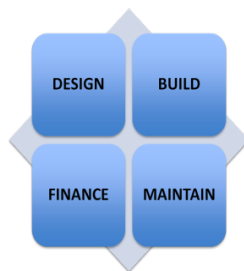


OLRT Project Procurement

How is the City procuring Ottawa's Light Rail Transit (OLRT) project?

The construction phase of a major infrastructure project is a very commonly understood process. We can see it, hear it and sometimes even are inconvenienced by it. But slowly and inevitably we see progress.

Equally important to infrastructure construction, but much less visible, is project procurement - how the system is designed and the system constructor is chosen.



The City has chosen the Province of Ontario's Alternative Procurement and Delivery (AFP) model for the OLRT project. This means the following four key phases of a project will be integrated into one contract: Design, Build, Finance and Maintenance (DBFM). For large, complex projects like the OLRT project, integrating these phases into one contract ensures price and time certainty.

Design

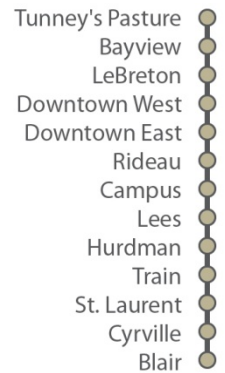
Say you wanted to build a house from scratch. Your first step would be to hire an architect and work with them to create a detailed blueprint to give to a construction company, who in turn would offer you a quote. If you wanted to be a bit more competitive you might ask several construction companies for quotes and then you would choose the lowest price.

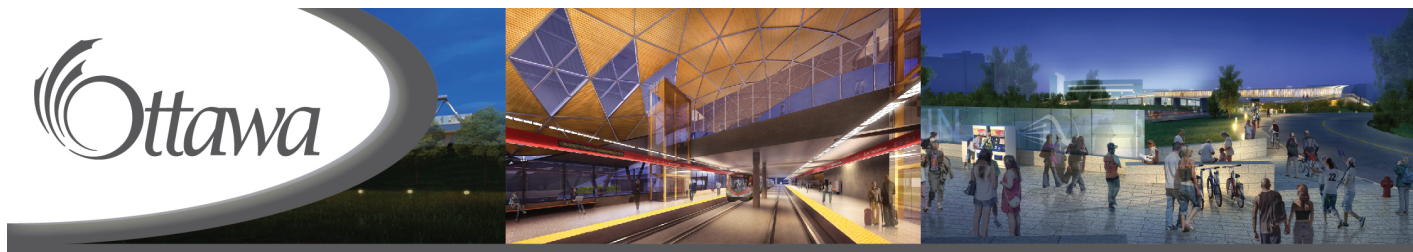
This is basically how most City of Ottawa infrastructure projects are procured. The City creates a detailed design of the project and lets several companies bid on how much it would cost to construct and then gives the project to the lowest bid.



However, on large and complicated projects like this one it is beneficial to leave most of the design up to the DBFM contractor (City advances design to approximately 30%) because it allows them to apply all of their creativity and experience to innovate and design a system they can build and maintain at the lowest cost while still meeting the quality and performance standards set by the City of Ottawa.

The DBFM contractor is also financially responsible for design errors, therefore, it will perform additional due diligence to ensure that there are no construction delays. As well, the DBFM contractor will ensure that the project is in good condition through the maintenance term and upon handover of maintenance responsibility to the City at the end of the contract term.





Build

The DBFM contractor is required to build the OLRT project according to the city's specifications. Like any other large project, the DBFM contractor will be responsible for obtaining permits, construction materials and sub-contractors, as well as disposing of waste generated by construction. The DBFM contractor is responsible for keeping the project on time and on budget; it is motivated to do so because it will not receive payments from the City until contractually agreed to milestones are complete. The DBFM contractor is responsible for financing construction and is motivated to keep the project on schedule in order to minimize its cost.

Finance

The DBFM Contractor is responsible for financing the project's design and construction cost and it will borrow this money from lending institutions (i.e. banks, insurance companies, etc.).

At key milestones during construction, the city will make payments to the DBFM contractor but hold back up to \$400 million, repaying this amount annually over the 30-year maintenance term. Payments to the DBFM Contractor during the maintenance term are subject to deductions if the OLRT is not maintained as required under the Project Agreement.

Lenders have a vested interest in providing project oversight and scrutiny to ensure there are no costs or schedule overruns during construction. Further, interest payments on the project loan will accrue daily, which provides a huge incentive for the DBFM contractor to build the project as fast as possible.

Maintain

The City has included a requirement for the DBFM contractor to also pay for and run the maintenance of the system over 30 years. This responsibility motivates the DBFM contractor to build the best possible system as it will be responsible for any maintenance costs. Maintenance services must meet the city's requirements. Payments to the DBFM contractor can be withheld if at any point it does not meet obligations. Deductions may be made against construction and finance payments as well as maintenance costs.

Design Build Finance Maintain

City Council has asked Infrastructure Ontario to be procurement lead on the project as they have lead over 50 successful AFP projects. RFP submissions for the OLRT project will be received later this year with construction - the build phase of this procurement model - to commence in early 2013.

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