

July 26, 2019

Hon. Claire Trevena
Minister, Transportation and Infrastructure
Parliament Buildings,
Victoria, B.C. V8V 1X4
Delivered by email: Minister.Transportation@gov.bc.ca

Dear Minister Trevena,

Re: Budgeting process for the Highway No. 1 at Illecillewaet project and other key infrastructure projects in B.C.

Thank you for responding to our letter of May 25, 2019, and referring us to Jennifer Fraser, director of the Trans-Canada Highway Program, and Irene Kerr, president and CEO of BC Infrastructure Benefits Inc., regarding the specifics of our letter.

We appreciate your clarification that the Highway No. 1 at Illecillewaet project required significant design modifications as a result of additional engineering and geotechnical investigation, suggesting therefore that the modifications contributed to the budget increase. We recognize that shifting market conditions also affect project budgets and, as noted in our earlier correspondence, concur that the cost of materials, including steel and asphalt, has increased in the last 12 months.

We also acknowledge your confidence in your government's budgeting process and confirmation that project delivery teams review and update project budgets to reflect shifting market conditions. Our expectation therefore is that your government's budgets for the two CBA-projects in our region (and all other infrastructure projects) will not lag behind current costs to construct, as witnessed on the Highway No. 1 at Illecillewaet project, and result in \$millions difference to be paid for by B.C.'s taxpayers. In addition to continuing to monitor the financial outcome of the Highway No. 1 at Illecillewaet project, we will carefully monitor the budgeting process for the Pattullo Bridge replacement and Broadway Subway Line projects, and other infrastructure projects.

Notwithstanding the above, what remains absent is a specific explanation from government of the 143% increase in the Highway No. 1 at Illecillewaet project's budget since August 2015, within which is embedded a 35% budget increase since February 2019.

Based on information provided via earlier government commentary as well as in your letter to us, we have taken the opportunity to develop the table overleaf that sets out what appears to be the key components of the project budget escalation over two specific time periods. As follows:

Project budget escalation due to:

<i>Period</i>	<i>Project budget escalation (\$million/% increase)</i>	<i>Materials (mkt. conditions)</i>	<i>Scope (design modifications)</i>	<i>Skilled labour (mkt. conditions)</i>	<i>Skilled labour (CBA *)</i>
Aug 2015-Feb 2019 (from \$35m to \$62.9m)	27.9 (80%)				
Feb 2019-May 2019 (from \$62.9m to \$85.2m)	22.3 (35%)				
TOTAL project budget escalation (from \$35m to \$85.2m)	50.2 (143%)				

**the provincial government's Community Benefits Agreement*

We will use the above template to guide our discussions with both Ms. Fraser and Ms. Kerr, understanding that they may choose to populate the table as presented or provide the information requested in another format. We will also liaise with Ms. Kerr specifically to understand the extent of funds allocated to the project in respect of the government's Community Benefits Agreement.

Please contact me directly at fiona@vrca.ca or 604.293.6585 if you have questions.

Regards,



Fiona Famulak
President



Jason Glue
Chair, 2019-20 Board of Directors

cc.

Hon. John Horgan, Premier of B.C., (premier@gov.bc.ca)

Hon. Carole James, Minister of Finance and Deputy Premier (FIN.Minister@gov.bc.ca)