

ADVICE TO MINISTER

CONFIDENTIAL ISSUE NOTE

Ministry of Transportation and Infrastructure
Updated: Jan. 21, 2016
Minister Responsible: Todd Stone

Evergreen Line

ADVICE AND RECOMMENDED RESPONSE:

- **The Evergreen Line is on budget and is more than 80% complete.**
- **The Evergreen Line will be up and running in early 2017.**
- **Construction will create 8,000 jobs and it is the largest transit project being built in Metro Vancouver.**
- **The Evergreen Line will encourage community development and will create more transportation options for families.**
- **Once the line opens, Metro Vancouver's SkyTrain system will become the longest automated rapid transit system in Canada.**
- **We are working hard to keep residents and businesses informed every step of the way.**

KEY FACTS REGARDING THE ISSUE:

Major construction on the Evergreen Line started in February 2013. EGRT Construction – a consortium led by SNC-Lavalin – is the primary contractor. Construction will create direct and indirect 8,000 jobs during construction. It was originally forecasted to open in summer 2016, but due to challenges with tunnel boring, it is now expected to be ready in early 2017.

On Nov. 27, 2105, the Tunnel Boring Machine broke through marking an important milestone in the construction of the Evergreen Line. Early works construction started in Jan. 2012, to lay the ground work for major construction and to keep the project on schedule. Several construction, excavation and demolition companies in Metro Vancouver won about \$23 million in contracts. The Project is currently procuring the station plaza and parking work to be completed late summer 2016.

The Evergreen Line is a 11-kilometre rapid transit line that will link neighbourhoods in Burnaby, Port Moody and Coquitlam. The Evergreen Line will connect without transfer to the Millennium Line and the current SkyTrain network at Lougheed Town Centre Station and will integrate with the regional bus and West Coast Express networks.

It will start at the Millennium Line-Lougheed Station and end near Douglas College in Coquitlam. The total Project budget is \$1.431 billion, which includes the base project scope (\$1.403 billion) and provision for Lincoln Station (\$28 million). The Province is contributing \$586 million, the Government of Canada is contributing \$424 million, TransLink is contributing \$400 million and other partners are contributing \$21 million towards the new Lincoln Station.

In addition, the City of Coquitlam assembled a unique funding arrangement with a private partner and PPP Canada to enable the Lincoln Station to be constructed for opening day. The station has an estimated budget of \$28 million of which PPP Canada (a federal agency), has agreed to fund 25% (up to \$7 million) of the cost of the station.

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Evergreen Line – Schedule

ADVICE AND RECOMMENDED RESPONSE:

- The Evergreen Line is over 80% complete, and will be up and running in early 2017.
- The tunnel interior work and systems installation will continue into summer 2016. Train testing will begin in the tunnel in the fall of 2016 with the line fully operational in early 2017.
- For the ministry, and for taxpayers, the Evergreen Line project remains on budget.
- We will continue to keep residents, businesses and local municipalities informed every step of the way.

If asked about the delay:

- We always knew that tunnel boring can go fast or slow depending on ground conditions. Unfortunately, the contractor faced challenging ground conditions, especially at Clarke and Seaview, which made the tunnel boring process slower than was anticipated.
- The contract language is clear: EGRT is on the hook to address any challenges that may arise and will cover all the costs connected to this work. Government will continue to hold EGRT to their agreement.
- This was a key part of the contract we signed in order to protect British Columbia taxpayers from the costs of any potential challenges. This includes all delays associated with the project and any extra costs related to the tunnel boring machine.

KEY FACTS REGARDING THE ISSUE:

The major construction contract with EGRT has now been in place for over three years and is over 80% complete with the elevated and at-grade guideways structures and trackwork complete. Station buildings are 90-99% complete. Testing and Commissioning in the Burquitlam segment is complete. Over the next year, key activities include finishing work inside the tunnel, completing the station plazas and Park and Ride facilities, and testing and commissioning along the alignment in Port Moody and Coquitlam.

On March 7, 2014 an event took place announcing the start of the tunnel construction and the naming of the tunnel boring machine, Alice. At the event, it was stated that it will take about a year to bore the two-

kilometre tunnel. The main tunnel boring activity began in June 2014. The TBM requires regular maintenance to change the cutter head tools as they wear during boring. The contractor encountered difficulties during maintenance stops, which resulted in tunneling delays. The tunnel boring was complete on Nov. 27, 2015. At the event celebrating the completion of tunnel boring, it was announced that the Evergreen Line project would be finished in early 2017.

One of the main risks identified as part of the project's business case was associated with tunnel boring. In the contract award, the primary contractor, EGRT accepted the geotechnical risk in relation to the bored tunnel, removing the Province's exposure to this risk. The contractor has faced challenges during required maintenance of the tunnel boring machine, and this made the tunnel boring process slower than was anticipated.

The contractor is looking at all available options for the remaining work to open the line as soon as possible. Under the terms of the contract, EGRT has financial incentives to minimize any delay in completion.

The project remains on budget, as the contractor is responsible for all costs relating to the schedule delay under the terms of the fixed price contract.

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ADVICE AND RECOMMENDED RESPONSE:

- **EGRT Construction, the prime contractor for the project, is a consortium of businesses led by SNC-Lavalin.**
- **When choosing a prime contractor, government selects companies with good records of delivering projects.**
- **SNC-Lavalin is a Canadian company with a long-standing, successful history of partnering in major infrastructure projects in B.C. , including Canada Line and the William R. Bennett Bridge.**
- **SNC-Lavalin has private financing during construction. The private lenders are strongly motivated to ensure that work is progressing and that the private finance will be repaid.**
- **Our government has other contractual protections on this project.**
- **For example: providing partial progress payments for work that has actually been completed (with the balance being paid on successful completion).**
- **Staff continues to work closely with the Evergreen Line contractor as the project moves forward.**

If asked about SNC- Lavalin's lawsuit in Quebec:

- **SNC-Lavalin is operating “business as usual” in B.C.**

KEY FACTS REGARDING THE ISSUE:

In 2013, EGRT Construction was selected as the major contractor to design, build and finance the Evergreen Line rapid transit project. SNC-Lavalin is one of the many businesses working with EGRT Construction.

When the contract was awarded for the Evergreen project, SNC-Lavalin was being investigated

following allegations of corruption in Quebec and outside of Canada. The Evergreen Line procurement process includes robust safeguards to ensure the proponents have the financial capacity and standing to undertake the project. Lenders have undertaken extensive due diligence to ensure that proponents can deliver the project and repay their debt at the conclusion of construction. Lenders were required to confirm their due diligence and support for the project as part of the overall proposal submittals.

In addition, the design-build-finance contract includes numerous safeguards for the province. In the event a primary contractor defaults, lenders can replace the primary contractor. Failing that, the province has the right to step in to sub-contracts and assume the performance security bonds to complete the project.

In February 2015, SNC Lavalin filed a lawsuit in Quebec Superior Court to recover \$22.5 million from its former top executives allegedly paid in bribes to win the government contract to build Montreal's McGill University Health Centre. Since then, SNC has undergone internal management restructuring and continues to do business across Canada and worldwide.

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