

Astaldi awarded major Muskrat Falls contract

Package of work estimated to be worth \$1 billion

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Astaldi Canada is set to be awarded the contract for major civil works on the Muskrat Falls hydroelectric project on the lower Churchill River, near Happy Valley-Goose Bay.

According to project leaders at Nalcor Energy, the contract is not yet signed, but final negotiations are underway and expected to conclude “in the coming weeks.”

The work package will include construction of the powerhouse, intake, gated spillway and transition structures. It has an estimated value of about \$1 billion, though that number has been floated by industry and is not confirmed by Nalcor Energy.

Nalcor has refused to release any details on the value of project contracts, including both the estimated value of contract awards and the true cost of project work at the end of the day.

In any event, the contract for major civil works signals a major step forward in the construction of what will — at 824-megawatt capacity — be Newfoundland and Labrador’s second-largest power generator after the hydroelectric generating station at Churchill Falls.

The contract for the major civil works at Muskrat Falls has received attention not only for its size and value, but also for comments made by representatives for a company in competition for the contract.

In late September, Aecon chairman and CEO John Beck — one of Astaldi’s competitors for the work — spoke out through local media in Newfoundland and Labrador, saying he felt contracts like the one for the major civil works at Muskrat Falls should not be awarded to companies who do not have experience in the jurisdiction and are not bidding with a Canadian partner.

Speaking broadly on the topic of megaproject construction in Canada, Beck warned (<http://www.thetelegram.com/Business/2013-09-21/article-3398816/CEO-issues-caution-on-Muskrat-Falls-contracting/1>) companies without experience in the country have come in with low bids that are too good to ignore in the case of publicly-funded projects. These low bids, he said, are the result of not understanding or underestimating project demands, national building standards, labour needs and other operational risks. In such cases, he said, while pointing to examples elsewhere in the country, companies have realized they are unable to bring in the project at the contracted price and have had overruns, squeezed subcontractors and taken shortcuts in response.

Aecon employee and former Minister of Natural Resources in Newfoundland and Labrador, Shawn Skinner, has made similar statements (<http://www.thetelegram.com/News/Local/2013-09-04/article-3373560/Former-minister-takes-shot-at-Nalcor-contracting/1>)— with both men denying the comments are tied to their interest in the Muskrat Falls contract. Instead, they say, it is simply raising a red flag for Nalcor Energy.

The major civil works contract amounts to nearly one-sixth of all spending on Muskrat Falls, looking at the Crown corporation's capital budget estimate of \$6.2-billion for the construction at the dam site and the Labrador-Island Link running from Central Labrador to Eastern Newfoundland.

The short list for the contract to build the intake, powerhouse, spillway and transition dams at Muskrat Falls included four bidders: Astaldi S.p.A. out of Italy; a three-way partnership that includes Aecon Construction Group, Flatiron Construction and Barnard Construction; the IKC-ONE Civil Constructors partnership and a three-way joint venture of Salini S.p.A., FCC Construction S.A. and Impregilo S.p.A., also out of Italy.

"We've followed an extensive evaluation and selection process for this contract package," said Gilbert Bennett, Nalcor Energy vice-president and Lower Churchill project lead in the statement announcing the contract.

"Our goal was to identify the contractor that could meet the technical requirements of the work while providing the best overall value for the project and the people of this province."

According to the statement, Astaldi is expected to begin moving in at the site "in the coming weeks."

About 900 people are currently at work on the project.