

## **SCHEDULE 10**

### **INDEX FACTOR**

#### **1. GENERAL**

##### **1.1 Capitalized Terms**

Capitalized terms used in this Schedule have the definitions as set out in the Agreement to Design, Build, Finance and Operate Anthony Henday Drive Southeast Leg Ring Road (the “DBFO Agreement”) between Her Majesty the Queen in right of Alberta and the Contractor, as defined therein, unless expressed otherwise.

##### **1.2 DBFO Agreement Reference**

This Schedule is referenced in Sections 1.3, 10.1 and 10.2 of the DBFO Agreement.

#### **2. ADDITIONAL DEFINITIONS**

These additional capitalized terms used in this Schedule have the following definitions:

“**Fiscal Year**” means the twelve-month period beginning on April 1 of a year and ending on March 31 of the following year.

“**Existing O&M Payment**” means the component of the O&M Payment paid to the Contractor for performing O&M in relation to the Existing Infrastructure as specified in Appendix 1, as attached and forming part of this Schedule 14 (Payment Schedule).

“**New O&M Payment**” means the component of the O&M Payment paid to the Contractor for performing O&M in relation to the New Infrastructure as specified in Appendix 1, as attached and forming part of this Schedule 14 (Payment Schedule).

#### **3. SPECIFIC PAYMENTS AND ADJUSTMENTS SUBJECT TO INFLATION**

In order to account for the impacts of inflation or deflation during the Construction Period and the Operating Period of the DBFO Agreement, a number of payments and

payment adjustments, as specified in Sections 10.1, 10.2, and 10.3 of the DBFO Agreement, will be subject to an inflation adjustment. Payments and payment adjustments that will be increased or decreased by this inflation adjustment include:

- (a) A New O&M Payment;
- (b) An Existing O&M Payment;
- (c) A Major Rehabilitation Payment; and
- (d) All applicable Payment Adjustments.

#### **4. THE INDEX FACTOR**

The inflation adjustment for the DBFO Agreement will be determined based on the Index Factor, which is calculated using the “Maintenance Price Index” prepared annually by Alberta Transportation for use in relation to adjusting for inflation on its current highway maintenance contracts throughout the province of Alberta.

#### **5. MAINTENANCE PRICE INDEX CALCULATION**

##### **5.1 Maintenance Price Index Indices**

The Maintenance Price Index is calculated by Alberta Transportation based on a weighted combination of a number of inflation indices. The indices and the method for calculation of the Maintenance Price Index are described in Appendix 1 to this Schedule 10.

##### **5.2 Replacing Indices**

In the event that any of the indices or data used in the calculation of the Maintenance Price Index becomes unavailable or inapplicable during the Construction Period or the Operating Period, the Province shall, in consultation with the highway maintenance industry and the Contractor, substitute reasonable alternative indices or data.

##### **5.3 Altering the Weighting of Inflation Areas within the Maintenance Price Index**

The Province may at any time during the Operating Period consult with the Province’s highway maintenance contractors, including the Contractor, to determine whether alteration to the weighting of the constituent inflation areas within the Maintenance Price Index (manpower, consumer goods, construction, and diesel fuel) is required to better reflect the impact of inflation or deflation upon its current highway maintenance contracts (a “Weighting Alteration”). Should the Province determine that a Weighting Alteration is appropriate and implement or offer to implement the Weighting Alteration with its highway maintenance contractors generally, then the Contractor may at its option, to be

exercised within 30 days of the Province's offer to it, accept or decline the Weighting Alteration. If the Contractor accepts the Weighting Alteration, then this Schedule shall be amended accordingly.

#### **5.4 Timing of Maintenance Price Index Calculation**

Alberta Transportation shall calculate the Maintenance Price Index, and subsequently the Index Factor, each year after the published data required for the calculations are available for the upcoming Fiscal Year. Once Alberta Transportation calculates the Maintenance Price Index, it will be used in the calculation of the Index Factor as specified in Section 6, below, to be applied to Existing O&M Payments, New O&M Payments and Major Rehabilitation Payments to be made to the Contractor in the upcoming Fiscal Year.

### **6. INDEX FACTOR AND INFLATION ADJUSTMENT**

Payment amounts in Schedule 14 (Payment) that are indicated as being subject to an inflation adjustment in accordance with this Schedule and any adjustments as specified in Sections 10.1 and 10.2 of the DBFO Agreement, will be multiplied by the Index Factor to arrive at the inflation adjusted values.

For amounts payable in each month of the Fiscal Year "T" starting April 1 of "Year T", the applicable Index Factor will be determined as follows:

$$\text{Index Factor (Fiscal Year T)} = \frac{\text{Maintenance Price Index (T - 1)}}{\text{Maintenance Price Index (2004)}}$$

For example, for amounts payable in the 12 months from April 2008 to March 2009, the applicable Index Factor will be calculated by dividing the Maintenance Price Index value for 2007 by the Maintenance Price Index value for 2004.

Appendix 2 to this Schedule 10 illustrates how the Index Factor will be calculated and applied. The illustration is based on an assumption of Traffic Availability on October 26, 2007.

**APPENDIX 1  
MAINTENANCE PRICE INDEX CALCULATION**

The Maintenance Price Index is calculated by Alberta Transportation based on a weighted combination of the following inflation areas:

Inflation Area (Weight)	Indices Used in Each Inflation Area
Manpower (35%)	<p>An average of the following three indices:</p> <ul style="list-style-type: none"> <li>▪ The Alberta Union of Provincial Employees (AUPE) Local 12 Published Annual Salary, for a Technologist III at the Top Level (Not Including Benefits).</li> <li>▪ Average of the Construction Labour Relations (Alberta) Published Hourly Wage for the following two categories: <ul style="list-style-type: none"> <li>○ Certified General Labourers.</li> <li>○ Teamsters, 8 – 12 yd<sup>3</sup> Tandem Axle Truck Operators.</li> </ul> </li> <li>▪ Alberta Roadbuilders and Heavy Construction Association (ARHCA) Published Hourly Wage for the International Union of Operating Engineers (Group 1), Local 955.</li> </ul>
Consumer Goods (45%)	Statistics Canada Report 62-001-SPB, Consumer Price Statistics, Alberta Index, All Items.
Construction (15%)	<p>An average of the following two indices:</p> <ul style="list-style-type: none"> <li>▪ Statistics Canada Report 62-007-XPB, Construction Price Statistics, Non-Residential Building Construction Price Index, Edmonton.</li> <li>▪ Statistics Canada Report 62-007-XPB, Construction Price Statistics, Non-Residential Building Construction Price Index, Calgary.</li> </ul>
Diesel Fuel (5%)	Statistics Canada Catalogue no. 62-011-XPB, Industry Price Indexes, Industrial Product Price Indexes, by Commodity and Commodity Aggregations, Diesel Fuel, Prairies.

The following table illustrates the calculation of the Maintenance Price Index. The base year for the Maintenance Price Index is 2000 and the value is set to be 1.000.

## MAINTENANCE PRICE INDEX 2000 AS BASE YEAR

<b>(a) MANPOWER</b>	2000	2001	2002	2003
(i) AUPE Local 12 annual salary (top of a Technologist III)	\$46,757	\$50,148	\$52,152	\$53,977
Construction Labour Relations	\$28.33	\$30.10	\$31.61	\$32.72
Construction Labour Relations (Teamsters, 8 - 12 yd <sup>3</sup> Tandem Axle)	\$32.91	\$35.54	\$37.32	\$38.63
* (ii) Construction Labour Relations (Combined Average)	\$30.62	\$32.82	\$34.47	\$35.67
(iii) Alberta Roadbuilders & Heavy Construction Assoc.	\$25.16	\$26.16	\$27.01	\$28.64
<b>Calculated Indexes</b>				
(i) Alberta Union of Provincial Employees, Local 12	1.0000	1.0725	1.1154	1.1544
(ii) Construction Labour Relations (Combined Average)	1.0000	1.0718	1.1256	1.1650
(iii) Alberta Roadbuilders & Heavy Construction Assoc.	1.0000	1.0397	1.0735	1.1383
<b>MANPOWER INDEX</b>	<b>1.0000</b>	<b>1.0614</b>	<b>1.1048</b>	<b>1.1526</b>
<i>*Note: both CLR hourly rates were increased by 3.5% (same as AUPE), as negotiations are ongoing and resolution is not expected until May. CLR advises that the increase will be in the 2.5% - 4% range.</i>				
<b>(b) CONSUMER GOODS</b>	2000	2001	2002	2003
<i>Statistics Canada All Items</i>				
Alberta	117.4	120.1	124.2	129.7
<b>CONSUMER GOODS INDEX</b>	<b>1.0000</b>	<b>1.0230</b>	<b>1.0579</b>	<b>1.1045</b>
<b>(c) CONSTRUCTION COSTS</b>	2000	2001	2002	2003
<i>Statistics Canada Non-Residential</i>				
Edmonton	108.6	112.1	114.4	117.5
Calgary	109.7	113.3	115.8	119.4
<b>Calculated Indexes</b>				
Edmonton	1.0000	1.0320	1.0534	1.0817
Calgary	1.0000	1.0331	1.0561	1.0887
<b>CONSTRUCTION COSTS INDEX</b>	<b>1.0000</b>	<b>1.0325</b>	<b>1.0547</b>	<b>1.0852</b>
<b>(d) DIESEL FUEL PRICE</b>	2000	2001	2002	2003
<i>Statistics Canada (DIESEL FUEL)</i>				
Prairies	132.1	129.9	118.5	131.3
<b>DIESEL FUEL PRICE INDEX</b>	<b>1.0000</b>	<b>0.9828</b>	<b>0.8966</b>	<b>0.9934</b>
<b>(e) MAINTENANCE PRICE INDEX</b>	2000	2001	2002	2003
<i>Weighting Factors</i>				
MANPOWER (35%)	0.3500	0.3715	0.3867	0.4034
CONSUMER GOODS (45%)	0.4500	0.4603	0.4761	0.4970
CONSTRUCTION COSTS (15%)	0.1500	0.1549	0.1582	0.1628
DIESEL FUEL PRICE (5%)	0.0500	0.0491	0.0448	0.0497
<b>MAINTENANCE PRICE INDEX</b>	<b>1.0000</b>	<b>1.03585</b>	<b>1.06579</b>	<b>1.11287</b>
<b>ESCALATION ADJUSTMENT FACTOR FOR THE YEAR:</b>				
<b>EFFECTIVE ON:</b>				
	<b>1.0358</b>	<b>1.0289</b>	<b>1.0442</b>	
	(April 02)	(April 03)	(April 04)	

**APPENDIX 2  
ILLUSTRATION OF CALCULATION  
AND APPLICATION OF INDEX FACTOR**

*Illustrative Maintenance Price Index and Index Factor values*

Maintenance Price Index		Index Factor	
Year	Value	Fiscal Year	Value
2003	1.11287		
2004	1.13513	2005/06	1.0000
2005	1.15783	2006/07	1.0200
2006	1.18099	2007/08	1.0404
2007	1.20461	2008/09	1.0612

*Illustrative Application of Index Factor to New O&M Payment*

New O&M Payment for each month in Constant 2004 \$	Index Factor Applicable	Amount Payable after Inflation Adjustment	
Oct. 2007	\$193*	1.0404	\$200.80
Nov. 2007	\$1,000	1.0404	\$1,040.40
Dec. 2007	\$1,000	1.0404	\$1,040.40
Jan. 2008	\$1,000	1.0404	\$1,040.40
Feb. 2008	\$1,000	1.0404	\$1,040.40
Mar. 2008	\$1,000	1.0404	\$1,040.40
Apr. 2008	\$1,000	1.0612	\$1,061.20
May 2008	\$1,000	1.0612	\$1,061.20
Jun. 2008	\$1,000	1.0612	\$1,061.20
Jul. 2008	\$1,000	1.0612	\$1,061.20
Aug. 2008	\$1,000	1.0612	\$1,061.20
Sep. 2008	\$1,000	1.0612	\$1,061.20
Oct. 2008	\$1,000	1.0612	\$1,061.20
Nov. 2008	\$1,000	1.0612	\$1,061.20
Dec. 2008	\$1,000	1.0612	\$1,061.20
Jan. 2009	\$1,000	1.0612	\$1,061.20

\*Payment for 6 days out of 31 days for the month of October, based on Traffic Availability Date of October 26, 2007.