

Gordie Howe Bridge P3, Canada/US

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The Gordie Howe Bridge P3 – formerly known as Detroit River International Crossing (DRIC) and the New International Trade Crossing (NITC) – has been an endurance test. One of the largest ever infrastructure projects in North America, 18 years passed between completion of its cross-border traffic study and financial close on 28 September (2018).

The project comprises a fixed-priced contract valued at \$5.7 billion with concessionaire Bridging North America (BNA) to DBFOM the Gordie Howe International Bridge. BNA will receive progress payments during construction and a substantial completion payment at the end of construction. The consortium will also receive monthly payments for O&M over the 30-year concession.

BNA has a 74-month construction schedule to complete the four components of the project, with the bridge scheduled to be in service by the end of 2024. Advance construction on the US side of the project, as well as preparatory work on the Canadian side have already begun.

The new six-lane bridge across the Detroit River between Windsor, Ontario and Detroit, Michigan is a new end-to-end transport system that also includes associated border inspection plazas and connections to the freeway systems in Ontario and Michigan. This project will provide an essential additional crossing option at one of the busiest Canada-US commercial border crossings.

The Government of Canada and the state of Michigan will own the bridge jointly. Canada has already invested C\$559 million (\$436 million) from 2006 to 31 March 2018 to get the project to this milestone with funds used on:

- environmental assessment work
- advance construction contracts on both the Canadian and US side
- land acquisition
- utilities relocation
- ongoing operations of the Windsor-Detroit Bridge Authority (WDBA)

It is estimated that the P3 project will result in savings of around C\$562.8 million or 10.7% compared to traditional procurement methods and will enhance trade opportunities.

18 years in the making...

The Windsor-Detroit gateway had long been identified as one of the busiest border crossings in North America. The gateway already has four existing crossings:

- the privately-owned [Ambassador Bridge](#)
- the Windsor-Detroit Tunnel (owned jointly by the cities of Windsor and Detroit)
- the Michigan Central Railway Tunnel (owned by Borealis Infrastructure and Canadian Pacific Railway)
- privately-owned Detroit-Windsor Truck Ferry

Following some initial discussions, concerns were raised that the existing crossings would not support the anticipated increase in cross border traffic. In 2000, the Ontario Ministry of Transportation, Transport Canada, the Michigan Department of Transportation and the US Federal Highway Administration conducted a cross-border traffic survey to study travelling patterns.

This led to the creation of a Canada-US-Ontario-Michigan border transport partnership with further studies conducted in consultation with both sides from 2001-2003. Initial findings were then made public and the bi-national partnership formally launched the Detroit River International Crossing (DRIC) study in both countries.

A major infrastructure initiative such as a new border transport system requires that environmental studies be carried out. This project in particular required an additional amount of effort to ensure that it was coordinated to meet the legislated requirements from governments on both sides of the border.

In 2009, the partnership received approvals under the Ontario Environmental Assessment Act and the Canadian Environmental Assessment Act. On the US side, the Federal Highway Administration (FHWA) issued a Record of Decision approving the US portion of the new Detroit-Windsor border crossing system.

The Michigan Department of Transportation (MDOT) issued an RFPI for the Gordie Howe Bridge in [January 2010](#) with the stage being set to form a P3 to move the project forward. In the same month, MDOT issued an [RFP](#) for a legal adviser.

In [January 2011](#), Michigan state governor Rick Snyder gave his approval for the project, as long as the US state did not take on any new debt as part of the deal. However the legislature did not support the project with legislation for the project being rejected. In the end, in [2013](#), the US Department of State granted a presidential permit allowing the project to go ahead.

On the Canadian side, the WDBA was created in 2012 to manage the procurement process for the design, construction, operation and maintenance of the new bridge.

An RFQ was then issued in [July 2015](#) for the Detroit-Windsor Bridge with [six groups](#) submitting SOQs. The announcement of three shortlisted groups was made in [January 2016](#) with an RFP being issued in [November 2016](#). The competing teams were:

Legacy Link Partners

- SNC-Lavalin
- Vinci
- John Laing

Bridging North America

- ACS
- Fluor Canada
- Aecon Concessions
- AECOM

CanAm Gateway Partners

- Fengate Capital Management
- BBGI CanHoldco
- EllisDon Capital
- Bechtel Development Company

Banks began circling the deal in [July 2017](#) with the shortlisted bidders starting market soundings with prospective lenders ahead of preparing binding proposals.

The Bridging North America team was selected as preferred bidder in [July \(2018\)](#). The project consisted of four main

components:

- six-lane, 850m suspension or cable-stayed 2.5km bridge
- 130-acre Canadian port of entry plaza that will include US inbound border inspection facilities
- 145-acre US port of entry plaza that will include US inbound border inspection facilities and exit controls booths
- interchange on the US side that connects I-75 in Michigan to the US plaza

Once completed, the bridge – with a main span length of 853m – will be the largest cable-stay bridge in North America measured by main span.

Aecon Group had been a member of this consortium earlier in the tender process but dropped out in May, which it described as a commercial decision. At the time, Aecon was subject to a potential takeover by the international investment arm of China Construction Company. However, the takeover was blocked by the Canadian government on security grounds.

Aecon then confirmed it was no longer looking for a buyer and rejoined the winning consortium in [August](#).

Bonds priced on 21 September with financial close taking place a week later on [28 September](#).

What a Moroun

In 2009, Manuel Moroun, the owner of Ambassador Bridge filed a federal lawsuit to try and halt the Gordie Howe Bridge claiming it would impact toll revenues and impact his plans to twin span the existing bridge.

So began several years of campaigning to block the procurement of the bridge. Over the years, his lawsuits claimed:

- the state was improperly diverting trucks and cheating the Detroit International Bridge Company of millions
- he had perpetual and exclusive franchise rights to operate the Windsor-Detroit crossing without competition from another bridge, based on agreements signed in the 1920s
- that the US departments of State, Transport, Coast Guard and Homeland Security, as well as the Canadian government had thwarted the bridge company's right to build a twin span

Moroun's latest lawsuit was rejected in May (2018) by the Michigan legislature, underscoring the fact that the project would move forward regardless of Moroun's objections.

Financing

The deal closed through a combination of PABs and a senior construction loan. The lead underwriters of the C\$446.4 million bonds were HSBC and RBC, and the bonds are split as follows:

- medium-term tranche – C\$157.1 million with a pricing coupon of 4.023% due 31 May 2038
- long-term tranche – C\$289.3 million with a pricing coupon of 4.341% due 31 August 2053

The bonds priced on 21 September with Standard & Poor's in August giving them a preliminary rating of 'A-' with a stable outlook. At the time, rating reflected the experience of the consortium selected to build the bridge that will span the US-Canada border from Michigan to Ontario.

The following banks provided a C\$587.14 million short-term senior construction loan facility split equally:

- Desjardin
- HSBC
- Mizuho
- RBC
- TD Securities

McCarthy acted as legal adviser to the construction lenders with BTY providing technical advice and INTECH working on insurance.

The equity amount is C\$93.04 million and is split between three equity members:

- ACS – C\$37.21 million
- Fluor – C\$37.21 million
- Aecon Concessions – C\$18.61 million

The remainder of the funding package comprises:

- C\$2.74 billion in progress payments
- C\$37.5 million in capital payments from the WDBA

Advisers to the WDBA are:

- Deloitte – financial
- Fasken – legal
- Warner Norcross & Judd – legal
- Parsons – general engineering

The market speaks

The new bridge will positively impact the flow of traffic and goods through this key gateway and once operational, will encourage new investment between Canada and the US.

Mark Butler, director of communications at WDBA, said: “The Windsor-Detroit Gateway is the busiest commercial land border crossing between Canada and the US and is vital to the economies of Ontario, Michigan, Canada’s and the US.”

Dhaval Shah, a director in the global infrastructure group at S&P Global Ratings in Toronto, said: “The Gordie Howe Bridge was a major cross-border transaction with its own risks. One of which was working with such a broad range of stakeholders and managing foreign exchange risk given that it was a US-Canadian project. However, the contractors were very experienced and had strong balance sheets, specifically Fluor (A-/stable). The financing and construction contracts were also executed using Canadian dollars so this eliminated the foreign exchange exposure.”

The bridge includes four components – the Canadian and US ports of entry, the bridge itself and the Michigan Interchange. Each component on its own is significant – but together they are massive. “We wanted to ensure that we had the best bid for the best price and are very pleased with the calibre of expertise and wealth of previous infrastructure knowledge that the team members of Bridging North America bring to the project,” said Butler.

Shah adds: “The way we approached the project was to review the concession agreement and contractual structure, experience and credit strength of the contractors and also compare similar deals that took up to five years to construct such as Goethals Bridge and Champlain Bridge before rating the project A-.”

Butler added: “Once constructed, the Gordie Howe international Bridge will be the longest cable-stayed bridge in North America. As it crosses an international border, the project needs to adhere to the requirements and legislation of two countries and several provincial, state and municipal jurisdictions. Construction of the Gordie Howe International Bridge will provide a sizeable boost to the economies of Windsor/Detroit, Ontario and Michigan by directly and indirectly supporting and creating thousands of jobs.”

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