



Office of the Mayor

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May 12, 2022

Reference No.: 432574877

Honourable Omar Alghabra
Minister of Transport
House of Commons
Ottawa ON K1A 0A6
Email: omar.alghabra@parl.gc.ca

Dear Minister Alghabra:

I would like to take this opportunity to discuss the City of Edmonton's request for a funding top up to help mitigate the escalated costs of the 50th Street CP Railway Grade Separation and Widening project, a key civic priority your Ministry has generously invested in through the National Trades Corridor Fund (NTCF).

Since the project was granted funding approval of \$39.8 million under the program's first call in 2017, costs have more than doubled, increasing from \$86.3 million to \$181.3 million as reflected in the successful (and lowest) project tender. This situation has added project risk and considerable financial pressure on the City to complete the project within its current scope without additional federal support.

While necessary, the project's design and cost has evolved to include necessary improvements to preserve the efficiency of goods movement for both the road and rail operations. There are many additional external factors outside the City's control that are also responsible, namely:

- **COVID-19 pandemic** - intermittent and sustained shortages in production and manufacturing labour over the past few years has placed extended pressure on the supply chain for construction materials.
- **Infrastructure stimulus** - increased demand for labour, material and equipment in the construction industry due to infrastructure investment critical to our country's economic recovery and long term sustainability.
- **Climate change emergency response** - flooding in British Columbia has increased unplanned demand for labour, material and equipment from the construction industry.
- **International conflict** - trade embargos and economic sanctions has placed further strain on the world economy creating a less stable marketplace and making commodity pricing unpredictable.

Several commodities in particular that are specific to project construction have experienced significant cost increases since the start of the year:

- **Nickel** - up 300% (a key ingredient in stainless steel).
- **Fuel** - up 25%.
- **Structural steel** - up 54%.
- **Mechanically stabilized earth (MSE) panels** - up 35%.
- **Underground drainage and utility services** - up 10% to 15% due to high demand.

In light of these current global and marketplace events impacting the project, the City is requesting additional funding support of \$30.8 million through the recent recapitalization of the NTCF, as was stated in a March 17 letter from our administration to Mr. Joshua Larocque the Director General of Transportation and Infrastructure Projects. This would retain the federal share up to 50 per cent of current eligible project expenditures (now estimated at \$141.1 million) for an increase total program contribution of \$70.6 million.

This additional investment by your government would reduce the City's increased share of project costs at a time when the City has much less fiscal capacity to absorb increased expenditures. Our capital programs are already facing challenges due to the pandemic, as a result of lower municipal revenues and operating shortfalls that are depleting our capital reserves.

The City is also in the last year of its current four-year capital budget, which means that dollars in this capital cycle are committed and cannot be reallocated, as funded projects are in progress. Without supplementary funding, the City will have to cover the shortfall through tax-supported debt, which will add to our carrying costs and be ultimately borne by Edmontonians through the tax levy when our citizens are also dealing with rising inflation and higher cost of living expenses.

The City of Edmonton has a long history of collaborating with its partner governments to deliver the necessary capital infrastructure that improves the lives of Edmontonians and Canadians. On behalf of Edmonton's City Council, I thank you for your attention to our request and your continued support for this important initiative; I look forward to working with your government to achieve our shared objectives.

Sincerely,



Amarjeet Sohi
Mayor

cc: Hon. Randy Boissonnault, Associate Minister of Finance, Government of Canada
randy.boissonnault@parl.gc.ca