

## REGINA BYPASS VALUE FOR MONEY REPORT BACKGROUNDER

The Province of Saskatchewan is building the new publicly owned Regina Bypass using a design-build-finance-operate-maintain (DBFOM) public-private partnership (P3) model. Construction on the new highway began in summer 2015. The first phase will open in fall 2017 and full completion of the highway in fall 2019.

### Value for Money (VFM) Assessment

VFM measures whether a P3 is the best option for a particular project. In the case of the Regina Bypass, the assessment compared the estimated costs of building, maintaining, rehabilitating and operating the same roadway using two different models: traditional design-bid-build (DBB) and DBFOM. The difference between the costs (including the cost of financing and other owner's costs) is the savings, or VFM. For a P3 to provide value, the P3 must cost less than the traditional approach over the life of the contract.

As determined by Ernst & Young, by using a P3 approach, the total project cost was \$1.88 billion in today's dollars, compared to \$2.2 billion for a traditional DBB. This represents a \$380 million (or 16.8%) savings over the 30-year term (plus construction).

Cost savings were achieved through construction and design innovations, life-cycle optimization, risks shifted from the public to the private sector, and a fixed-price contract.

The following chart provides an overview of the cost of building the project using the traditional DBB model and the P3 model.

NET PRESENT VALUE (\$000)	DBB OPTION	FINAL PROJECT COST
<b>Construction, &amp; Maintenance Period Costs</b>	1,646.2: <ul style="list-style-type: none"> <li>• Construction 1,226.6</li> <li>• Operating 65.3</li> <li>• Rehabilitation 354.3</li> </ul>	1,787.0
<b>Retained Risk</b>	476.9	49.4
<b>Competitive Neutrality</b>	49.3	-
<b>Ancillary Costs (Procurement, Implementation and Other Owner Costs)</b>	89.0	45.1
<b>Total</b>	2,261.4	1,881.5
<b>Cost Differential</b>	379.9 million	
<b>Percentage Savings</b>	16.8%	

### Fairness Advisor

An independent and expert external Fairness Advisor was engaged to monitor the competitive selection process and concluded that it was fair and impartial. The Fairness Advisor concluded the Request of Qualifications (RFQ) and Request for Proposals (RFP) processes were conducted in a fair manner and in accordance with the procedures that had been set out. The government and its advisors followed the procedures and fairly applied the evaluation criteria specified. Where judgment and interpretation were required, the team members exercised reasonable judgment and made interpretations in a fair and impartial manner. The two Fairness Advisor report is available at [www.saskbuilds.ca](http://www.saskbuilds.ca).