

VALUE FOR MONEY REPORT

FOR THE DESIGN,
CONSTRUCTION,
FINANCING,
OPERATION AND
MAINTENANCE OF THE
COMPLETION OF
AUTOROUTE 25
IN THE METROPOLITAN
MONTRÉAL AREA

Transports
Québec 

*Partenariats
public-privé*
Québec 



November 5, 2007

Mrs. Sandra Sultana, Eng., M.Sc.A.
Director, Bureau de la mise en oeuvre du partenariat public-privé
Ministère des Transports du Québec
Suite 13.40
500 René-Lévesque Boulevard West
Montréal (Québec) H2Z 1W7

and

Mr. Gabriel Soudry, Eng., MBA
Vice President, Projects
Agence des partenariats public-privé du Québec
Suite 15.01
500 René-Lévesque Boulevard West
Montréal (Québec) H2Z 1W7

Value-for-Money analysis of the public-private partnership for the completion of Autoroute 25 in the Montréal Metropolitan Area

Dear Madam and Sir:

PricewaterhouseCoopers LLP ("PwC") has completed a Value-for-Money analysis of completing the Autoroute 25 highway project (the "Project") as a public-private partnership compared to completing the Project through traditional procurement.

The Value-for-Money analysis is based on a comparison of total Project costs to the Government of Québec as of July 1st 2007:

1. according to the terms and conditions set forth by the partnership agreement signed on September 13th, 2007 by the Ministère des Transports du Québec and the private partner, Concession A25, S.E.C.; and
2. according to a traditional procurement approach by the Ministère des Transports, as set out in the Public Sector Comparator model which we compiled.

Based on the above analysis, the Government of Québec should realise value-for-money in the order of \$226 million by carrying out the Project as a public-private partnership compared to a traditional procurement approach.

We have not audited the financial model submitted by Concession A25 S.E.C. at the signing of the partnership agreement. Furthermore, we have not independently verified the assumptions underlying the Public Sector Comparator model provided to us by the Ministère des Transports.

Sincerely,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

Longueuil, October 17, 2007

Mrs. Sandra Sultana
Director, BMOPPP
500, boul. René-Lévesque Ouest
Montréal, QC H2Z 1W7

Mr. Gabriel Soudry
Vice-president, PPPQ
500, boul. René-Lévesque Ouest
Montréal, QC H2Z 1W7

Re : Completion of Autoroute 25

Dear Madam, Sir,

In March 2006, I agreed to serve as Fairness auditor of the selection process launched by the Ministère des transports with respect to the completion of Autoroute 25 through a public-private partnership approach, in order to ensure, for the Ministère and the respondents, that the said selection process would be fair, impartial and transparent. In the course of this mandate, I ought to oversight the process implementation and provide an independent opinion indicating if in fact it had been carried out in a fair and transparent manner, in accordance with the prescriptions regarding the evaluation and selection process set forth in the contract documents related to the different process steps and in accordance with the Ministère's internal governance rules pertaining to the Autoroute 25 project specific acquisition process.

This project mainly consists of the construction of a 7.2 kilometres toll highway, including a 1.2 kilometres bridge, between boulevard Henri-Bourassa in Montréal and Autoroute 440 in Laval. It was established upon project's launch that the private partner would be determined through a consultation and selection process consisting of two main steps : a Request for Qualification followed by a Request for Proposals aimed at selecting among three qualified respondents the one with which a partnership agreement would be signed at financial closing.

As Fairness auditor, my duties and functions involved, among others, to :

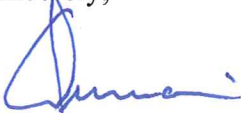
- Be aware of the contract documents relating to the selection process;
- Attend all of the meetings involving the project team and the respondents;
- Attend all of the Evaluation committee meetings;
- Attend the meetings of the various committees and sub-committees reporting to the Evaluation committee, that I deemed to be appropriate;
- Verify that all respondents had access to the same information, at the same time, in the course of their proposal's preparation;
- Verify that all submissions had been evaluated in an objective and consistent manner, in accordance with the criteria published in the requests for qualification and proposals;
- Verify that the adaptation of the partnership agreement to the proposal submitted by the selected respondent and the financial closing had been done in a manner so as to not contravene any of the prescriptions outlined in the Request for Proposals document; and

- Provide, at the Executive committee request, any notice relating to the selection process with regard to fairness and transparency.

Following the Request for Qualification launched on December 22, 2005, as Fairness auditor I oversighted the presentation of the respondents' submissions, the analysis of their eligibility and the assessment of their competencies and financial capacities. The four presented submissions were declared eligible and I confirm that they were analysed in an objective, consistent and meticulous manner, solely in accordance with the published assessment criteria. All four submissions have been declared qualified. The three respondents having obtained the highest scores were subsequently invited to respond to the Request for Proposals launched on July 20, 2006. These three respondents actively participated in the selection process and at all times respected the many stipulated obligations. In addition to the general and thematic information sessions, ten bilateral workshops allowed the respondents to obtain transparent information and a better understanding of the project itself and the forthcoming partnership agreement. I followed and oversighted this entire process, including the compliance evaluation of the submitted proposals. These three proposals were declared compliant and the respondent who offered the best current value of availability payments was selected. I also monitored and oversighted the final step leading to the financial closing and the coming into effect of the partnership agreement on September 13, 2007. I confirm that the finalization of the legal documentation was carried out adequately and in accordance with the established rules.

In the execution of my mandate, I have had access to all information that I requested; I monitored and oversighted all the steps of the selection process; I participated in several meetings and conducted numerous audits. As indicated in my progress and final reports that were made public, I am hereby conveying to you my firm belief that the selection of Infrac-Québec A-25 as private partner has been the result of a consultation and selection process under the terms of which the principles of equity, impartiality and transparency have been respected at all times, a selection process that has been conducted within a context of fair and honest competition for all participants.

Sincerely,



André Dumais, Eng.
Fairness auditor
Completion of Autoroute 25

Note : This English translation is provided for information purposes; only the original French version is official.

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APPENDICES

1. Table Indicating the Main Risks and Responsibilities
2. Selection Committee Structure

THE ENGLISH VERSION OF THIS DOCUMENT IS PROVIDED FOR INFORMATION ONLY. THE ORIGINAL FRENCH VERSION SHALL BE CONSIDERED AS OFFICIAL.

1. EXECUTIVE SUMMARY

The planning and construction of the existing sections of Autoroute 25 (A-25) dates back to the early 1970's. The purpose of the construction of Autoroute 25 was and remains creating a fast and efficient connection between the east end of the city (Montréal and Laval) and the Lanaudière region. Its completion is an essential development of the road network given the strong economic and demographic growth experienced over the past 30 years in Laval, the Laurentian and the Lanaudière regions as well as the Anjou/Mercier economic hub. In addition to alleviating recurring traffic problems, the completion of Autoroute 25 will foster economic development of the east end of the Montréal region.

The project presented in this document consists of completing the construction of Autoroute 25 between Henri-Bourassa Boulevard in Montréal, and the A-440/ A-25 interchange in Laval, covering 7.2 kilometres, including a 1.2 kilometre bridge.

The Autoroute will comprise four (4) express lanes distributed over two separate roadways and will include interchanges and overpasses. The bridge spanning the Rivière des Prairies will comprise six (6) express lanes and one multipurpose lane to enable pedestrians and cyclists to cross freely. Furthermore, the project includes preferential measures for public transit with the construction of reserved bus lanes in Laval and Montréal (see Figure 1).

A fully electronic tolling system located on the north side of the bridge is planned and tolls will be charged to the bridge users.

FIGURE 1



The completion of Autoroute 25 has been the topic of several studies in recent years. The results of these studies enabled the Ministère des Transports du Québec (Ministère) to conclude that its construction, using a Public-Private Partnership (PPP) approach, has real benefits. With Orders-in-Council 1245-2005 and 659-2006, the government authorized the Minister of Transport to launch and carry out the selection process for the execution of the project as a PPP. The selection process followed by the Ministère demonstrates the government's willingness to choose the least expensive proposal that satisfies all eligibility and compliance criteria.

Under the PPP approach, the private partner, namely Concession A25 L.P., is responsible, for a period of 35 years, for the design, construction, operation, maintenance, rehabilitation, and financing of the highway section to be completed, including the express lanes, bridge, and toll system.

In order to support the decision-making process, the Ministère, in cooperation with Partenariats public-privé Québec, prepared a business case. Supported by the information contained in this business case, it used a comparative approach between the public sector comparator and the private partner's proposal. These comparisons were carried out on a quantitative and qualitative basis.

To summarize, the public sector comparator determines the cost of the project as if it were completed by the public sector. To ensure a fair comparison of the different means of procurement, the public sector comparator reflects the procurement approach commonly used by the Ministère and the financing methods the government uses to finance such projects.

The cost of the project carried out under a PPP approach includes the payments the government will make to Concession A25 L.P. and the amount required to ensure management of the partnership agreement.

COMPARISON

This quantitative comparison between the public sector comparator and the proposal submitted by Concession A25 L.P. takes into consideration all of the relevant financial elements, namely the higher financing costs for the private partner as well as the profit it anticipates. Despite taking these elements into consideration, the proposal submitted by Concession A25 L.P. remains more economical. In fact, the government will benefit in more than \$226.1 million in savings by opting for the PPP approach. These significant savings are the result, in particular, of a shorter construction period, more efficient work methods, and better risk management.

Qualitative factors were also taken into consideration in the comparative analysis of the procurement approaches. The PPP approach offers undeniable qualitative benefits, most notably the commissioning of the infrastructure two years sooner, and favours the economic development of the Montréal region and Québec in general.

Finally, it is important to keep in mind that the construction and maintenance cost overrun as well as delay risks, are the full responsibility of the private partner.

CONCLUSION

The completion of Autoroute 25 as a PPP represents an excellent opportunity for the government. The savings generated by carrying out this project as a PPP total \$226.1 million in present value as at July 1, 2007.

In addition to the savings, procurement as a PPP will make it possible to offer users a quality infrastructure within a timeline reduced by two years. Furthermore, the completion of Autoroute 25 will generate major socio-economic benefits since these are clearly higher than the project costs, the cost-benefit ratio being 3.4. Thus, the economic benefits are three times higher than the economic costs of the project.

2. REPORT OBJECTIVES

The purpose of this report is to inform the reader of the thoroughness of the approach followed by the results obtained. It contributes to the desired transparency of the selection process. It describes the financial and technical information that supported the process that resulted in the selection of a private partner to carry out the Autoroute 25 project. Finally, it explains how the value for money for the public funds invested has been established and quantified.

The value for money analysis for the public funds invested is a key step in ensuring that the PPP approach offers the best value for the community compared to conventional procurement. This analysis relies on five main guidelines clearly expressed in the Overall Policy for Public-Private Partnerships adopted by the government in June 2004. These principles are the following: justified and confirmed needs; emphasis on specific results rather than on the methods of attaining them; financially feasible projects; best value for the public funds invested; optimal risk allocation.

It is important to remember that this project identified by the Ministère as being a priority under its Greater Montréal Area Traffic Management Plan, holds the basic characteristics of a Public-Private Partnership (PPP)⁽¹⁾, specifically:

- > The improvement of public services;
- > Major financial commitment by the government;
- > Technical complexity and a high level of risk;
- > A potential for creativity and innovation susceptible to benefit from private sector know-how; and
- > An existing competitive market.

⁽¹⁾ Source : Overall Policy on Public-Private Partnerships, June 2004, p. 2

3. PROJECT DESCRIPTION

3.1 BACKGROUND OF AUTOROUTE 25 AND EXISTING PROBLEM

The planning of Autoroute 25 dates back to the 1970's falling within a planning and development exercise for the major roads infrastructures serving the city, and to improve links with its peripheral regions. The objective of the construction of Autoroute 25 is to enable fast and efficient access between the east end of Montreal (Montréal and Laval) and the Lanaudière region.

The completion of Autoroute 25 constitutes an essential component of the road network taking into consideration the strong economic and demographic growth in Laval, the Laurentian, and Lanaudière regions, as well as the Anjou/Mercier economic hub.

3.2 TRAFFIC PROBLEMS CAUSED BY THE CURRENT SITUATION

The absence of a continuous link in the A-25 corridor between Montréal and Laval, requires users to take a seven kilometre detour via the Pie-IX bridge, or an 11 kilometres detour via the Charles de Gaulle bridge (A-40). The result is a major overflow of transiting traffic onto the metropolitan highway (A-40) and on the local road network, as well as deterioration in the quality of life of residents in Montréal-North, Anjou and Rivière-des-Prairies.

Two major interdependent trends will significantly impact traffic between Montréal and Laval. These are the demographic growth of the metropolitan region and the increased number of vehicles per household. These trends will increase traffic in both directions along the north-south axis. According to the Institut de la statistique du Québec, the population in the metropolitan region is expected to grow by 9% between 2001 and 2026.

In a context where road capacity remains unchanged, significant added pressure on the road network would be felt, inevitably translating into increased traffic congestion problems, longer traffic congestion periods, increased costs for heavy goods transportation (supply and delivery), increased travel times and increased air pollution.

3.3 PROJECT OBJECTIVES

By carrying out this project, the Ministère seeks to attain the following objectives:

WITH REGARD TO USERS OF THE AUTOROUTE

Reduce daily travel time as well as vehicle maintenance and operating costs thanks to shorter routes in terms of distance and time.

ON A COMMUNITY LEVEL

Reduce pollution caused by vehicles, foster the economic development of east end Montréal and Laval and maximize the economic repercussions for Québec generated by construction and operating expenditures related to this new road infrastructure.

3.4 MAIN PHYSICAL CHARACTERISTICS

The project entails completing the construction of Autoroute 25 between Henri-Bourassa Boulevard, in Montréal, and the A-440/A-25 interchange in Laval, over a distance of 7.2 kilometres including a 1.2 kilometre bridge.

The Autoroute will consist of four (4) express lanes distributed over two separate roadways including interchanges and overpasses. The bridge spanning the Rivière des Prairies will include six (6) express lanes and one multipurpose lane to enable pedestrians and cyclists to cross freely. Furthermore, the project includes preferential measures for public transit with the construction of reserved bus lanes in Laval and Montréal.

Finally, a fully electronic toll system is planned, with the collection point located on the north side of the bridge. Bridge users will be required to pay a toll.

This link will enable commuter, transit, and heavy goods traffic to use Autoroute 25 for travel through the northeast part of the metropolitan region. Users who want to avoid the metropolitan section of Highway 40 will thereby be able to bypass the city via the northeast.

3.5 MAIN STUDIES CARRIED OUT DURING THE PROJECT

Various studies have contributed to the development of the project. A summary of the two main studies is presented below.

TRAFFIC AND REVENUES

A study was carried out for the Ministère to estimate traffic and toll revenues that could be generated by the use of the bridge. The study demonstrated that the demand for the new Autoroute 25 is particularly high during peak traffic periods on weekdays. Traffic and revenue evaluations show that following the ramp-up period, average daily traffic flow in the project corridor will be approximately 40,000 vehicles.

SOCIO-ECONOMIC ANALYSIS

The Ministère carried out a cost-benefit analysis by applying the methodology it uses for all of its projects. The results of this study demonstrate that the completion of Autoroute 25 will generate major socio-economic benefits since these are clearly higher than the cost of the project. In light of this analysis, the cost-benefit ratio is 3.4.

COST-BENEFIT RATIO

The cost-benefit ratio is obtained by dividing economic benefits by costs. These benefits consist, among others, in lower travel time, in reduction in vehicle use costs, and in reduced pollution. Costs include those related to the right-of-way, the construction of the infrastructures as well as their operation and maintenance.

4. SELECTION PROCESS

In light of the studies it carried out, the Ministère concluded that completing Auto-route 25 as a PPP would offer more benefits than by a conventional approach. The government authorized the launch of the process to select a private partner and carry out the project as a PPP.

The strategy leading to the selection of the proposal and the private partner involved several steps designed to ensure robust competition between respondents, with a view of completing the project at the lowest possible cost all while respecting the Ministère's requirements. The selection of the best proposal took place in three main steps under the supervision of an independent fairness auditor, in three main steps: request for qualification, request for proposals, and finalization of the partnership agreement.

SUMMARY SCHEDULE FOR THE SELECTION PROCESS

LAUNCH OF THE REQUEST FOR QUALIFICATION

December 2005

Submittal of submissions

MARCH 2006

Announcement of qualified respondents

MARCH 2006

LAUNCH OF THE REQUEST FOR PROPOSALS

July 2006

Submittal of proposals

MARCH 2007

Announcement of selected respondent

JUNE 2007

FINALIZATION OF THE PARTNERSHIP AGREEMENT AND FINANCIAL CLOSE

September 2007

Anticipated commissioning date

2011

4.1 REQUEST FOR QUALIFICATION

The purpose of the request for qualification was to identify and select the potential candidates who were most qualified to assume the foreseen responsibilities. The four submissions received were evaluated by a selection committee⁽²⁾ based on their competencies and their ability from a technical and financial perspective. Following the evaluation of the submissions, three candidates were asked to proceed to the next step of the selection process, the request for proposals. These respondents were: Consortium Nouvelle Route, Concession A25 L.P. (Infras-Québec A25) and SNC-Lavalin.

The fairness auditor's report was made public on March 22, 2006. Broadly, this report⁽³⁾ testifies to the fair and transparent management of the request for qualification.

⁽²⁾ See Appendix 2 for the Selection Committee Structure.

⁽³⁾ Report No. 1 from the Fairness Auditor, March 22, 2006, p. 19 www.mtq.gouv.qc.ca and www.ppp.gouv.qc.ca.

4.2 REQUEST FOR PROPOSALS

The request for proposals constitutes the second step in the selection of the private partner. The three respondents qualified during the previous step were invited to submit a proposal. Following their evaluation, the three proposals were deemed to be eligible and compliant from a commercial, technical and financial standpoint. These evaluations were carried out under the supervision of the selection committee in accordance with the criteria outlined in Order-in-Council 659-2006. Among the eligible proposals that were deemed compliant, the selection committee chose the proposal presenting the lowest cost expressed in the present value of the availability payments. This proposal was submitted by Concession A25 L.P. (Infras-Québec A25).

The selection process followed demonstrates the government's willingness to choose the least expensive proposal that satisfied the eligibility and compliance criteria, while fostering competition in the selection process.

It was also necessary to confirm to government officials, the public, and the proponents that the selection process followed the principles of fairness and transparency. In this respect, the fairness auditor provided a report indicating that the process unfolded in a fair and transparent manner with regard to the guidelines for the evaluation of submissions and proposals. The fairness auditor report concerning the evaluation of proposals was published on June 13, 2007⁽⁴⁾.

4.3 FINALIZATION OF THE PARTNERSHIP AGREEMENT

Final step in the process involving the selection of the private partner, the finalization of the partnership agreement consists essentially of adapting the generic partnership agreement to the specific characteristics of the private partner's financial proposal.

Prior to the submission of their proposals the qualified respondents were invited to submit their comments and suggestions for changes with regard to the partnership agreement. In light of the suggestions and comments received, a final version of the partnership agreement was distributed to qualified respondents to reflect the changes accepted by the Ministère.

Furthermore, with the submission of their proposal, each candidate was required to submit a letter from its lenders confirming their commitment to participate in the project financing. The lenders also had the opportunity to examine the final version of the partnership agreement.

These opportunities to examine, comment on and amend the partnership agreement eliminated the need for negotiations following the government's approval of the selected proponent, and significantly reduced the time required to achieve financial close. This approach made it possible for the financial closing to be reached in less than 90 days. This final step also took place under the supervision of a fairness auditor; the latter's final report⁽⁵⁾ confirms that the finalization step of the partnership agreement was carried out in respect of the established rules, and that the entire selection process was equitable, impartial, and transparent.

(4) Progress Report No. 2 from the Fairness Auditor, Evaluation of proposals, May 11, 2007, P. 19 www.mtq.gouv.qc.ca and www.ppp.gouv.qc.ca.

(5) Final report from the Fairness Auditor, September 18, 2007, P. 15 www.mtq.gouv.qc.ca and www.ppp.gouv.qc.ca.

5. HIGHLIGHTS OF THE PARTNERSHIP AGREEMENT

The partnership agreement is the embodiment of the project as a Public-Private Partnership. The partnership agreement governs the contractual relationship between the parties, sets out the obligations of each party, and defines the risk sharing.

The highlights of the partnership agreement for the completion of Autoroute 25 include the following:

- > The term of the partnership agreement is 35 years, including 4 years for design and construction activities and 31 years for operation, maintenance, and rehabilitation activities. Accordingly, management of the partnership agreement comprises two separate periods that are very different in terms of activities, specifically the design and construction period, and the operation, maintenance and rehabilitation period (OMR);
- > The private partner is responsible for the design and construction of structures, the related risks, and commissioning the infrastructure ;
- > The private partner, during the operation, maintenance and rehabilitation period, must operate the infrastructure in accordance with the partnership agreement. Failure to respect the operation, maintenance, and rehabilitation requirements may give rise to deductions for non-availability and non-performance;
- > The private partner is responsible for financing the activities;
- > In exchange for carrying out these activities, the Ministère will pay the private partner a total amount, according to the terms of the partnership agreement, that represents the sum of:
 - i) the construction payment of \$80 million in current dollars paid at certain stages during the design-construction period;
 - ii) the availability payment due from the commissioning date, calculated in accordance with the terms of the partnership agreement. This payment totals \$13.4 million in current dollars, paid annually for the 31 years of operation;
 - iii) the remittances linked to toll revenues; an amount equivalent to the toll revenue collected by the private partner on behalf of the government. This amount is subject to a revenue guarantee or, if applicable, to sharing of toll revenue according to established thresholds;
 - iv) the non-availability deductions related to the availability of the infrastructure;
 - v) deductions for non-performance, which are related to the failure to respect the maintenance – operation – rehabilitation requirements for the infrastructure;
 - vi) the holdback for end of term requirements, if applicable, that will take place at the end of the partnership agreement.

6. PUBLIC SECTOR COMPARATOR

The public sector comparator represents the execution of the project by the government using a conventional approach. It seeks to attain the same results and performance requirements as those required of the private partner. In order to achieve a fair comparison of both methods, the public sector comparator must reflect the approach generally used by the Ministère and the financing methods which the government commonly uses for financing similar projects.

The public sector comparator was initially developed in the fall of 2005 during the preparation of the initial business case, and was updated in March 2007. The latest update of the public sector comparator was completed before the proposals were submitted on March 30, 2007.

The partnership agreement includes the transfer of risks from the Ministère to the private sector. Accordingly, the proposal by Concession A25 L.P. reflects the costs associated with the risks to be transferred to the private sector. Similarly, the public sector comparator must take into account the costs associated with the risks that the Ministère would keep if it were to carry out the project itself.

Appendix 1 outlines the responsibilities and risks transferred by the Ministère to Concession A25 L.P. These risks would be retained by the government should the project be carried out using a conventional approach.

For the purposes of risk quantification, only the risks with significant financial consequences and high probability of occurrence were considered. The risks, for which the government remains responsible, regardless of the execution method, are not quantified since these have no effect on the decision-making process. Under the terms of this project, the most costly risks are those relating to cost overruns and those related to toll revenues.

The cost of the public sector comparator takes the following elements into consideration:

1. GOVERNMENT PAYMENTS:

- a. The costs for the project components (cost for the design-construction and OMR costs, including the operation of the toll system).

2. OTHER RELEVANT COST ELEMENTS:

- a. The toll revenues collected by the government in accordance with the forecasts prepared by the traffic and revenue advisor;
- b. The quantification of risks that are expected to be transferred to the private partner (under the terms of a PPP), but that are assumed by the Ministère under a conventional approach;
- c. The residual value of the assets.

The temporal value of money is taken into consideration by discounting flow using a 6.5% discount rate for the items indicated above, so as to express them as a single amount as at July 1, 2007.

As indicated on the table (Page 14), the present value of net cost for the project carried out under a conventional approach is estimated at \$369.2 million as at July 1, 2007. This result will be used in the value for money analysis presented in Section 8.

DISCOUNT RATE

The discount rate refers to the historical average of the Government of Québec's yield lending rates over the past 40 years, to which the Bank of Canada's target inflation rate has been added. For the purposes of financial evaluation, it is used as a return rate required by the Ministère des transports du Québec for the completion of Autoroute 25.

The quantification of risks was carried out by a task force comprising experts from the public sector and external advisors. After defining the risks, the work group determined their probability of materializing and their potential financial consequences. The quantification of each risk is the result of the multiplication of the probability of materialization by the financial consequence.

PUBLIC SECTOR COMPARATOR

	PRESENT VALUE AS AT JULY 1, 2007 (IN MILLIONS OF DOLLARS)
Project cost over 35 years	483.6
Toll revenues	(198.2)
Risk quantification	
Risk of cost overruns	68.7
Risks related to toll revenues	85.7
Other risks	11.1
	165.5
Net execution costs	450.9
Residual value	(81.7)
Net project completion cost	369.2

RESIDUAL VALUE

At the end of the partnership agreement period, the Autoroute 25 infrastructures will not have reached the end of their useful life. Accordingly, a value (referred to as the residual value) will be assigned. This value relates among other things to the value of the land, the depreciation of infrastructures, and the condition of these depending on the maintenance carried out.

7. PRIVATE PARTNERSHIP PROJECT

This section addresses the private partner's proposal, and highlights the cost to the government of completing the project Autoroute 25 by Concession A25 L.P.

7.1 HIGHLIGHTS OF THE PRIVATE PARTNER'S TECHNICAL PROPOSAL

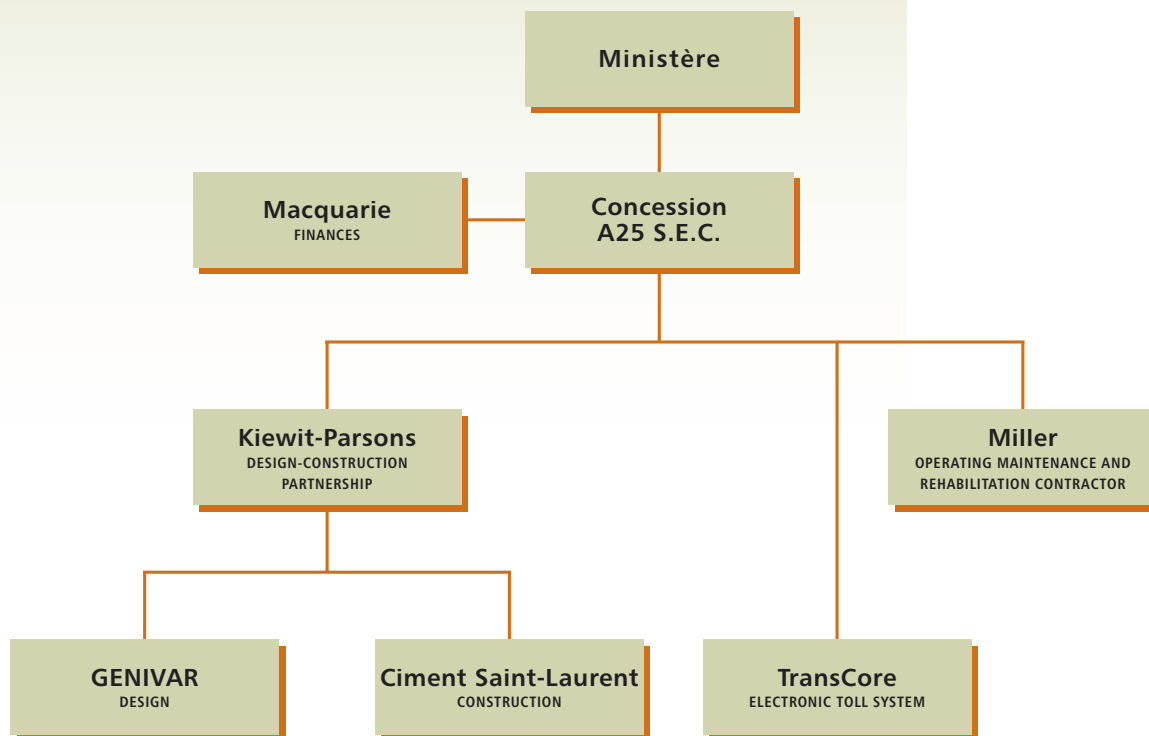
The design of the bridge consists of cable-stayed spans for the three main sections of the bridge. A system comprising two pylons will be used with two series of stayed wires.



This project will be equipped with a fully electronic tolling system. Users will not have to stop or reduce their speed when passing the collection point. The selected technology for the electronic transponder that can be installed in vehicles does not require any electrical power source.

7.2 COMMERCIAL STRUCTURE

For the partnership, Concession A25 L.P. developed the following commercial structure:



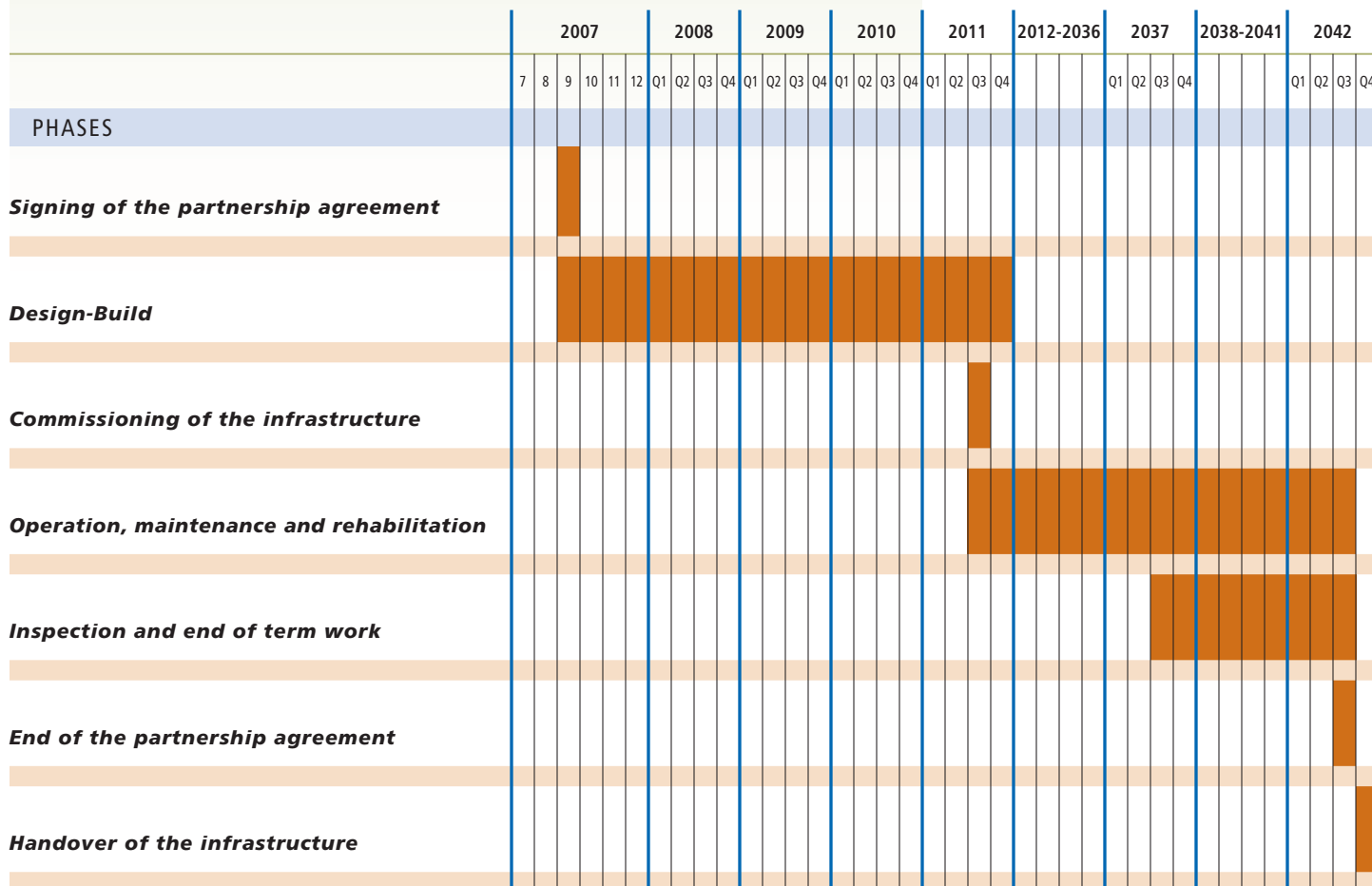
SOURCE: CONCESSION A25 L.P.

Similar to recent PPP projects carried out in Canada, the private partner is structured as a limited partnership. The selection of such a structure is generally motivated by the wish for fiscal optimization since in a limited partnership only the limited partners are subject to income tax resulting from the project.

Concession A25 L.P. has signed three main contracts: the infrastructure design-construction contract, the infrastructure OMR contract, and the contract for the electronic toll system.

7.3 PROJECT CALENDAR

The proposal submitted by Concession A25 L.P. includes the following schedule:



7.4 COST OF PROPOSAL SUBMITTED BY CONCESSION A25 L.P.

The following elements have been taken into consideration to determine the cost of the proposal submitted by Concession A25 L.P.:

1. Payments by the government;
2. The cost of monitoring the partnership agreement incurred by the Ministère;
3. The residual value of assets.

As with the public sector comparator, the time value of money is taken into consideration by adjusting cash flow for the elements identified using a 6.5% discount rate in order for them to be expressed as a single amount as at July 1, 2007.

Considering the previously described approach and assumptions, the net cost of carrying out the project as a PPP is \$143.1 million (in present value as at July 1, 2007).

TOTAL COST OF THE PRIVATE PARTNER'S PROPOSAL TO THE GOVERNMENT

	PRESENT VALUE AS AT JULY 1, 2007 (IN MILLIONS OF DOLLARS)
<i>Payments to the private partner</i>	
Construction payments	64.7
Availability payments	141.9
<i>Agreement monitoring costs</i>	19.4
<i>Execution costs</i>	226.0
<i>Residual value</i>	(82.9)
<i>Net project execution cost under the terms of a PPP</i>	143.1

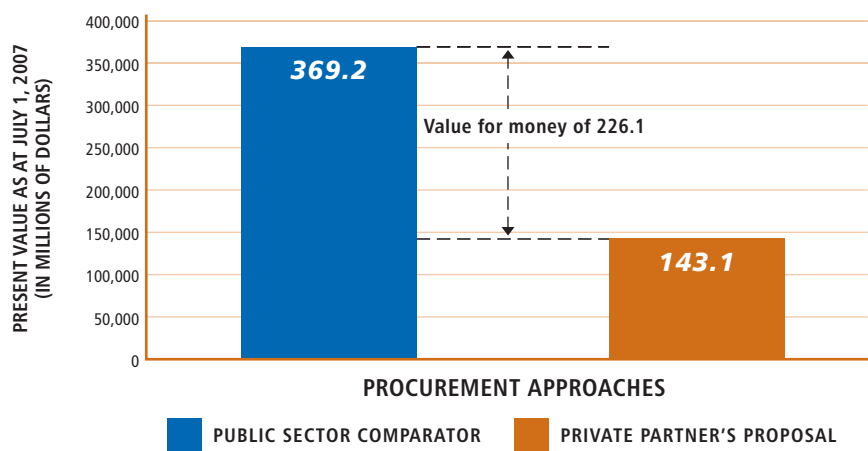
8. ANALYSIS OF THE ADDED VALUE FOR THE FUNDS INVESTED

The purpose of analyzing the value for money for the public funds invested is to compare the proposal submitted by Concession A25 L.P. with the public sector comparator in order to quantify the benefits of the PPP approach compared with the conventional approach. Although the comparison between the two procurement methods is presented in a quantitative manner, the qualitative aspects must also be taken into consideration.

QUANTITATIVE COMPARISON

The selection process was developed to take into consideration the magnitude of the project costs for the government. It reflects the desire to choose the least expensive proposal that respects all of the technical and commercial requirements.

The figure below presents the costs for the government, related to carrying out of the project, based on the two potential approaches: PPP or conventional.



This figure illustrates that completing the project as a PPP will make it possible to reduce the total project cost by \$226.1 million.

QUALITATIVE COMPARISON

Enlisting Concession A25 L.P. for the completion of the project as a PPP has the following qualitative benefits:

- > It will enable the Ministère to focus on its supervisory role, thereby entrusting Concession A25 L.P. with the provision of services. This facilitates the intervention of the Ministère should there be failure to respect performance requirements;
- > Financing of the project by Concession A25 L.P. involves the participation of world class lenders. These lenders will closely monitor the execution of the design and construction works as well as the operation and maintenance activities in order to protect their investment;
- > Completing the project as a PPP will advance the commissioning of the infrastructure by two years compared with the conventional approach. The commissioning of the infrastructure two years earlier represents major socio-economic benefits for the community;
- > In the analysis of the public sector comparator, the construction calendar selected by the government's technical advisors indicates that Autoroute 25 would be completed in six years. Experience has demonstrated that it is possible that it would take longer. According to experience in recent years, the construction project could take more time than anticipated depending on the annual budgets that are allocated;
- > Under the terms of a PPP, the maintenance and rehabilitation of the Autoroute are set out under the terms of the partnership agreement. With a conventional approach, maintenance and rehabilitation are carried out according to the availability of the Ministère's budget.
- > The terms for remittance of the toll revenues described in the partnership agreement indicate equal sharing between Concession A25 L.P. and the government of all revenues exceeding the sharing threshold, specifically the toll revenues exceeding 120% of the forecasts prepared by the government's traffic and revenue advisor;
- > The government's cost of the proposal submitted by Concession A25 L.P. has not been reduced by the income and other taxes that will be paid to the government by the partners in the limited partnership. All of the taxes collected by the government will reduce the project cost.

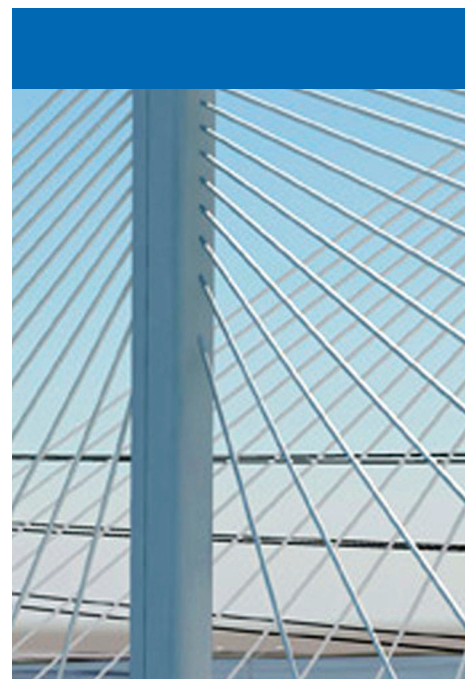
9. CONCLUSION

Carrying out the completion of Autoroute 25 as a PPP will enable the government and its citizens to obtain better value for money for the public funds invested. In fact, its completion by Concession A25 L.P. translates into savings estimated at \$226.1 million in present value as at July 1, 2007.

Beyond the savings, the completion of the project as a PPP will make it possible to place at the disposal of users a quality infrastructure within a reduced timeframe of two years. Furthermore, the completion of Autoroute 25 will generate significant socio-economic benefits for the Greater Metropolitan Region and for Québec in general. These benefits for road users include to reduce travel time and a decrease in vehicle maintenance and operating costs. From the perspective of the community, they will include among other things the economic development of the east end of Montréal and Laval and in a reduction in vehicle pollution.

Furthermore, the completion of the project as a PPP will enable the significant transfer of risks to Concession A25 L.P. These risks would otherwise be the responsibility of the government. These risks are mainly those related to construction and maintenance cost overruns and construction delays, and those associated with toll revenues.

Accordingly, following a thorough analysis, the Public-Private Partnership approach represents the solution that offers the most benefits for the government and the community, as well as for future users of Autoroute 25.



APPENDIX 1 — MAIN RISKS AND RESPONSIBILITIES

MAIN RISKS AND RESPONSIBILITIES	RISKS AND RESPONSIBILITIES ASSIGNED TO THE	
	PRIVATE PARTNER	MINISTER
OBTAINING ENVIRONMENTAL PERMITS AND AUTHORIZATIONS		
Certificate of authorization for the realization of the project (CAR)		•
Certificate of authorization (CAC)	•	•
Required federal permits and authorizations	•	•
Authorizations pursuant to <i>An Act respecting Land Use Planning and Development</i> (L.R.Q., c. A-19.1)		•
Other licences, authorizations and roads permits	•	•
DESIGN AND CONSTRUCTION OF STRUCTURES FOR WHICH THE PRIVATE PARTNER IS RESPONSIBLE		
Cost overruns	•	
Delays	•	
Moving public utilities	•	•
Selecting the toll technology	•	
Principal contractor, as defined in the <i>Act respecting occupational health and safety</i> (L.R.Q., c. S-2.1)	•	
Contaminated soil – undocumented and in existence prior to execution of the partnership agreement		•
Contaminated soil – documented or resulting from construction and OMR of the structures for which the private partner is responsible	•	
Geotechnical risks	•	
Acquisition and ownership of the right-of-way		•
FINANCING AND FINANCIAL CONDITIONS		
Inflation risk during the construction and operation phases	•	
Benchmark Interest Rate fluctuation risk effective on the day of the Financial Closing	•	
Sharing profits from refinancing	•	•
OMR OF THE STRUCTURES FOR WHICH THE PRIVATE PARTNER IS RESPONSIBLE		
OMR of the structures for which the private partner is responsible and the electronic toll system	•	
Condition of the assets at the end of the Partnership	•	
TOLL		
Setting the toll	•	
Collection of tolls and accessory fees	•	•
Toll revenue risk	•	•

