll collection to a sophisticated, fully automated system. The Department of Transportation is evaluating its options in terms of cost and reliability. A final decision will be made by the Executive Council prior to the signing of the Concession Agreement.

In closing, this is a unique opportunity to provide an important piece of infrastructure to the benefit of all levels of government, the residents of Fort Providence, the general public, the trucking industry and the business sector. We can't afford to build the bridge on our own. So, we have taken up a partnership with the Deh Cho Bridge Corporation. They will design, build, operate and maintain the bridge and at the end of the 35-year concession period turn it over to the GNWT. Everyone will share in the benefits.