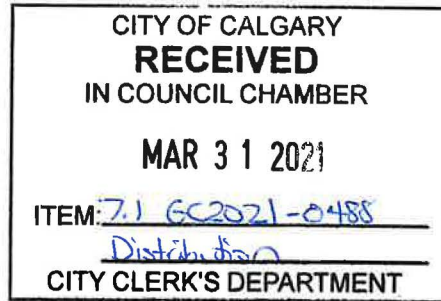




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YEARS



2725 12th Street NE
Calgary, AB T2E 7J2

T 403-291-3350
W www.cgyca.com

March 26th, 2021

His Worship Mayor Nenshi
City of Calgary

Your Worship,

CALGARY GREEN LINE PROJECT

The Calgary Construction Association (CCA) would like to thank both Minister McIver and the Calgary Mayor's Office for taking the time to meet with members of our administration and executive in order to discuss the Green Line LRT Project. The CCA was encouraged to hear that both Minister McIver and the Mayor's Office were in general agreement with the CCA with respect to our concerns for the project.

Specifically, we understand there is agreement to the following: -

1. A need to advance the project so it can act as a much-needed post-Covid stimulus for both the City of Calgary and the Province of Alberta,
2. Position the procurement to maximize local involvement in the project in order to fully leverage the stimulus aspect of the project,
3. Target project work packages of approximately \$500 million in size in order to allow local contractors to compete on a level playing field with the large state-owned multinationals, and finally,
4. Reach out to local subject matter experts on the design and delivery models associated with similar projects in order to maximize the return on investment for the public money spent.

We thank you for your time and your broad agreement on the issues raised. We are writing you now out of a renewed sense of concern for the project and to unambiguously state the CCA's position with respect to the Green Line Project.

The CCA is extremely concerned that the project may not proceed or will proceed on a much-delayed schedule. Any such delay will negate the potential of a timely and much needed stimulus for a beleaguered City and an industry that employs upwards of 80,000 Calgarians.

In addition to our concerns on delay, our primary concern stems from the fact that we have been told by multiple sources that there is significant pressure to bundle the project into a mega-project, which will ensure almost no local content or economic benefit. We cannot stress enough that we would strongly

support a series of smaller contracts that could be undertaken by numerous local contractors. We have heard consistent messaging about jobs for Albertans and the commitment to economic recovery and want to reiterate that this is a priority concern from the Calgary Construction Association.

This is the single most important opportunity that our City and our Province could have at such a time in our history. This well recognized fact merely serves to make the juxtaposition of statements being made as to a commitment to jobs for Albertans against a backdrop of bundling preferences which would drive the stimulus offshore, all the more concerning.

Contrary to the readily available evidence regarding mega-projects, particularly LRT projects, there appears to be an ideological belief that bundled mega-contracts provide some cost certainty. To say that bundling provides cost certainty is to ignore a significant body of historic evidence to the contrary.

A number of mega projects of a similar nature, many in Canada, have either suffered considerable cost and schedule overruns and/or significant cuts to scope and quality to offset additional costs.

Project	Delivery Model	Project Value (\$ million)
Evergreen	DBF	889
Ottawa Confederation Line Stage 1	DBFM	2,153
Waterloo Stage 1	DBFOM	800
Eglinton Phase 1	DBFM	4,071
Edmonton Valley Line SE	DBFOM	1,800
Reseau Express Metropolitain de Montreal LRT	DBFOM	3,995
Finch West LRT	DBFM	908
Ottawa Confederation Line Stage 2	DBF	1,906
Hurontario LRT	DBFOM	1,465
Broadway Skytrain	DBF	2,800
Edmonton Valley Line West (Relaunch)	DBF	2,076

As has been our position from the outset, the CCA, and the vast majority of those we represent in our industry, categorically do not support bundling of this project for the following reasons.

1. Due to the form of contract and the associated risk transfer, meaningful pursuit of the project by Calgary, Alberta or Canadian companies is near impossible. Rather, this form of contract favours large foreign and foreign state-owned contractors, who can nationalize losses and not suffer the consequences of improper bidding as would be the case with a local contractor.
2. With such an advantage being given to foreign state-owned contractors and considering the associated cost for a large project pursuit against these odds, it is unlikely any local contractors will submit bids on the project. This will completely remove real competition from the procurement while eliminating any hope for this project to act in the best interests of Calgarians and Albertans.

3. An immediate and unavoidable consequence of the project being awarded to large foreign contractors is that this will result in the exporting of overhead and profit offshore. On a potentially \$4.5 billion project, this means that up to a billion dollars will disappear from the local economy rather than supporting local jobs & businesses which would be an unacceptable loss of stimulus that Calgary desperately needs coming out of such challenging economic times.
4. Based on similar recent projects throughout Canada and North America, a bundled mega-project is much more likely to have significant cost overruns. Projecting the likely outcome based on such similar projects it would be reasonable under an intelligent risk profile to expect cost overruns of between \$300m and \$1.2 B – especially with such a large tunnel being insisted on despite very challenging geologic conditions.
5. Large foreign and foreign state-owned contractors do not have a vested interest in the long-term prosperity of Calgary, Alberta, or the local construction community. These types of mega-contracts incentivise large companies to unreasonably offload risk on small sub-contractors who are often not adequately equipped to handle these unreasonable contract conditions and extended payment terms. The net result is that, once the project is complete and the foreign company has left, the local construction community and economy bears the residual cost and risk for the project leading to no economic benefit or worse.
6. Many such foreign entities have also consistently used significant resources of their own rather than local and have even led to new companies locating to the area further diluting our struggling market with more competition.

Calgary's local economy, our downtown and our business owners are reeling under the prolonged impact of extended economic downturn and the Pandemic. Our province is no different. If this project is allowed to fail on such a scale as alluded to above it will bankrupt our city and shut down any meaningful growth for decades. The resulting political fallout and poor image will hurt our city and future generations who will pay the price. The stakes could not be higher.

This project needs to be broken out in a manner that follows methods deployed by rail companies all over North America which also provides the maximum opportunity for a “Made in Alberta” solution that generates jobs and economic stimulus.

We have also been told that there is concern over “*Connectivity of Contracts*” in a broken-out model. In the opinion of our subject matter experts this is not a valid risk when weighed against the risk of delays and cost overruns alluded to above. This methodology can be readily managed through a technical coordination entity

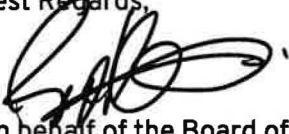
such as the previous model of The Transportation Project Office TPO) that was effective during previous projects such as NW LRT.

It is time to put the team together to oversee and manage the design and delivery of what Calgarians have been waiting for. It is time to do it with local resources who are struggling in a post COVID world that hit us all on the heels of a prolonged economic slowdown. Finally, it is time to let this launch.

Let Albertans build their own infrastructure and show the world how a fully coordinated collaborative method can be used successfully on such a project.

The CCA and our membership are available and would welcome further dialogue with a view to the best outcome for taxpayers, industry and our economy.

Best Regards,

A handwritten signature in black ink, appearing to read 'Bill Black', with a stylized flourish at the end.

On behalf of the Board of Directors

Wm (Bill) Black B.Sc., CEC, LEED AP

President & COO

Calgary Construction Association

billblack@cgyc.ca

CC: Calgary City Council