
BACKGROUND

2004EM0010-000298
June 21, 2004

Ministry of Energy and Mines
Partnerships British Columbia

PARTNERSHIP AGREEMENT

Background:

- The Sierra Yoyo Desan (SYD) Road is used by oil and gas companies for industrial activities. A major upgrade of the SYD Road is required to facilitate all-season oil and gas activities in the northeast as part of the province's Oil and Gas Development Strategy. The proposed improvements will strengthen the road, improve safety, increase oil and gas development, and improve accessibility to the Northeast for B.C.'s resource-industry services sector.
- B.C.-based firm Ledcor Projects Inc. was selected as the lead proponent to enter into final negotiations for a partnership for the SYD Road in December 2003. Ledcor assembled a capable team with extensive experience throughout northern British Columbia. The Ledcor team is comprised of Ledcor Highways Maintenance Ltd. of Fort Nelson, McElhanney Consulting Services Ltd. of Fort St. John, Vancouver-based Trow Associates, Vancouver-based Triton Environmental Consultants Ltd., Buckland & Taylor Ltd. from Vancouver, Peter Kiewit Sons Co. from Vancouver, Doug Gordon Contracting from Fort Nelson and Kledo Construction from Fort Nelson.
- The SYD Road public private partnership agreement between the Ministry of Energy and Mines and Ledcor Projects Inc. was signed on June 17, 2004. In signing the agreement, the ministry is acting on behalf of and with the support of industrial road users.
- There are no major communities on the Sierra Yoyo Desan Road and although it is open to the general public, the road carries little non-industrial traffic.
- Construction is already underway and improvements are scheduled to be completed by December 1, 2005.

Public Private Partnership

Key elements of the public private partnership agreement include:

- Under the 16-year agreement, Ledcor Projects will invest more than \$40 million in the first two years of the agreement to upgrade and improve the road, and a further \$2.5 million per year to maintain it for another 14 years.

- Under an agreement with the Ministry of Energy & Mines, industrial road users will cover the cost of the road upgrades, improvements, operations and maintenance over the term of the agreement. These costs will be offset by a 50 per cent rebate against royalty payments to the Crown.
- Risk transfer to the private sector partner is a key element of any public private partnership. Road users and taxpayers are protected by transferring certain project risks to the private sector partner. In the SYD Road agreement, Leducor is assuming the risks for the principal elements of the deal under its control. These include:
 - Construction costs
 - Design risk
 - Environmental permitting
- The province, road users and Leducor share the following risks:
 - Road maintenance and operations costs up to a maximum, above which the risk is with Leducor.
- The province and road users have assumed the risk for:
 - Force majeure (natural hazard events such as a major flood or earthquake that have catastrophic impacts and are outside the control of either party), and
 - Regulatory changes
- The agreement provides incentives for early completion of the upgrades and improvements to the SYD Road, and for a well-maintained road over the long term. Further, penalties are imposed if construction is delayed and if the road is not maintained to the prescribed standard.
- The SYD Road remains a public road. Standards for road maintenance will continue to be set by the Province through the Ministry of Energy & Mines, and the ministry who retain the authority to enforce road safety.
- Partnerships BC played a key role in the selection of a private partner by working with the Ministry of Energy & Mines in managing the procurement process, developing the business terms underlying the agreement, and in preparing and negotiating the agreement itself.
- Partnerships British Columbia was established by the Government of B.C. to manage and implement partnership projects and to identify opportunities for maximizing the value of public capital assets.

To view photos of the Sierra Yoyo Desan Road, visit:

http://www.em.gov.bc.ca/Publicinfo/SierraYoyo/June_04_announcement/June_04.htm

Visit the province's Web site at www.gov.bc.ca for online information and services.