



November 22, 2022

Premier Danielle Smith
307 Legislature Building
10800 – 97 Avenue
Edmonton, Alberta T5K 2B6
By Email: premier@gov.ab.ca

Dear Premier Smith:

Re: Calgary Banff Passenger Rail Project (CABR): A Priority Project's Next Steps
Transforming Alberta with Express Transit Calgary Airport to Downtown, Connection to Mountains

We are delighted by the leadership shown by you and your government in making an express passenger rail link between Calgary International Airport and downtown Calgary, and on to Banff, a priority for the Province and the City of Calgary. We were similarly delighted by the supportive response from Calgary Mayor Jyoti Gondek.

This is a priority infrastructure project for Alberta, as it will deliver to the Province a unique rail system in North America:

- the fastest travel times from an airport to downtown of any major city in North America;
- vastly improved labour mobility within north east Calgary as well as along the Bow Valley;
- a direct connection to a world-class recreational destination in Banff/Canmore; and
- potentially the first zero-emission hydrogen-powered passenger train in North America.

CABR will serve as the foundation upon which to build a multi-rail hub at the airport, making it complementary to City of Calgary's planned LRT connections to the airport. The project will transform Alberta's tourism sector, providing economic diversification and the revitalization of downtown Calgary. It is an opportunity for Alberta to show world class environmental leadership in a practical and cost-effective way. It will also drive much needed job creation in both the short term and long term.

As a next step, Liricon/Plenary look forward to working with the Government of Alberta and the Canada Infrastructure Bank to follow-up Liricon/Plenary's proposal to the Province in late 2021 through a project development agreement. This will allow the project to progress so that a final investment decision can be made by the Province in 2023 and completion and in-service operation can be achieved by 2027.

Economic Benefits

An Economic Impact Assessment conducted by Mott MacDonald in May 2022 concluded that the project would deliver:

- a Benefit Cost Ratio of 2.8 times;
- over 9,880 job years of employment over a three-year construction period, plus 400 Full Time Equivalent positions in operations, plus an estimated 22,500 long term incremental jobs from increased tourism activities.
- over \$6.4 billion of gross value added to the Alberta economy once completed; and
- an economic rate of return on the proposed maximum investment by the Government of Alberta of over 6.9 times.

These conservatively estimated economic benefits almost triple when using Liricon/ Plenary's ridership projections, which forecast 11.8 million passenger trips per year (80% within the City of Calgary), underpinning the broad and diverse benefits to the Province.

Liricon/ Plenary Proposal

As you are aware Liricon Capital Ltd, with the support of Plenary Americas, has championed the Calgary Airport Banff Passenger Rail Project for more than 6 years and in late 2021 submitted a proposal as the developer to advance the project to its Design Phase under Government of Alberta's unsolicited proposals framework.

We were pleased to have the opportunity to clarify our proposal following feedback from the government in July 2022 and to build upon new information from Parks Canada and from City of Calgary to improve the proposed project and reduce risks to Government of Alberta.

Liricon/ Plenary remain committed to our proposal and to assisting Government of Alberta to develop a fiscally and environmentally responsible project which meets the needs of the communities that it serves.

The Government of Alberta has already demonstrated strong support for CABR, advancing the project since 2016 from Phase One - Conceptual, to Phase Two - Feasibility, and Phase Three - Development. By continuing to advance the project to Phase Four – Design, the Government of Alberta, as project sponsor, is catalyzing the work of other governmental and private sector stakeholders in the project to commence detailed consultation and design before any final investment decision is made and the project is advanced to Phase Five - Construction.

There are several key insights from the work undertaken by Liricon/Plenary in conjunction with our highly engaged stakeholders and businesses, and building on the analysis and study already conducted by Canada Infrastructure Bank and Government of Alberta:

- mass transit to the Bow Valley only makes economic and financial sense if it includes a direct express link between Calgary Airport and downtown Calgary;

- the costs, risks and timeline of a rail link are dramatically reduced by using the existing CP Rail corridor compared to a greenfield LRT;
- the National and Provincial Parks “gate fee” can play a large role in encouraging use of the train, taking personal vehicles off the road and thereby delivering significant environmental benefits; and
- premium fares charged to tourists for a high-quality transportation experience can help subsidize the costs of public mass transit for Albertans.

The project has achieved several key milestones in recent months:

Recognition of Importance for Sustainability of Banff National Park

- The Banff National Park Management Plan published in August 2022 recognized the importance of low emission sustainable mass transit solutions to reduce reliance on personal vehicles. This is a first step towards implementing policies such as targeted gate fee adjustments which can support the CABR Project. The Project represents the strongest, most cost effective and furthest developed option to meet the Parks Canada goal of finding a solution - before 2024 - to provide sustainable mass transit for the 4.2 million visitors annually to the Park as well as the over 5 million annual visits to the Kananaskis Country provincial park system. Liricon/Plenary look forward to publication of the recommendations of the Expert Panel on Sustainable Transportation in the Bow Valley, which Parks Canada appointed in November 2020 and which we anticipate will provide additional focus on the importance of the CABR Project.
- CABR will provide key infrastructure upon which to advance the BANFF NATIONAL PARK NET ZERO 2035 initiative, the goal of which is to make Banff North America’s first net zero emissions community.
- Government of Alberta has shown leadership in the sustainable management of personal vehicle use in our parks by introducing in June 2021 an entry fee for Kananaskis Country. While this creates a revenue source for sustainable parks management like the gate fees for Banff National Park, it is explicitly targeted at the use of personal vehicles.
- CABR’s capped Alberta annual partial capital payment of \$30m is based on capturing 20% of Park visitors, but should Parks Canada increase the personal vehicle entrance fee so that CABR captures 40% or more of Park visitors, then the Province’s annual performance payment could be reduced or possibly even eliminated. As an example, Zion National Park in the United States charges US\$35/vehicle (C\$45/vehicle) with no mass transit alternative.

Core Public Mass Transit for City of Calgary

- Work with the City of Calgary and the Calgary Airport has focused on CABR being the foundation upon which other complementary transportation solutions can be developed, including the Calgary Transit Airport Transit Line and the proposed Edmonton – Calgary High Speed Rail.

- Liricon/ Plenary have entered into a memorandum of understanding with the Prairie Link High Speed Rail proponents to build and share the Calgary Airport to downtown Calgary segment.
- The support of CP Rail is essential to cost effective and timely delivery of a direct fast Airport to downtown link. The importance of CABR is underlined by the recent extension of the CP Rail Memorandum of Understanding between CP Rail and Liricon with respect to the lease of the CP Rail right of way until October 2023 and the public comments made by CP Rail in support of the viability of the project.
- This direct express mass transit link from Airport to downtown will place Calgary amongst world class cities with this infrastructure and will generate 80% of the 11.6 million trips pa forecast for the project. The fast, environmentally sustainable connection to our world class mountain recreation facilities is the bonus from this core public transit infrastructure investment. However, it is the continuation of the railway to Banff which delivers the full social, economic and environmental benefits of the project and creates the ability for premium international visitors to subsidize this important public transit and downtown Calgary revitalization project for the benefit of Albertans.

Liricon/ Plenary have received over two dozen letters of support from prominent community, government and business stakeholders, all of whom focus on the importance of a fast, frequent and direct rail connection between Calgary Airport and Banff through the downtown Calgary.

Calgary Airport Authority President & CEO Bob Sartor expressed the view well when he said:

“A rail connection between Banff and YYC Calgary International Airport is a critical way to connect travelers to one of Canada’s most awe-inspiring destinations while providing long-term economic, social and environmental benefits to the region. We look forward to helping advance this transformative project.”

Effective Risk Transfer, Low Cost and Access to New Sources of Financing

Liricon/Plenary’s proposal, with the support of Canada Infrastructure Bank in its May 2022 assessment, represents effective risk transfer from government to private sector partners and is a fiscally responsible way to proceed towards a final investment decision. This minimizes the required investment and risk by Alberta.

- Liricon/Plenary will pay over 80% of the \$105 million budget necessary to achieve financial close alongside matching contributions of \$10 million from each of Canada Infrastructure Bank and Government of Alberta.
- Liricon/ Plenary, in conjunction with a low interest loan from Canada Infrastructure Bank covering 50% of capital costs, will finance the project against ridership revenues
- As set out in our proposal, the Government of Alberta financial contribution (which would contribute to the repayment of capital used to fund construction, not operations) will be contingent upon the successful performance of the project, will be capped at no greater than \$30 million per year and will share in upside revenues should the project outperform expectations.
- Should capital costs exceed projections or ridership revenue be lower than forecast, the financial contribution by the Government of Alberta would still not exceed the agreed cap.

Liricon/ Plenary reiterate our willingness to accept the risks of delivering this project and the benefits identified through a public private partnership, which recognizes that the benefits of the project can best be delivered by a private sector partner willing to deliver exceptional service quality and to accept the risks of ridership and revenue upon which the long term success of the project depend.

The project is low risk to Alberta taxpayers. The Proposal structures CABR as a public-private-partnership (P3) where the private partner assumes the risks of achieving a commercially reasonable investment, including capital cost, ridership and revenue.

We recognize that Government of Alberta and City of Calgary have competing priorities for funding. The proposed project structure offers new sources of funding and financing which do not crowd out the funding available for other public transit or transportation infrastructure.

As CIB wrote in its assessment of the Liricon/ Plenary proposal, *“This arrangement would represent an unprecedented assumption by the private sector of development risk for a project of this nature in the Canadian market and would represent real and substantial value to Alberta.”*

Liricon/Plenary also recognize the importance of our planned public and indigenous consultation process to finalize design and service levels and ensure that the project is delivering the needs of the communities which it will serve. Liricon/ Plenary seek to move quickly into a formal development agreement with the Province for the project which will allow this consultation process to commence with the leadership of Government of Alberta in order to progress the project to a final investment decision in 2023 for completion and in- service operation by 2027.

We look forward to progressing the project with you.

Yours sincerely,



Jan Waterous

Managing Partner

Liricon Capital Ltd.



Brian Budden

President

Plenary Americas

cc: Alberta Transportation Minister Devin Dreeshen

Canada Infrastructure Bank CEO Ehren Cory

Bow Valley Corridor Alliance (Calgary Mayor Jyoti Gondek, Cochrane Mayor Jeff Genung, Canmore Mayor Sean Krausert, Banff Mayor Corrie DiMano)

Calgary Airport Authority CEO Bob Sartor

Backgrounder

Calgary Airport – Downtown to Banff Passenger Rail is a proposed 150km dedicated passenger railway built within the existing CP Rail freight corridor and will provide high frequency, reliable service between at least 7 stations at Calgary Airport, Downtown Calgary, Calgary Keith, Cochrane, Canmore, Morley (Stoney Nakoda), and Banff. Net economy class ticket costs for Albertans are estimated to be about \$10 from the Airport to Downtown Calgary and \$20 from Downtown Calgary to Banff taking into account discounts for entry to the Park.

Feasibility studies have been conducted between 2016 – 2021 by the Bow Valley Transit Alliance and Canada Infrastructure Bank with the support of Government of Alberta.

In July 2021, Government of Alberta entered into a Memorandum of Understanding with Canada Infrastructure Bank (CIB) which would support project development and contribute 50% of the capital investment for the project at low interest rates.

In November 2021, Government of Alberta received an unsolicited proposal for development of the project from Liricon Capital Ltd and Plenary Group which contemplates development and construction financing from private and institutional capital and the CIB. Once CABR is up and running, CABR's operating and financing costs will be serviced by revenues from the Project, supported, if necessary, by a contingent performance payment of up to \$30 million / year (2021\$) from the Government of Alberta to assist in the repayment of capital. This financial contribution represents a cap for the benefit of reducing any risk to Government of Alberta and may be reduced or eliminated through further refinement of the Project's design and operating parameters and long-term upside revenue-sharing mechanisms.

About Liricon/Plenary

Liricon is the family holding company of Banff locals Jan and Adam Waterous, who have been facilitating the planning and stakeholder support for the CABR Project for more than 6 years. To drive success for the project, Liricon has already entered into a long-term lease of the historic Banff Train Station and entered into an MOU with CP Rail to utilize the CP Rail Corridor for the project. Liricon is working with the Town of Banff and Parks Canada to transform the train station into a multi-modal eco-transit hub. Liricon has been deeply engaged with CIB and the Province of Alberta since its initial unsolicited proposals in 2019 and May 2021 respectively. Liricon was encouraged to expand its development team with complementary skills. After a process involving more than 30 Canadian and international developers, Liricon selected Plenary as its co-development partner.

Plenary is the largest dedicated PPP developer in North America, with over 110 in-house professionals with capabilities spanning legal, finance, technical oversight, project delivery and the full scope of "back office" services necessary to support a project of this scope and complexity. Since its founding in Canada in 2005, Plenary has developed and now manages 56 PPP projects in North America, including the Stoney CNG Bus Storage and Transit Facility in Calgary. In September 2022 a Plenary led consortium was selected as preferred proponent for the PPP contract to provide long-term Rolling Stock, Systems, Operations and Maintenance services to the **Ontario Line in Toronto**. Plenary is owned by CDPQ, a global investment group managing net assets of over \$390 billion on behalf of more than 40 public pension and insurance plans.

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