WSP GLOBAL INC.

ANALYST AND INVESTOR DAY TRANSCRIPT

SEPTEMBER 20, 2016

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September 20, 2016

INTRODUCTION BY ISABELLE ADJAHI, VICE PRESIDENT, INVESTOR RELATIONS

Good morning, ladies and gentlemen. My name is Isabelle Adjahi and I am WSB's Vice President of Investor Relations. Welcome to this Analyst and Investor Day where we really look forward to discussing with you our performance and strategy in this constantly changing economic environment. When I joined the company a few years ago I told the management team at the time that there was no need for us to hold investor days on a yearly basis but only to hold them in the time of significant change. Well, this is the fourth one we have offered in five years and I think this really talks to all the changes which have occurred over that period. We have a new management team, both globally and in Canada; new depth and breadth; an interesting economic environment; and new government policies around the world. So these, we believe, are all good reasons to want to meet with you to discuss what WSP is all about today and to understand the environment in which they've involved the way we want to continue to grow the firm.

Today we will have presentations from Alexandre L'Heureux, our incoming President and CEO; from Hugo Blasutta, who is newly appointed President and CEO of WSP in Canada; and you will also hear from Sashen Guneratna. He's the Managing Director, Infra and Project Finance at PwC Canada. So Sashen will talk about the global infrastructure megatrends, keeping in mind that this sector, together with buildings, represents approximately 80 percent of our global revenues and 56 percent in Canada alone. And finally you will have presentations from our experts, because they're the ones really transforming the strategy into real revenues. So, two of them, Ricet Nadeau and Jean-François Gauthier, both working for WSP, will present, together with our partner from (inaudible), the Turcot Interchange project, which we will be visiting this afternoon.

Before I pass it on the Alexandre, a few housekeeping items. All the presentations will be in this room. They should each last between 20 to 30 minutes followed by a 15 minute Q&A period. Coffee is available at the back of the room at all times and we will take the break and lunch in the foyer. Throughout the day you will also have the opportunity to meet with members of the WSP team as many of us are here in the room today and most of us are wearing red tags so it's easy to recognize. We also have some members of the

Board. So we have Suzanne Rancourt, Josée Perreault, Pierre Fitzgibbon, and Pierre Shoiry. So feel free to interact with them as well. One last point: the event is being webcast live and it will be archived on our website, so we would really appreciate it if, before you ask a question, you raise your hand, and we have two ladies, we're going to have Cynthia and Erica with microphones so that people listening through webcast can hear the question as well. Of course, don't forget to put your mobile device on mute and if you need the code for the Wi-Fi, the Wi-Fi network name is CMR and you have the passcode on your tables.

So, this being said, I will now turn it over to Alexandre. Alex?

ALEXANDRE L'HEUREUX, PRESIDENT & CHIEF EXECUTIVE OFFICER

Good morning, everyone. Everybody can hear me, right, I suppose? It gives me great pleasure to extend you a very warm welcome to our 2016 Analyst and Investor Day. Isabelle gave you the highlights of today's conference. I have a short corporate update for you, 20 minutes, but more importantly today I would like you to hear from our newly appointed CEO, Hugo Blasutta, who has been with the firm for a year now but has been taking the reins of the Canadian business just recently and I thought that this was quite timely for you today to hear about how we position the Canadian business for future growth. And also today you'll be hearing about the outlook for our industry. And I think it's important that you give due consideration to what we will be told today, because this is just fascinating. I find that what's happening in our industry and really what's happening in the world is just mind-boggling and that's actually why I'm truly honoured and excited about the prospect of leading this firm to the next phase of growth, for many reasons, and just let me explain you why.

First, because I truly believe in our firm. I've seen this company evolve to a highly successful, leading global firm. I've had the privilege of being part of this journey and my objectives and vision is to make sure that the journey continues. But, as I just indicated, I'm also excited about the prospect for our firm because I strongly believe in the future of our industry. We are facing megatrends, which you'll be hearing about today, that will have a significant impact on the generation to come. Just to name a few: urbanization. When you think about it, by 2050 two-thirds of the worldwide population will be living in metropolitan areas. Demographic shift. We hear about the Millennials, we hear about the Y Generation that no longer want to live in the cities that we know today. We call them the vertical society. They like to live in those high-rises and they like to have their cultural life, social life, sporting events, and work life all mingled together and really this is a real challenge for us as an organization, as an industry, to think about how we can redesign today's future basically. I also believe that we are uniquely positioned given our core markets and given our geographies to take full advantage of what I just talked about. I'll give you just a brief overview of this.

We have clearly built a diversified global firm, very diverse, both from a geographical point of view, but also from an end-market point of view. And when you think of it and you think, just go back to the fact that right now the global construction market is growing at a faster rate than the global GDP growth, I actually believe that we are uniquely positioned to design the cities of tomorrow. And when you look at our end-market diversification, 85 percent of our net revenues are generated from transportation infrastructure, property and building, and environment. And this is not a coincidence; this is closely tied to what I just talked about and the trends that we are seeing around the world. And if I go back for one second and look at our geographical diversification, we've always said time and time again that we wanted to deploy capital in industrialized and developed countries because we believe that the return will outweigh the cost and we believe we can generate a better return in those developed countries. But when you look at our allocation, and I know the numbers are not quite right today, but north of 80 percent, 85 percent of our geographical footprint is in industrialized and developed countries. Just to name a few: Canada, the Nordics, USA, UK, and Australia.

So, I personally believe that our size and our scale is an asset, because the projects are becoming really bigger and bigger and the expertise is not always located where the needs are. Just to give you an example, I mean the Turcot Interchange here today or the Champlain Bridge, I mean how many bridges have we built of this significance in Canada over the last 50 years? Sometimes it's quite, ah, that's what we're seeing with those iconic projects from around the world. We are seeing that we need to import the expertise wherever the needs are. And that's why I believe that as the projects are becoming more complex our size will clearly be an advantage. Also, our financial structure. Our financial structure has allowed us to really take advantage of this consolidating industry. I feel that this has been clearly a real market differentiator, just thinking about our capital structure and how quickly we were able to be opportunistic and take advantage of the opportunities in our market. So overall I really feel that we're scratching the surface of what we've built so far with this platform. I've travelled around the world over the last six months and really noticed the technical expertise that we have in the business and it's just mind-boggling. We have such a great, such depth and robust technical expertise in the company and I do feel now that there's no one big T&I, transportation or infrastructure project that we cannot tackle, and equally in building, in property and building, there's no one project, in my mind, that we cannot be a competitor and a player in the field.

Third, I feel that and I believe that we have a clear strategy. I just alluded to the fact that it's not a coincidence our geographical footprint and our end-market diversification is really based on a clear strategy that is tied to the fundamentals of our industry and that's why I'm actually very excited about the prospects for this firm. So you saw on this slide and on the next slide, I mean clearly this is a firm that has been generating solid performance for the last few years. Clearly there's been some movement around our EBITDA margin over the last few years but they are clearly explained by the impact of the WSP acquisition but also the PB acquisition in 2013 and 2014. But above all the point I want to make is that for as long as we've been tracking organic growth in 2008 we've had uninterrupted positive organic growth since 2008. Yes, there has been some countries that have had a hard time over the years and, you know, in 2012, for instance, the UK was going through a really tough patch, this year and year before with the oil and gas Canada has been going through a rough patch, but I believe it's a true statement of our market diversity. We have some pockets that, at times, may go through a rough, difficult time, but given the resiliency of our business, given the resiliency of our clients, we are able to grow the business year over year from an organic growth point of view, and on top of that we were able to grow from an M&A point of view over the years.

One of my first decisions as the new CEO has been to really expand our global leadership team in 2016. And the reason is quite simple: in 2015 we had regional roles within the business. We had the head of EMEIA, we had a head of Asia Pacific, we had, you know, many regional roles that really allowed us, Pierre and myself, to really travel the world in 2015 and get to know the Parsons Brinckerhoff business. So those roles were quite useful at that time to really be in the position to take the time to get to know the business, connect the people together, leverage the two platforms, and generate those revenue synergies that was the whole thesis around our acquisition. Well, I feel that in 2016 the company has evolved now and I feel that the coming together of Parsons Brinckerhoff and WSP has been a real success and I feel that I wanted to get closer to the operation. So what we've done is really to invite to this global leadership team that is meeting on a quarterly basis at a different place every quarter to really have first-hand access to the big hubs in our business, and that's what we've done.

And on top of that, I just secured the hire of Robert Ouellette last week, who's been with us now, as I said, just for a week, and has a tremendous experience and significant experience in running professional services firm. He's been with Accenture for 20 years. And it's a newly created role that really will help in creating a better employee experience within our company. I think you've heard it before, and some you, I've had the one-on-one discussion with some of you, I strongly believe that our people are our greatest assets and if we attract and develop and mobilize and engage our greatest assets, we will attract more clients and better clients, and in turn we'll create shoulder value. And the whole strategy around creating a better employee experience comes from, you know, the new current that you see in our industry but in other industries, to really tie together the virtual employee experience in IT with the physical employee experience in real estate and workplace environments, and also the emotional and aspirational experience of our employees with HR. And so to have someone like Robert as our Chief Corporate Services Officer we really will have a holistic view and a strategy around how can we make a better work environment for our employees and professionals is how I believe we're going to create value in the coming years, on top obviously of our clear strategy of making more acquisitions and grow organically and improve margin. But really I also believe that we need to have a strategy around our greatest assets. So the role of Robert really will be to develop this strategy in the coming years.

Also, I'm sure you're curious to hear about the CFO search. The CFO search, we've probed many, many candidates over the last few months. If I'm not mistaken, 95. So it's been a wide search, a widely searched process. And I also knew that it would be a discovery process for me. I knew that, just talking about what I just alluded about our employee experience, I want a CFO that will be complimenting me. I know my strengths. I know where I need to improve. And equally we have a very strong team at the head office and I knew that this process would be a discovery process to find the right candidate that will be complementing our team, will be complimenting myself. And I do feel that in the next near future we will be able to announce and secure this hire. I think that, ah, I'm quite confident that we're very close to have this person in the door. And I do feel that this person will, as I said before, will need to have like a very good understanding of what it is to run a professional services model. To me, this is key, because one of my visions and one of my objectives is really to have this candidate help me professionalize the firm and bring it to the next level. And I'm not necessarily talking about our competitors and copy what our competitors are doing, but really to do, you know, to do it our way, the WSP way, and really look at what other professional services firms in other industries have done it. I can only think of the Mackenzie of the world and Accenture and the accounting firms and many big law firms from around the world. And I've been meeting a lot of those firms in the last while and really my goal is to create something different and bring this firm to the next level and create this people brand and create this brand around being a true professional services firm.

Clearly this year was a year of transition, but with or without this transition, this CEO transition, 2016 has been a year to position the organization for the next phase of its growth. I briefly talked about our people but also over the last few months I took the real opportunity to survey approximately 1,000 clients, we've done qualitative and quantitative research around our clients, and really understanding the perception that they have of WSP, and I must say this is quite extraordinary. The level and the genuine curiosity that our clients have toward WSP is amazing, and they are eager to know more than just the first line of people they have access to. They want to discover the scope of services that we can offer beyond and above what we are offering today, and that's why I'm very excited about the prospect of this company. PB, WSP merger, even though it's only two years in the making, last week, I held my first leadership meeting in Stockholm with our top 160 leaders, and the energy level and the engagement level between the WSP folks and the PB folks was just amazing. And you just couldn't know whether this person was from PB or WSP, unlike the first year when we held our meeting and really people were getting to know each other, and to me that was a great statement of what I believe we can accomplish and that was clearly the message I carried out to our leaders last week, is we're just scratching the surface of what this brand and this company can do.

I feel that the industry is there and the industry is growing. I feel our company is growing. And now what we've been telling you over the last few years we need to continue to do and actually push it even more to really make sure we leverage this platform and foster the collaboration within the company. So this year what we've done is just that, is really to foster this collaboration, but also significantly invest in the business and spending time with the business, and that's what I've been doing over the last six months. It's really to leverage our platform. And just to give you an example, we recently launched a big infrastructure program from an IT point of view and it's the biggest program ever undertaken by our company. Over the next few years we'll be spending $60 million really to make sure that we foster this collaboration and make sure that our employees have a seamless experience within the company and are able to leverage the expertise wherever they are in the world. So clearly this year we've been working on these three pillars, but we haven't forgotten also our clear strategy, our 2015 and 2018 strategy.

I briefly talked about it. We have a well-defined strategy and as a new CEO I have been part of this incredible journey and clearly I believe in what we've built together over the last few years, and I have no intention to change and reinvent the wheel. With me it's going to be evolution; it's not going to be a revolution.

And I believe that simply in order to have success, in order to grow a business, you need three things, and I'm going to be stating the obvious but I'm going to mention it anyway. You need good economies. Wherever you operate, you need good economies. You need to grow your top line, and I believe you need to grow them both organically and through M&A because the industry is consolidating and the status quo is not an option. Just growing organically when most of our competitors are aiming to grow through M&A also is probably not an option, the status quo is not an option. And actually I believe we're good at this. It's a true differentiator of what WSP can achieve. So we need to grow our top line but we also need to always push the envelope and always making sure that we improve as a business. So those three areas of focus is where, you know, the management team is coming into play, and this is what we are talking about at the global leadership team when we meet together on a quarterly basis, is making sure we deploy capital, whether in the business or outside the business, in the right places. So, briefly, and again, you'll hear about the construction industry in a second from Pricewaterhouse, but if you look, just to give you a few examples, you look at the market where we operate, and clearly what this is telling me is that, you know, we are in the right markets. The infrastructure needs and the infrastructure spending is really widening by every year. But, nevertheless, you see, even though we have a choppy worldwide economy right now, you can see that many governments want and reinvest in the infrastructure of their countries and that's how they are creating jobs. And I actually truly believe it's a real opportunity for us.

Organic growth collaboration and global expertise, I briefly talked about this, we are putting, just to give you an example of what we're doing internally right now in this next budgetary process, I am putting together a CEO fund and, by the way, I want to make clear that this is not an infrastructure fund, it's a CEO fund, that will be used really to create the vibe around the organic growth initiatives that we want to pursue as an organization this year. So what I mean by that is during the budgetary process I will want to pick a number of organic growth initiatives that we believe are worth pursuing and really making sure that the countries are competing with each other to come up with the best organic growth initiatives that we will be putting forward. And the team and the global leadership team—it's called a CEO fund but it's really a team effort—will be reviewing all the organic growth initiatives that will be put forward for 2017 and will pick a few of them and we will pursue them aggressively. So we're really trying to rethink the way we're approaching it. We are deploying capital through M&A, but also a firm believer that you really have to create the vibe and a lot of energy and engagement around growing the business internally as well, and that's why I want to set aside some funding to be in a position to really fund those organic growth initiatives that perhaps locally those businesses would not necessarily do because they would want to meet their budget and they would want to meet the numbers that they have set for themselves. On top of that, I talked about the cross-selling between businesses. The global networks we have now, we call them PAN; we have 56 practice area networks. These are networks that, you know, on a regular basis, from around the world, are interacting with each other and really trying to really feel what's happening in the marketplace and how we can leverage and parachute the expertise wherever they are located and wherever the needs are.

Operational excellence and margin improvement, again, you have a few examples of what we're doing in 2016. Clearly improve project management, improve utilization. If you look at our first two quarters in 2016, I'm sure you have been able to notice that, for instance, our UK margins, but more importantly our Australian margins have gone up, for a number of different reasons but above all, that was the thesis of this PB acquisition is that we believed we could really improve the margins in those countries where we didn't think they were managing the business well. And you have few examples of what we were able to achieve over the last year or 18 months, really pushing hard on running a more performing and a more efficient business in all area of the business, not just in corporate cost, not just in real estate cost, but really across the patch. And I'm quite pleased with where we are at mid-year in 2016 and I think it bodes well to reach our objective by the end of 2018, to be above 11 percent margin.

I talked about it briefly: continued M&A focus. We have a really well-defined M&A strategy. We've completed over 100 acquisitions since the IPO in 2006. We're not looking to become bigger just for the sake of becoming bigger. We are becoming bigger because I believe our size and our expertise is an asset in the marketplace. But we will always look to improve and complement our existing platform with additional skill sets. And also we always look to beef up, and what I mean by beefing up or strengthening our geographical footprint with the view to always become and be a top-tier player in every geography where we operate. That's the objectives and I believe there's still a lot of runway in all the geographies where we operate but also in geographies where we have yet to establish a footprint.

I briefly, at the beginning of my address, I talked about our core markets. I don't expect them to change. This is high on my priority list to make sure we stay true to our core markets and to really grow them globally because I believe that the megatrends I just alluded to, the demographic shift, the urbanization, the climate change, the use of technology and automation, are not just happening in Toronto or in Montreal or in New York; they're actually happening wherever we operate. And actually I really believe we are uniquely positioned, if we are in those markets, to take full advantage of those trends. But we will also be opportunistic. In resource-based country we will be looking forward to increase our footprint in some other markets. Right now oil and gas, I'm getting the question, "Is oil and gas high on your agenda? It's probably the right time to buy." The answer is that we'll see but right now it's not the priority. Right now, the priority is really to grow our core markets and really to develop this top-tier position in every geography where we operate.

I just talked about our geographies. We will continue to perform acquisition in targeted geographies. I think the key point for me is that we will stay true to our strategy to really grow our developed countries where possible. I like the exposure of emerging markets and we do have something in between 10 to 15 percent of our revenues being generated in emerging markets and we'll continue to do that but I actually believe that we can create a lot of shareholder value by investing in those developed countries where there's governance, when there is a market, and where there is an industry, and above all where we can really hire top talent, because it's all about this. If you hire the best talent and you out-recruit and out-develop and engage your talent more than your competitors, I think you'll do better, and that's why we want to invest in those geographies.

You know our M&A criteria, most of you in this room. Clearly we want to do good financial deals. But what really made us successful is we were able to acquire firms that shared a similar vision of our industry and share similar values and culture. And, you know, you can really get an acquisition wrong if you miss out on those points. On paper, this acquisition can make a lot of good financial sense, but if you don’t share the same vision of the industry, if you don’t want to run a similar operating model, and if you don’t have the same values, as good as the deal can be on paper, it’s not going to be a successful deal. And that’s why we spend so much time upstream getting to know the business, understanding how the targets are operating, and that’s why I keep saying that it’s difficult to time acquisitions. Year over year you’re never going to get the same outcome because it takes time to really get to understand those businesses, understand how they operate, understand their culture, understand their values, to get to a point where you’re so comfortable with the company that, you know, the financial terms become secondary to the deal basically.

Year-to-date acquisition of this year, even though so far it’s been, ah, we’ve added 250 people in the platform, I must say that those acquisition were really strategic to the company and really allowed us to check some boxes in our strategic cycle 2015/2018, predominantly in South America where we established a presence in Chile and Peru in the water market. We strengthened our US, Nordics, and UK operation. And I think this has been, these acquisitions, it’s actually a statement of what we’re about. I’m being asked the question all the time, “Are you going to just do meaningful acquisition, big acquisition that will really move the needle?” And my answer to this is we will aim at doing significant acquisition and big-size acquisition but we will not be stopping at doing smaller-sized acquisition that we believe can really help us in developing those niche skills and complement our existing platform with skill set that we don’t have. And the Schlumberger acquisition in Chile and Peru, it’s a perfect example of this. So we will continue to do significant or bigger-sized acquisition, that’s the aim and the ambitions, but we will also be doing smaller-sized acquisition in the future years.

We have the right leverage profile to support our growth strategy, yes, and also perhaps one point noting, if you look at our evolution since certainly I joined the firm in 2010 but all the way back to the IPO in 2006, historically when we only had a Canadian presence the management team was not too keen in leveraging the business, for obvious reasons. We had a diversified platform but it was in one country with 99 percent of our revenues being generated in one country. But if you look at our evolution over time, we were able and were willing to take more risk on the leverage side as we built a more resilient business. So in 2012, when we acquired WSP, we came out of this acquisition with 1.4 times leverage if I’m not mistaken. We increased that following the Focus acquisition to 1.6. We came out of the PB acquisition at 2.25. And similarly with the MMM acquisition, we brought the company back to above 2. The point being that I feel more comfortable with the business that we have today. We are in 49 countries. We are not dependent on only one economy; we are dependent on many economies. We have a resilient business with a good project mix between bigger-size projects and smaller-size projects. But we also have, on the other hand, a very good mix between the private sector and the public sector. And that’s why over time you’ve seen this constant evolution at us increasing our leverage as we were completing significant or bigger-sized acquisition. The point being that today we have 1.7 times and I feel we're very well positioned to take advantage of any opportunities that will be presenting itself in the future years.

Conclusion, very quickly, 2016 outlook. I feel pleased with the results of our two, Q1 and Q2, and the point today is that I wish to reiterate or tell you that we will be reiterating our outlook Q3. I think I feel good about the remainder of this year and I feel that we will be meeting most if not all of those key metrics by the end of this year.

Regional trends very quickly. I don't think you're going to learn much from this slide but just spending a few seconds on this, I'm not going to spend time on Canada, Hugo will be covering this in a minute, but going into 2017 we do see some positive momentum looking at the Nordics, the UK, the United States. I think these have been good businesses for us in 2016 and will continue to do so for the remainder of this year.

The UK market with the Brexit, clearly it's a bit of a, you know, in my mind it can be seen as a risk, but it can also be seen as a real opportunity. Yes, the private sector may be slowing down a little bit and it was slowing down no matter what in the UK market, especially around London, the commercial residential market. But I also see that the governments in the UK will want to potentially be reinvesting in major infrastructure program to get the economy going, and that's why I'm saying that talking to our professionals on the ground that the UK, for the remainder of this year, will be doing well, and we'll be fine for the remainder of this year, and I'll be able to provide you with more guidance once we are going through our budgetary process in 2017.

Asia, despite a challenging environment, we have an operation that is doing relatively well in the sense that we are able to hold up on margins, and we are able to grow at the very slow pace, though. But I'm quite pleased with the first two quarters of 2016 in Asia. I think the business has been doing relatively well in such a challenging environment, and that's why I see it as a stable business for the remainder of 2016. The Middle East has been challenging and will be challenging for the remainder of this year, and that will not be changing. And Australia, our transportation market has been and by a long stretch the fastest-growing end market in the world for us in 2017 and I think that's quite positive on the back of many difficult years in Australia. I'm quite pleased with the results that we were able to achieve in Australia.
Central and South America, given the oil and gas market and given what's happening in Brazil, it's a big economy, I would consider South America to be a stable environment for us. But it's a challenging environment for the time being. But there are so many big infrastructure projects taking place right now that that's why I think it's a stable environment for us. I think I talked about the Nordics, but the United States, clearly with the FAST Act bill that was signed, we are seeing some positive momentum. We are winning our shares. Our backlog is growing quarter over quarter and year over year and you've seen the numbers in our last release in Q2. So I do feel good about the remainder of 2016 for the US and also going into 2017. And Canada, as I said, Hugo will be talking about this.

I talked briefly about our assumption going into our next budgetary process, for which I don't have a lot of insight at this point in time, but I'm looking at the megatrends I talked about. I talked about our geographical footprint, looking at the infrastructure programs in place by the various governments, looking at the global investment that is taking place in infrastructure, and how strong our brand is becoming in the industry, because this is something that, you know, we have not touched base together and we're really talk about together. But WSP is becoming a well-renowned brand now. No matter where you go, no matter you look at industrialist clients or contractors, they know what WSP is capable of and really now I feel we're in a different place than we were three, four years ago, and to me, this is a real, real, real opportunity for us. On the risk side, I talked about the Middle East instability, the oil and gas, which, you probably know better than I do, but I don't see any strong recovery anytime soon, and this will be a challenge for 2017. And I briefly talked about the potential impact of Brexit but, as I said before, we could also see it as a real opportunity in infrastructure space for the UK market. Reaffirming our 2015/2018 Strategic Plan. Yeah, I don't plan on making any changes. It's a very good plan. These are ambitions and we will continue to work very hard to reach those key milestones by the end of 2018.

That's a summary I've just talked about and I'd like to open it up for questions. Yes?

Mark Neville, Scotiabank

Hi, it's Mark Neville, Scotiabank. Alex, you talked a lot about collaboration across the global business but also with the CEO funds program.

Alexandre L'Heureux, President & Chief Executive Officer

From...from who?

Mark Neville, Scotiabank

The CEO funds program.

Alexandre L'Heureux, President & Chief Executive Officer

Oh, CEO funds, yeah.

Mark Neville, Scotiabank

Yeah. It sounds like you could potentially be creating an environment where different business units or geographies may view themselves as competing for capital or resources so I'm just curious how you sort of manage that risk or sort of run those two things simultaneously without creating that.

Alexandre L'Heureux, President & Chief Executive Officer

Well, I think it's, on one hand it's not a bad thing to create a bit of tension. I mean capital is not unlimited. But I think the spin here, it's really more to create an engagement and create a vibe around organic growth initiatives rather than create a competition. I think the idea is really to work as a team, the global leadership team, to really try to address where we believe as an organization and with our reputation with our clients, how can we really take advantage of our technical expertise and how we can leverage and expand actually the scope of services that we can offer to our clients.

So in some fashion you are right. I mean when we conduct business review, it's clear that I like to create tensions, and Hugo can talk about this, but I think it's a healthy tension. You never want to be the last-performing business unit in the operation. But that is not the goal. The goal is really to create a vibe and energy around organic growth initiatives and really put this at the top of the agenda, because I believe that, you know, the best, the most successful businesses are the ones that are growing.

Jacob Bout, CIBC

Jacob Bout, CIBC.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Jacob.

Jacob Bout, CIBC

Are you anticipating any changes to your geographic footprint in the UK following the Brexit vote? Or how are you thinking about that?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I alluded to this briefly. This year, I mean clearly in 2017 we will be working to make a big push on the infrastructure. That's something that we want to work on organically, is really to, ah, I think if you at since the acquisition of PB in 2015 and what we were able to achieve, we've been growing by a couple of hundred people, 200 people if I'm not mistaken on the public sector front and the highways and bridge, but also on rail and rail system but also on the vertical side, the building side of rail. So I don't expect—it's difficult to foresee how all of this will be panning out but it is true that I wouldn't be surprised if we are trying to make a big push on the infrastructure side in the coming years to really balance our private sector exposure with our public sector exposure. And right now, we're probably 60/40, 60 percent private sector, 40 percent public sector, and I think to bring a bit more balance in the equation is probably a thing that we would like to achieve.

Sara O'Brien, RBC

Alex, Sara O'Brien, RBC. You commented on the IT spend of 60 million, the CEO funds, just wondering if you can talk about the magnitude overall of maybe the CEO funds, what the IT spend is going to cover in terms of platform. And then second maybe has WSP reached a size where integration spend is now going to be part of the future going forward? Do you need to integrate more than perhaps was Genivar and WSP's strategy historically?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah. There are a few questions, your question. That $60 million will pan over a few years, so a couple of years, like three, four, five years. But really it's around three, well, I'd say two major initiatives. One is the infrastructure, IT infrastructure, really where we can really consolidate all this IT legacy infrastructure that we've acquired from a number of different businesses but, more importantly, because we want to set and position the business for future growth. What I mean by that is, and that ties very well with your second question, we are now in 49 countries, so the likelihood when we acquire companies to have some duplication. Some in some fashion, duplication or integration, is going to be part of life. And what we've been doing and what we've been working on over the last 24 months is really making sure we have a very efficient and very strong infrastructure platform so that when we make an acquisition the integration is easy. We can really take this business and put it right on our infrastructure platform. So that's the reason why we're doing this. The second reason is to create a better environment for our employees. So no matter where you go, wherever I travel, whether it's in Montreal or I go to London or I go to Sweden, I sit down with my laptop and I really log in the same environment as if I was sitting in Montreal. And when we talk about creating a workplace environment that is easy for employees to collaborate and to leverage expertise, that's what we're talking about. And thirdly, we will be launching a new initiative to create a new website and intranet for our employees. Internally, the intranet really, again, and I sound like a broken record but in the people business that's what you need, to create an environment where people can collaborate, exchange information, exchange expertise, CVs. So this intranet will really help and foster collaboration. And on the outside, you know, we want to better position and refresh our branding with our clients but also with our shareholders. So these are the initiatives on the IT front.

Sara O'Brien, RBC

Okay. Maybe can you just comment on the CEO fund? How much like quantity?

Alexandre L'Heureux, President & Chief Executive Officer

I don't know yet but, no, it's not going to be, we're not talking about anything like the amount of capital that we wish to deploy in M&A. But, you know, sometimes, the role of group, my role as a CEO, the role of the head office is really to mitigate the friction and the tension that you can have between countries. You know, one country would very much like to pursue a project management job or project management endeavour and would need the assistance of two other countries to be successful in achieving that. Well, our role at group at the end of the day is to make sure that, you know, I deploy the necessary capital for those three countries to work together. So we're not talking about a significant amount of money, I'm not talking about something I will be disclosing in a market, but I just wanted to give you a few examples of what we're doing internally to be in a position to foster this collaboration and really to elevate the business to another level. So it's really to play this clearinghouse role at the group level to be able to have people work seamlessly together without having to worry about, okay, who's going to pay for what. And that's how you create this environment where people can work together.

Mona Nazir, Laurentian Bank

Hi. Mona Nazir from Laurentian Bank. Alex, you touched on your diversification in regard to your global footprint, in regard to the verticals, in regard to the project mix. Just looking at the slide where you have your opportunities versus your risks, and if you take the three risks, Middle East, low oil price environment, and Brexit and combined them, do you ever see a situation where that scale shifts to the opposite side for risk?

Alexandre L'Heureux, President & Chief Executive Officer

You mean the risks are becoming greater than the opportunities?

Mona Nazir, Laurentian Bank

Yeah.

Alexandre L'Heureux, President & Chief Executive Officer

You know, Mona, any given year you're going to hit some—it's peaks and valleys, okay? It's never like rosy all the time. And we've seen it with Canada over the last 24 months. So, shorter term, at times you may end up going through a rough patch because you have two or three big countries that are going through a more difficult time. But longer term, going back to my earlier point, longer term when you look at the countries, the GDP generated by those countries, think about the fact that the construction output and market is growing faster than the worldwide GDP, think about the consolidating industry that we're living in, and really do not undermine the trends that are really taking place. The population is growing. We'll be nine billion people in the next 30 years. I mean we need infrastructure. We need buildings. We need to redesign buildings in those big cities. Just take climate change as an example. By 2050 the temperature in London during summer will be 6.5 degrees Celsius higher. The building codes right now do not provide for this in London. So, we're going to have to rethink how we can use the thermal heat, how we can use, how we can redesign the buildings to be more energy efficient. So there are real major opportunities for us longer term, short term, but yes, you're right, I mean there are times when it's going to be more choppy than other times. But over a long period of time I feel extremely positive. I feel positive and I'm clearly optimistic about the outlook for the industry. But, you know, I'm looking at what I've showed today and I don't think that, you know, It's difficult for me to think that this could go the other way in a dramatic way. Maybe quarters will be more difficult than others, and that happens, but over a long period of time I think the outlook is good.

Mona Nazir, Laurentian Bank

Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Isabelle Adjahi, Vice President, Investor Relations

Thank you, Alex. So our next speaker is Sashen Guneratna and Sashen is Managing Director responsible for leading PwC's Infrastructure and Project Finance practice in Toronto. Sashen has over 14 years experience in infrastructure and project finance and having lead bid side and project side advisory mandates across a variety of sectors Sashen has developed broad expertise (inaudible) projects with a particular focus and optimal and innovative financing and over the past five years he was part of a team that closed 16 transactions and raised more than $10 billion debt commitments. Sashen?

SASHEN GUNERATNA, MANAGING DIRECTOR INFRASTRUCTURE & PROJECT FINANCE, PWC CANADA

Thank you, Isabelle, and thank you very much for inviting me to speak today and present this PwC report that we've commissioned and collaborated with Oxford Economics.

Let me just start by speaking first a little bit about Oxford Economics. Oxford Economics was founded in 1981 and it's a commercial venture with Oxford University's Business College and is one of the world's foremost independent global advisory firms. They provide reports and forecasts to governments, to industry, to cities, and to firms such as ourselves where we provide, use their research to provide advice to our clients as well, and they provide global economic and industry models and tools whereby we can use their proprietary models to forecast and make projections and assumptions. They also provide the ability to forecast market trends and assess economic, social, and business impact of decisions that are to be made by government and industry.

The report itself is called Capital Project and Infrastructure Spending Outlook, Agile Strategies for Changing Markets and was created in collaboration with Oxford Economics. PwC, as you know, is a global firm and we've pulled opinion from all of the major markets around the world, including our leader in the UK with a perspective on North America, Latin America, and the Far East. So all of these folks got together in providing their views on the economy and the outlook and published this report. I will let you know that the report is available and Isabelle is making arrangements to share that with you, so it does have more detail then I will be speaking to today. And we'll also be looking at, um, the report itself takes a look at two macroeconomic scenarios, one is a global economic upturn in the short to medium future and the other is a potential China hard landing and the impact of that on the global capital projects and infrastructure sectors up to 2020. The dataset for this study covers 88 percent of the world's GDP and 87 percent of the world's fixed income spending. The report covers six infrastructure sectors, extraction, utilities, manufacturing, transport, telecommunications, and social, and it also covers seven geographic areas, so North America, Latin America, Asia Pacific, the Middle East, Africa, the Soviet Block and Eastern Europe together.

I'm going to turn my attention to the methodology that's being used in publishing this report. So infrastructure as a broad sector is defined as the public and private sector spending on infrastructure-related assets that enhances supply side capacity. So, as Alex alluded to, infrastructure today is more than just a public view on assets and development, it's a complex issue of solving a problem, be it moving people from point A to point B, long-term economic growth, the movement of goods and services. So governments around the world are using the expertise of the private sector in solving these complex infrastructure problems. We've seen it right here in Canada. So just prior to the economic downturn in 2008 and definitely right after we've seen an influx of talent investment by foreign companies into Canada's P3 program, which is considered to be one of the leading programs, and we have experts from all around the world coming to Canada to kind of look at what we've done well and what we can do better and we've actually transported our best practices to some of these other markets. So there is a lot of, a wealth of talent here in Canada, and now the next step is that talent is looking at the market south of the border and how they can leverage the experience they have here in pursuing projects in the US in the near future.

The focus of the report is on total spending per year, so it's not on transaction size per se, and while other studies have looked at the need or demand for investment, this looks at actual spend. So a very common headline in the news today is, you know, the liberal government or the conservative government or the NDP or any government could go out and say, you know, Canada has an infrastructure deficit, we need to spend X, Y dollars, or the infrastructure deficit in Africa is such. This report does not look at a deficit; it looks at actual projects and actual investment that's going to be forecast to be spent over the period. Oxford Economics' work with PwC is unique and the first part of my discussion today will look at a longer-term view, so it looks out to 2025, so that's part of the 2015 report. And this year's update, which is the upside and the downside scenario, builds on work from last year's report as well as the work undertaken in 2013 and 2014. The methodology that's followed is, ah, Oxford Economics used datasets to provide consistent reliable and repeatable measures of capital projects and infrastructure spending. The historical spending that they have used is from actual government and industry sources. The projections are based on proprietary models that are not available for public consumption but if you do have questions about how they've developed these models and specific scenarios you would like them to run, that is a service that they do offer. And the original analysis started in 2013. A full update was performed in 2015 and then in Q1 2016 they built the upside and the downside scenarios.

Now I'm going to spend a little bit of time talking about the outlook to 2025. So the 2015 baseline, which is the red line, is the line that's higher, it shows world GDP growth up to 2025, and the red line is actually the update from 2016. So, as you can see, global GDP grew by just under 2.5 percent in 2015 and Oxford Economics expects the economy to grow at a similar rate in 2016. GDP and world trade growth are expected to pick up from 2017 and remain between 2.5 percent to 3 percent until 2025. So the capital project and infrastructure spend is actually, and I'll get to this in a second, is actually greater than GDP growth. So while there is a correlation, it is expected to exceed these projections. The three main influences of this outlook: First, the baseline forecasts GDP growth of 2.3 percent in 2016. It's the slowest rate since 2009 and will weigh down infrastructure spending in the short-term. The bounce back is expected in 2017 as the world's economy starts to pick up again. Secondly, a sharp fall in the price of oil and other commodities in 2015 have led to sharp cuts in infrastructure plans. We're seeing that in Canada in some markets as well. And downward revision in forecast for investment in extraction and refining sectors, slowdown of spending in extraction. The outlook remains uncertain but forecasts assume a gradual recovery in the price of oil and other commodities over the next few years. Thirdly, region-specific factors, commodity-dependent regions such as the Middle East and other parts of the Soviet Block and Latin America have seen the greatest impact in the fall of commodity prices and has a direct impact of investment in the extraction sector. Western Europe is less affected, reflecting their less dependence on the extraction sector and is a small portion of total infrastructure spending in that region, so not a lot of extraction goes on in Western Europe, as you know. And in Asia Pacific the slowdown of the Chinese economy has an impact on infrastructure spending and although Oxford Economics is already factoring the slowdown in China a year ago in 2015 the situation has weakened a little further over the last year and the importance of Asia Pacific to the global economy and infrastructure market globally means that there is an impact in the value of overall global spend. The weaker near-term outlook reflects downward revisions in forecast of the US economy to 2 percent in 2016. And I've already spoken about Latin America; given what's going on in Brazil is expecting a slowdown within the Latin American market.

Now the infrastructure growth, so this is global infrastructure spending growth as a percentage to 2025. As you can see, in the immediate future it's expected to be about 2 percent in 2016, expected to increase in 2017 and reach about 5 percent in 2020. Global construction, so this is not just infrastructure but construction in general, housing and other sectors, buildings, commercial buildings, is expected to about 3.9 percent per annum up to 2030 and it's about 1 percent above GDP. So if you build up from GDP you have GDP at about 2.5 percent, then you have global construction spend about 3.5 percent to 4.5 percent, and then you have infrastructure and capital projects, which is about 5 percent in the long-term outlook. In terms of long-term infrastructure growth, so this is dollars per year forecast to be spent in the infrastructure sector, and all the figures that I'm talking about today are in US dollars, so worldwide annual spending is expected to increase to about $6.7 trillion by 2025 from $4 trillion in 2012. So it is expected to grow over the next ten years at a steady pace. And 60 percent of this spend will be in Asia and Africa, where urbanization that Alex alluded to and development are increasing the need for transportation. Energy, water, rail, roads, ports, airports are all areas where growth is expected to be seen and increased wealth results in increased need for energy and transportation. The aging population in developed countries triggers a requirement for social infrastructure, so we saw that in Canada. Right after the crisis the first focus was on social spending, social infrastructure. You see that in most of the metropolitan markets. First the hospital projects, the schools, the courthouses came to market, and we're seeing a shift, especially in Canada, where now most of the projects are in the transportation, water, energy sectors. The global construction spend compared to this is expected to be $15.5 trillion by 2030. So, again, the global infrastructure sector covers housing and other construction in general.

I'm going to speak a little bit about infrastructure spending by region. So this is the $6.7 billion that I spoke about and I'm going to focus on where the shift is going to be seen. So while there may be reductions in the overall percentage, given that we're going from $4 trillion to $6.7 trillion the absolute spend is expected to increase. So spending in US and Canada we see reduced from about 18 percent of the global spend to about 15 percent in 2025, but that equates to an absolute number of $800 billion to $1 trillion, so it's actually growing as an absolute number. Spending in Western Europe reduces from 14 percent to 10 percent over that same period but increasing from $616 billion to $700 billion. Strong growth is anticipated in rail in Europe as economies with mature transport markets have growing public support and government support for better public transportation systems. The spending in Asia Pacific is going to be about 50 percent, so it's not changing from 2016 as an overall percentage; however, growing from $2.2 trillion to $3.5 trillion. $900 billion of this investment is expected to be in transportation. Roads, rail, and ports are leading the growth, are expected to lead the growth. The spending in Africa increases from $88 billion to $200 billion. Again, in Africa it's transportation driven. And Africa is going to see the highest growth of transportation spend and it's about 11 percent year over year for the next ten years. Latin America, the forecast is the spend is going to increase from $265 billion to $400 billion; the Soviet Block from $175 billion to $500 billion, and the Middle East from $125 billion to $350 billion. In terms of sectors and the spend, again, this is looking at the next ten years, extraction is expected to grow from $525 billion to $800 billion, utilities from $970 billion to $1.5 trillion, transportation from $1.1 trillion to $1.5 trillion, social infrastructure $660 billion to $1.75 trillion, and telecom from $350 billion to $535 billion. So, all sectors are expected to see an increase in spend over the next ten years.

In terms of the two alternate scenarios, so the line in the middle is the base scenario to 2020. The forecast only looks to 2020 as the longer-term view is unchanged. The upside scenario is the global upturn and the China hard landing is the line on the bottom. So turning first to the global upturn, what Oxford Economics and PwC have forecast is that recent market gloom fades and the confidence of government and industry increase, increase lending and corporate, sorry, increased lending to corporate supports increased private investment in the US, a stronger sentiment in rising profits, and capacity utilization supports increase investment in the eurozone, stronger public investment in countries with the fiscal scope and resources to do so, renewed appetite in emerging markets, and positive supply leads to a slow rise in oil prices. There are reasons for optimism, including the domestic economy remains in good shape in the US supported by flexibility in its labour force and strengthening financial sector. Domestic demand fundamentals also remain strong in some parts of the eurozone. In a number of countries there's potential for fiscal consolidation of recent years to make way for more stimulative policy stance. Oxford Economics also forecasts that Brexit is not likely to be a long-term impact event. The shocks resulting from Brexit are out of line with the event itself and the outlook for a wider crisis is low and steps can be taken toward a catastrophe.

Turning to the regions where the upturn is impacted, the strongest beneficiary is Asia Pacific, which benefits from stronger demand from western economies and (inaudible) for investing in emerging markets. And given the region's dominance in infrastructure spending around the world Asia Pacific contributes more than half of the uplift in the global CP&I spending. Infrastructure spending in Western Europe picks up in response to rising confidence in the eurozone and increased public investment in countries with the capacity to do so. Weakest improvement in infrastructure spending occurs in the Middle East where a slower rate of recovery in oil prices dilutes the potential benefits that the region could expect from the improved global economy.

In terms of the downside, the Chinese hard landing scenario, CP&I spending falls to almost zero in 2016, picking up slightly in 2017 before a stronger recovery in 2018. There is a housing sale slowdown in China, consumers postponing new purchases, and wage growth seeing a decline. There's pressure on developers' cash flow, renewed decline in house prices, and a fall in construction overall. Domestic and external confidence is hit hard by private investment and neighbouring economies that are dependent on China for the supply of their goods see negative consequences as a result. And the euro and yen in this scenario is forecast to appreciate strongly relating to reduced competitiveness in those markets. 60 percent of the decline in infrastructure spending under this scenario would occur in Asia, 15 percent in the US and in Canada, and it would have the least impact in Western Europe. Other commodity-dependent regions are affected as weaker Chinese demand affects commodity prices in Latin America and the Middle East and countries like Russia, which depend on oil production and extraction. Western Europe, again, is the least hit under this scenario as commodities represent a small portion of their economy. Now aside from extraction, the impact is broadly based amongst several sectors and transport and utilities account for about half of the infrastructure spending in Asia, so these sectors see above average impact.

Now looking at the longer-term view to 2025, so the longer term, um, total spend over the next ten years is expected to be $28.2 trillion. Sorry, this is the next slide here. So 2015 to 2020. So the baseline is $28.2 trillion. Under the China hard landing scenario that spend is expected to lessen to $27.1 trillion, a 4 percent decrease, and a global upturn is expected to increase that number to $28.8 trillion, which is a 2 percent increase. So if you look at the absolute difference, again, it's a 4 percent decrease or a 2 percent increase between those two scenarios. In the short term, building or upgrading transport energy can boost aggregate demand. A recent IMF study projected a $1 spend in

infrastructure yields about a $3 increase in GDP. In the long term infrastructure investment can jolt the economy by increasing the potential supply capacity of an economy and improved transportation facilities could make workers more mobile and improving labour markets by increasing productivity. So this chart here shows the relationship between infrastructure quality and GDP per person employed in 2014 and, as you can see, the better the transportation infrastructure the higher the GDP per person. So Canada is fairing quite well in this, as is the US, led by Germany, Japan, and France. And, as you can imagine, you know, getting to work in a shorter time in a more efficient way makes people generally happier and able to be more productive.
Infrastructure as an alternative investment asset class is procured around the world in different ways. So, in the past, before P3s became very popular, they were procured on a bilateral basis with government leading the charge with some help from the public sector in the form of bilateral contracts. Now what is happening is governments are looking more at solving problems rather than just thinking of a single asset approach, and that involves getting folks from the private sector, engineering firms, construction firms, users, financiers, advisors, legal experts, together and at the table much earlier in the process to come together on how these problems are solved. In a transaction cycle, so if you take the example of a P3 structure, there are multiple bidders on each transaction so, if I use the Canadian example where typically there are three bidders on a project, so if you look at the Champlain Bridge, PwC had a role and our role was advising the public sector on that transaction. And if I just look at engineering firms, there were five engineering firms on that transaction. So one was advising Transport Canada, one was advising, sorry, three were advising the bidders, and one was advising the province. So on a typical P3 transaction there are four, so one supporting each of the three bidders, one supporting the government, and then once a preferred bidder is identified and a winner selected there's a long-term role for two of those firms, one on the government side and one on the private side of the transaction, typically during construction and after.

What we're also seeing is that there is more than US$100 billion of dry powder of investments of investors looking for P3 projects. In our business we resource transactions and we hear about transactions much earlier in the process than becomes public. We always hear of investors who are looking to invest in this asset class, bring us assets, show us assets where you can, because we want to get involved at the ground floor. It's a very competitive environment for these projects and we're seeing secondary trades at very low margins just because of the type of asset and the risk transfer is accepted by investors on both the equity and the debt side. We're also seeing an appetite for many types of infrastructure, so there are folks that are looking at social, energy, transport, civil, so regardless of the type of infrastructure we're seeing multiple parties being interested, multiple parties being interested in different regions of the world as well. And we're also seeing that as P3's become more standardized we're seeing faster development and execution of transactions. So, for example, in Canada right after the crisis, you know, if you look at Ontario, Quebec, British Columbia that are the three most active markets, without employing P3 principles and standardizing the documents and standardizing the risk transfer it's impossible to believe the government could have procured all the transactions they did. So it just adds speed to the execution. And with the announcements in the US recently, you know, it's expected that once each of the states embraces the process it's just a matter of time until it starts to gain momentum and more and more projects come on stream.

What we're also seeing is in China recently 1,000 projects were announced, and these are worth about $320 billion. So if you look at each of those transactions the opportunities for financiers, for construction firms, for engineering firms, for advisors, it's tremendous, especially as you look at some of the mega projects. So, for example, if you're looking at a small social project or a small civil project you may have a smaller player bidding on it but when you get into some of these large bridges or large civil projects you are seeing expertise and you're seeing a lot of partnerships because, especially on the construction side, firms are not willing to, ah, they need to diversify their risks as well. So, on Champlain Bridge you've got four construction firms all sharing the risk and all putting up their balance sheet in support of the structure. So that's also an opportunity for collaboration.

And in closing I would say regardless of which scenario pans out the overall need for infrastructure is expected to grow. Megatrends, as Alex alluded to as well, will continue to drive the growth in infrastructure spend. These trends include global urbanization, the growth of emerging economies, the growing middle class, technology innovation, and resource scarcity. The need for essential services is constant and the definition of essential services is always expanding. So what's considered an essential service 50 years ago is no longer, ah, what's not considered an essential service 50 years ago is now an essential service as people are looking for improvement in their day-to-day lives and also the world population as a whole is increasing. So, with that, I will open it up for questions and answers.

Craig Jerusalim, CIBC

Craig Jerusalim, CIBC. Is WSP preparing for any scenario other than the base case? And then how would the shift between organic and inorganic growth change between those two scenarios?

Sashen Guneratna, Managing Director Infrastructure & Project Finance, PwC Canada

I'm not, unfortunately, able to answer that, and maybe we can have Alex answer that later on when the Canadian CEO speaks, if that's okay.
Craig Jerusalim, CIBC

It was just whether WSP was preparing for any of the alternative scenarios other than the base case and then how inorganic versus organic growth would change in the two non base case scenarios.

Alexandre L'Heureux, President & Chief Executive Officer

Well, these are forecasts, right? So clearly it's—we're trying, obviously, to prepare for everything. We're always trying to prepare for everything. But my personal view, you look at the industry, going back and looking at this very holistically, what I talked about, what we've seen today is that longer term the industry is going to be supported by a significant trend that will really generate growth in the industry and therefore I'm a firm believer that there will be growth in our industry. And on top of this, this industry is changing. It's transforming, it's consolidating, and I think you will need, and I talked about this a bit before, you will need to grow through M&A in order to keep pace with the way the industry is changing right now, and that's why, if you look at our 2015-2018 strategy, half of our growth will be coming from organic growth and the other half through inorganic growth basically. So, to answer your question, we're preparing for the worst but I also believe that there's a lot of opportunities for us in this market to tap into.

Benoit Poirier, Desjardins Securities

Thank you very much. Benoit Poirier from Desjardins. In terms of M&A, it seems that it's still a mega trend, there will be further consolidation; any thoughts on whether M&A will eventually positively impact the margins for the players over time and whether we'll see a shift better profitability in kind of emerging markets down the road?

Sashen Guneratna, Managing Director Infrastructure & Project Finance, PwC Canada

Again, I'm not able to answer that directly but what I can say is we are seeing a lot of consolidation. We are seeing, you know, after the crisis when a lot of firms came to Canada to pursue the infrastructure plan announced by the government, we did see a lot of folks coming in, a lot of folks taking over smaller Canadian firms to consolidate, and they did see growth and improvement, and so, you know, some of the Canadian construction firms, some of the Canadian engineering firms have consolidated. There are fewer projects today in Canada than there were eight years ago but there are forecast to be a lot more projects in the US and these firms are looking at using their Canadian experience and base to pursue those projects. We do hear of M&A activity. My personal view is companies will pursue those as they're accretive to their businesses and it's just, ah, on paper it could be but it just depends on execution as well and how cultures mesh together and what the synergies. So, yeah, I think it depends on a company-to-company basis as well on what the long-term strategy is. Some companies, like some of the smaller Canadian players, for example, are very happy to pursue projects on their own, because they may be privately or widely held but privately widely held and on big projects they may partner with a large global firm but they want to, they're happy at organic growth rather than M&A. So it depends on, I think it depends on the company.

Matthew, CN

Hi. Matthew (inaudible) from CN. What are you seeing in terms of government willingness to sell public infrastructure to the private side? Is that volume of transaction increasing or is it historically the same as historical?

Sashen Guneratna, Managing Director Infrastructure & Project Finance, PwC Canada

I would say it's the same as historical. It's a revenue tool that governments are exploring on a case-by-case basis. As you say, Hydro One was the most recent example. There has been a lot of public backlash and politicians will see it at the end of their term if that impacts their long-term viability. But I know that on some assets it does make sense and governments are looking at it. We are involved in a number of transactions helping government evaluate those options. But to the general public, they generally have the view that it's selling public asset for profit now. So I don't see a big upturn in that activity just because of the public sentiment for it. And there have been good experiences and there have been bad experiences and we're involved in a number of both types. So, yeah, I don't expect a drastic increase.

Okay. Well, thank you very much.

Isabelle Adjahi, Vice President, Investor Relations

Thanks, Sashen, for this presentation. I think it really reinforces our belief that we are ideally positioned to benefit from the megatrends and the resulting investment in infra.

It's 10:30 sharp, so we are on time. We will take a 15 minute break and we will reconvene in this room at 10:45. Thank you.

So before we continue, I just want to, I forgot to mention previously that the three reports Sashen was alluding to, so the initial report plus the two subsequent upgrades or review, they are available on the USB key you received this morning.

So our next speaker is Hugo Blasutta. Hugo is the newly-appointed President and CEO of WSP Canada. He was previously Chief Executing Officer of MMM, which was acquired by WSP in October 2015. Hugo has more than 35 years experience in the consulting engineering industry, both in Canada and Internationally. Hugo?

HUGO BLASUTTA, PRESIDENT & CHIEF EXECUTIVE OFFICER, CANADA

Thank you. Check? Is this working? Very good. Very good.

Good morning, everybody. First let me thank you for your continued interest and support of WSP and for taking the time out of your very busy schedules to be here to join us today actually. As Isabelle said, my name is Hugo Blasutta. It's a wonderful, great Irish name as I say and I have this wonderful pleasure of leading the great talent that we have in WSP Canada. This is my first presentation to a WSP Investor Day so, as Isabelle tells me, you have a big say on whether this is my first and last as well, so let's see if we can make it happen. Isabelle also mentioned that I was previously CEO of MMM Group for four years.

What I'm going to do today is just highlight a very quick look at where the firm has been over the last four years. Many of you are very familiar with that so not a lot of detail there. An overview of where we are today as a company in Canada, following up on Sashen's presentation on where infrastructure and the infrastructure opportunities are in Canada and, finally, how WSP Canada is very uniquely positioned, I would say, for future success in that marketplace.

I would say WSP in Canada is a transformed organization from where it was in 2012, you know, consistent with the strategy that Pierre and Alex and the Board laid out. You look at where we were in 2012, $577 million in revenue to the last trailing 12 months at 9-12, significant growth as it was predicted and how we planned in the strategy through acquisitions, and through that WSP has become Canada's largest pure play engineering firm.

So, how does the firm look like today? As I said, $912 million of net revenue in the trailing 12 months. We have offices East Coast to West Coast, a total of 185 offices, and I will get into some of the strategies on what we are doing there but we're represented in every major urban centre in Canada. It puts us close to our clients. Just as a side note I should say that I just finished a three-week tour from Halifax to Victoria and not only an opportunity for me to meet staff but also an opportunity to lay out what are strategy is going forward over the next couple of years, what we are going to emphasize, but in three weeks I was able to get in front of 5,000 of our 8,000 plus staff on an eyeball-to-eyeball basis and I can report back to this group that I'm thoroughly impressed with the depth of technical knowledge and thought leadership that we have in the organization, and also coupled with that is the depth of client relationships that we have with key clients. And that's a deadly combination; when you get great people working with great clients, great things usually happen.

So this is where we are today. You may remember WSP, WSP being a regional based company. We have transformed that into a sector based end market alignment with seven business lines: Transportation, which is the obvious one; infrastructure, so for everybody not to get confused, infrastructure in our terms, pipes into ground, plants, water, wastewater, urban planning, land development is what we call infrastructure, the buildings is the obvious one, environment, mining power industrial, oil and gas, and geomatics, and there you've got a highlight of the number of staff in each of those areas. Our transportation group is clearly the biggest group in the Canadian operation.

So, why move to a national business line? Ultimately it creates better synergies within people that have the same technical and disciplined background. It gives us the ability to partner with national clients, which is very, very important. It improves our ability to cross sell our services. That's a big part of our strategy, especially post the MMM deal. We have a number, as I said, of deep client relationships that we can up sell other services that we have in the organization. Definitely improves the sharing of best practices, technical best practices, project management best practices within the organization, which will help improve bottom line, and it also helps work sharing across the country so that we can balance our work force against our work load. Our business is quite simple and if you take talented people, talented people usually attract key clients, and key clients usually give talented people their most mission critical and complex work, which excites the technical staff, and when you run that through an organization that have strong and business enabling systems, project management systems, project delivery systems, you actually end up delivering a better bottom line, which allows you to reward your investors, allows you to reward your staff, and allows you to reinvest in the company to obtain, again, greater talent, develop your talent, better clients, and it becomes a circle of success. Setting ourselves up as a national business line is part of that process.

WSP, I'm happy to boast, is an award-winning firm. This is something none of our, ah, none of our competitors can deny us that. There is no greater testament to our standing in the industry as thought leaders and leaders in the delivery of complex projects like the recognition we received back from the industry, our peers and our clients through the awards we win, and you can go through those on your own time. I love leaving this slide up because this is the slide I always show my good friend Bob Gomes at Stantec. One of our key strategies is the pursuit, the winning, and the delivery of the most complex and what I call mission critical projects. In 2015 we were involved in 44 of the 100 largest infrastructure projects in Canada. And I will leave this slide up for a while, as I said, this is the one I love showing Bob. And he hates when I do it.

So, one of our strengths is our diversity in our end markets. You can see, sorry I should... 32 percent. Sorry, these are 2015 numbers. So 32 percent of our businesses in transportation infrastructure. Currently that number is at 38 percent so it lines up very well with where the market is going in infrastructure and transportation spending. Environment is 21 percent, 24 percent in buildings, and 23 percent in industrial and energy. Oil and gas represents about 5 percent to 6 percent of that total. So, well diversified on the end sector market. We also have a nicely balanced client mix. 60 percent of our clients are private sector, 40 percent are public sector, and this needs a bit of a definition, where do you put the P3 client base, because ultimately it may be a public sector client that's driving the need for the project but it's being delivered through a private sector model. That client base is in the 60 percent. So a nice base, a nice mix between private and public. Also a very nice base and healthy base on fixed-fee type work. So, for everybody's benefit, fixed fee on a defined scope, which can be riskier but the rewards are higher if you can manage the risk. 40 percent of our work is on a quote-unquote time and material basis. So, again, a very nice balance there.
Financially, 2016 has been a challenging year for Canada, certainly with the headwinds that we faced in Western Canada initially through the, um, and the next few slides will show that, but certainly with the headwinds in oil and gas, the downturn in oil and gas, and now the knock-on effect in the local economies. Land development has taken a hit, our land development business has taken a hit out in Western Canada. Our building sector has as well as some of the private clients are pulling back. So, gone from $805 million to $912 million, that's our trailing 12 months in 2016.

The next slide shows essentially the same message on adjusted EBITDA and EBITA margin. Part of it is related to continuous and continued integration, some of it is just lower margins from our business in the west. Current trailing 12 months is at 10.7 percent.

Our backlog continues to grow. Certainly continue our business development efforts, and I'll talk a little bit more about that as they relate to our larger project base, but we do have growth in our backlog. Just so everyone understands the difference between a hard backlog and soft, hard is basically contracts that are signed up. Soft backlog are projects that we've been awarded. They may be master service agreements that will roll out over two or three years where the actual project hasn't been identified yet but there is a commitment to have us involved in some of the work. DSO, unfortunately, has crept up in 2016. It's an area focus for the group and our target is to get back to below 85 days by the end of 2016. We have a program right now out there on cash collection. So we're not at all happy with the 90 days and would like to get back to the 85, 84, 83 days that we had in 2015. A lot of that is driven certainly by our Western Canadian client who liked to use us as a bank.

So the infrastructure opportunity in Canada, I would simply say that the need is great. And you heard it this morning from Alex, you've heard it from PwC. You know, the studies have demonstrated, and you've seen these, that we do have an infrastructure deficit in Canada, and these studies have also shown that up to date and modern infrastructure is really essential to many of the economic activities that we have in the country. It's so fundamental to what we do in the development of sustainable, liveable, and vibrant communities and cities. As Alex mentioned, we're seeing more urbanization and more densification of our urban environments and governments are now being pressured by the public to invest in infrastructure, certainly in the transit side and the water/wastewater side. And the one good thing that has happened at the government level I would say is that the government, politicians have finally figured out that you cannot look at infrastructure on a four-year, four-and-a-half year electoral cycle, that these are major investments that go on for a long time and need to be made. So governments have stepped up and have made long-term commitments to this market.

So here are just some quick analytics around the lowest target reinvestment rate, some of the upper targets, and where the current rate of investment is in the Canadian market, and you can see generally the current reinvestment rate is below the targeted. And what's interesting about all of this I want to point out is that WSP is a significant player in every one of these areas on the left-hand side. So, again, well positioned for the investment in infrastructure.

Some additional analytics, this one around the absolute infrastructure deficit. Again, we are active in every one of these areas on the left-hand side. There is about $141 billion replacement value for current infrastructure that's deemed to be in poor or very poor condition. So it doesn't take a genius to drive around Montreal, Toronto, Vancouver and see that first hand, it just takes a bit of time to crank the numbers to show what it's actually worth, but we're looking at another $247 billion in current infrastructure that's viewed to be in very fair or fair condition. So that's the market that we are facing.

So long-term commitments from the federal government have been announced. We've all heard about the $120 billion. That has not been released all at once. It's slowly coming out. We will see the impact probably more at the end of 2017, 2018, 2019. But they have committed the $120 billion to infrastructure spending. So here is a look at the federal governments anticipated spend in the area of public transit, green and social infrastructure over the next ten years along with some numbers, you know, $3 billion for municipal infrastructure through the gas tax fund.

As was mentioned earlier, Canada is viewed to be a leader in the delivery of P3 and alternative delivery type projects where you match up public sector, private sector and share the risk appropriately. Canada is viewed to be a leader in this area and, again, I will be boastful here but WSP is viewed to be a leader in P3 and alternative delivery in the Canadian marketplace. We have the track record to show that. So about 15 percent of our current revenue comes from what P3, design build, alternative delivery type projects. We see that increasing over the next couple of years as well. Ideally it's a marketplace that we'd like to be positioned, if I were to take off the public, private and P3, ideally it would be nice to be in a third, a third, a third from a balance point of view. So that's where we're working towards.

So here are some examples of some recent wins in the P3 area. We have, ah, our buildings group is the leader in healthcare, certainly in the acute care hospital. Mackenzie Vaughn is a $700 million construction value project that we recently won with financial close due at the end of October. I think we've got a typo there, October 2014. We would have spent the profits on that job by now. But it is October 2016 we will close that project. That project is worth about $12 million to $13 million in fees over a two to two-and-a-half year period. Also, land border security for the government. This is about 50 smaller border crossings for a total value of $440 million. That project started in 2016. So, great track record.

Obviously as a leader in the P3 alternative delivery market we have a number of pursuits currently on the go and a number that we are teamed up to pursue in 2017, so this is sort of a peek behind the curtain on some of the projects. You're not allowed to tell Bob Gomes what we think values are. This is not the prices we're going in at, none of that, but it just gives you a general feeling of the volume of P3 work that we are currently pursuing and will pursue in 2017. You'll see that's part of the, one of the messages we have or I have for you today is that 2017 will be a very, very intensive year for the firm in the transportation sector on the pursuit of this kind of work. Work that's undertaken, the pursuit side is undertaken at reduced margins, and then obviously if you win there is a success fee and then there's the ongoing work. So I would point out projects such as the Montreal LRT, our home base, which is valued at about $5.5 billion, and the Green Line in Calgary, the LRT valued at $3 billion. We have teams in place for those. As I said, a lot of these projects will be pursued in 2017 and project delivery will be in 2018, 2019, and beyond.

So, as I noted earlier, up to date modern infrastructure is fundamental to economic activity in any economy. The other truth is I believe that infrastructure development is actually the largest contributor to our global carbon footprint. So you've got this tremendous need for infrastructure and yet infrastructure that's driving carbon footprint. So anything we do going forward has to be sustainable. And, again, this is an area where WSP is a leader in the Canadian market. I would say actually a leader in the global market is the development of sustainable infrastructure. We have people in our transportation group, actually there is an organization called TAC, which is Transportation Association of Canada, represents all the Canadian transportation engineers. It's actually WSP engineers that are chairing that committee on sustainable infrastructure design. So, as an example, in the building side, you know, we're responsible for about 60 percent of the buildings that have been certified under—everybody familiar with the LEED concept which has set standards on sustainability? We've certified 60 percent of LEED what are called existing buildings. These are buildings that are existing that we go in and tune up to modern standards, and about 1.2 million square feet of new building construction under LEED NC which is LEED new construction, so certainly an area that we dominate in the Canadian marketplace.

Our growth strategy. So I mentioned earlier significant acquisitive growth certainly dating back early 2000's and over the last four, five years, six major acquisitions, what I would call transformative acquisitions, and what we were looking for there were revenue synergies. And we could see some of those revenue synergies immediately with the purchase of MMM, the acquisition of MMM by WSP around projects like Turcot, like Champlain Bridge, some of the work we're doing in Ontario at TTC or at Metrolinx as well. 2016 unfortunately, um, the headwinds around our economic downturn in Western Canada, some efforts on the integration front, and just generally the business transformation I've talked to you about, we're seeing negative organic growth. 2017 will be a year of flat growth as we continue the integration. We are investing in our business systems and business process optimization, certainly on project management processes and systems, cost synergies around real estate, and I'll talk a little bit more around that area. The infrastructure program that's being rolled out by the provinces and by the Federal government will take a lot of our resources as we pursue these projects across the country, but we are looking for bottom line improvement in 2017 as we tune up our current business. 2018 will return to organic growth and, again, another improvement in our bottom line because we will start seeing the impact of the infrastructure program because we feel we will win more than our fair share. Our business processes will be optimized at that point, our cost synergies will be completed, and our bottom line will be improved. So that in a nutshell is what the next couple of years will look like for WSP in Canada.

Some of the initiatives that we have by sector, we will continue to grow our transit business in Canada, we will continue to move into the higher-value work as we have in transit signalling, electrification, and controls. And to Alex's point when he mentioned the CEO global fund, we have an initiative to grow a ports, marine and coastal practice, but that's not a Canadian only strategy, that is a strategy that's coupled with our colleagues around the world. We see tremendous opportunities in that sector and the end market and it's a great end market because it draws upon all our what I call core disciplines: transportation, environment, buildings, our industrial people in terms of processes, certainly our environmental group, geomatics, and hydraulics. So it's a wonderful submarket for us to focus in and attack on a global basis and that would be, to answer the question that came, does this create tension in the organization? Probably does a little bit but actually creates these opportunities to collaborate where you see common end markets. And this is a market that is very global in terms of the client base.

Infrastructure. There is obviously a great demand on the water/wastewater side on the plant, on the treatment side of it, and what we're seeing in that market, um, where there used to be a lot of public resistance around privatization of waterworks, we're seeing a push to deliver these projects through a P3 mechanism. So here we will couple our expertise in water/wastewater with our P3 delivery expertise to pursue some of these opportunities. In buildings we're going to continue to grow our telecom, data center, and smart buildings practice and business. It's one of our more profitable groups. It is leading edge. It ties in very well to our sustainability practice as well. Environmentally, we planned, the whole environmental jurisdictional issues is becoming more and more complex, more complicated, requiring more cross functional capabilities in an organization and, again, I think we are ideally suited to continue to grow that environmental planning side coupled with our ecology business, and this is a business that's highly tied in to what we do in both our infrastructure business and what we do in our transportation business. So we will continue to grow that.

MPI: mining, power, and industrial. Our plan is to continue to grow our power business across Canada and move it, certainly in the transmission and distribution and wind power, and there is a lot of work in the re-fit and retrofit of hydraulic dam type power.

Oil and gas is a market that we will just attempt to maintain our market share with no further investment at this particular point in time. This is the extraction part of our business, if you will.

Geomatics. Traditionally within, certainly focused, um, the geomatics group was highly focused around oil and gas. The MMM Group was highly focused around infrastructure support and we are moving that whole, that combined group to be more focused around infrastructure, support what we are doing in transportation, buildings, and our other infrastructure transportation groups and be less dependent on the oil and gas market. We are also expanding our capabilities in the geospatial. This would be a significant shift in this industry where there will be fewer boots on the ground, as I say, and much more application of technology. We're well advanced already in the use of drone technology in this sector and that will only continue as we get into higher end and more complex work.

Some corporate initiatives I mentioned is certainly invest in our project management systems. We do have project management systems but through all of the acquisitions we need to stitch a lot of these together, so that's a big push in later, we're currently underway but 2016, 2017. Our continuous improvement on our CRM systems so that we have visibility to up sell to our key clients and up sell more of our services now that we have a more balanced service approach. Continue the integration of MMM, which to this point is going very, very well. There is still a bit of work to be done there.

And office consolidation to reduce our real estate costs. As I mentioned, we are in 185 plus offices. We have situations, this is all historic through acquisitions and existing leases but, for example, Calgary, I would say we have 15 offices in Calgary. And there is logic to how it got to 15 and, again, it was through acquisitions, but we feel that we can make significant savings by consolidating that kind of situation into one office, maybe two offices at most. So we have those kind of programs in place for Calgary, Victoria, BC, Vancouver, and other locations. We just completed consolidation of our office in Edmonton where we had five offices, consolidated to one and we have reduced our lease cost by $1.2 million. Obviously there is a CapEx hit but you can see where we're going from a cost reduction point of view. That will create more, part of the cost savings there, it will create more critical mass in our urban centres, it will create better synergies between staff, better understanding of clients, cross selling, there's a lot of positives to consolidating those offices.

So, in conclusion, 2017 will be a year we position the firm for continued future growth. We will drive operational excellence through continuous integration development and deployment of business improvement systems and reduced operational costs with a goal to improve our bottom line margins in 2017. We are going to continue to invest in our talent. It's a people business, our assets go home every single night, we want them to show up the next morning. We will leverage the breadth and the depth of our technical and project management expertise to continue to be a leader in the design and delivery of large, complex, mission critical P3 design build projects across the country and we will continue to invest in client development and the cross selling of our current and expanded service offerings to our clients. And we believe that these efforts will return the firm to organic growth in 2018.
Merci Beaucoup. Thank you very much. Questions?

Frederic Bastien, Raymond James

Hi, Hugo. Frederic Bastien, Raymond James. When you look P3 projects, new P3 projects, is your preference to pursue them as part of a bid or does it make sense to sometimes to just partner up with the owner and become their owner, the owners' engineer?

Hugo Blasutta, President & Chief Executive Officer, Canada

Don't quote me on this but we actually walk both sides of the street when it comes to that. Our preference, quite frankly, is to be on the bid side. A, because we've got that expertise but we have done a lot of work on what's called the compliance side, and we typically, depending on the strength of the team, because teams start to form sometimes a year or two years in advance of the project actually being out on the street, so we may take a chance, look at it and say, look, there aren't very many good teams that are pursuing this, let's go after the compliance.

So I'll use a great example. We are part of the Auto LRT Project as the designer. When the Eglinton LRT Project came along we were working for, at the time, TTC Metrolinx. So we had an option to join the same team that was doing the Auto LRT but because we had in essence a bird in the hand with Metrolinx, we actually stayed on the compliance side. So it's a long answer to your question but we will work both sides depending on what we think the long-term opportunity might be for us. Some compliance opportunities are very short, they are front end with very little downstream; some are actually a bit more robust and they are worth actually pursuing. And it balances the risk as well.

Whoever has a microphone, yell.

Unknown Speaker

I'm live. I'll ask questions.

Hugo Blasutta, President & Chief Executive Officer, Canada

Oh. I'm sorry. I'm looking over here. Sorry.

Unknown Speaker

It's okay. Just on your process improvement side of things, can you quantify what the margin impact is going to be from that? And maybe can you talk to us a little bit, look, I know Alex is looking at it right away, but also have you benchmarked where you are with your peers in terms of processes for managing the human capital inside your business or even benchmark internally amongst other regions within the business? Just want to understand with all the acquisitions kind of where you are, how long is this going to take, how low hanging that fruit is and what the magnitude is, if permitted.

Hugo Blasutta, President & Chief Executive Officer, Canada

Yeah, we certainly benchmark ourselves. We use the EFCG quite a bit. Everybody familiar with EFCG out of New York? They basically, um, to go to their annual conference you supply them with all your metrics and then you can get information on the industry. So I would say that from a human capital point of view, um, and if you measure it based on voluntary turnover, I would say we are at median to our competitors in Canada. Now am I proud to be average? No. We will work through our talent development to do better than that, but we are sort of medium for large firms. I would say to your first question on the impact, I can't quantify sort of the project management, what that means in absolute dollars. What I do know certainly from my experience at MMM and my experience before that at another company called Yalus(sp.), when you actually implement these business enabling systems, especially on project management, you reduce the amount of margin erosion and you start to basically drive project completion at the as-sold margins. So just the fact that you're not losing margins is the reason for that investment.

Unknown Speaker

Okay. And just one quick follow up to that, the IT investment that Alex spoke about, is that gaining for you in terms of achieving these process improvements?

Hugo Blasutta, President & Chief Executive Officer, Canada

Absolutely. Because it creates the common base, the common foundation from an IT point of view.

Unknown Speaker

Thank you.

Benoit Poirier, Desjardins Securities

Hi, Hugo. Just looking at the megatrend toward alternative delivery type, your two large shareholders have strong financial expertise in projects, everything, so is there opportunities for you to better leverage those two shareholders with respect to going through the P3 opportunities down the road?

Hugo Blasutta, President & Chief Executive Officer, Canada

I don't have the relationship with the two major shareholders. I hope to have it but I don't today, so I will leave that one to Alex if you don't mind.

Alexandre L'Heureux, President & Chief Executive Officer

Well, Benoit, this is an interesting question. As part of the strategic plan that we've rolled out at the beginning of 2015, clearly this is something we said we would be exploring as part of our strategy. You've seen the presentation from PricewaterhouseCoopers today, clearly there is a need for capital. And I don't have a straight answer for you today. Clearly beyond and above the opportunity we would have to partner with our two anchor investors to invest in an infrastructure projects. I'd say that, and I mentioned it this morning, they have been so supportive, and this has been by a long stretch a key differentiator for us in the industry. We were able to act swiftly when we made acquisition with the help of the bought deal market, you know, the banking relationship and the strong banking industry that we have in Canada, but also with those two large anchor investors we were able to make a difference in the industry. So, going back to your first question, the answer is yes, we will explore this. Whether we will do it or not is to be seen but as part of this cycle is something that I'll revert back to when we have an answer. But yes, I mean clearly they have been extremely supportive.

Sara O'Brien, RBC

Hi, Hugo. Just a couple of questions, first on profitability for 2017, just wondering how you balanced the savings from real estate, for example, with bidding costs if it's going to be a very active year where you're making no margin on the bids until they are awarded. Maybe is there an order of magnitude, one is greater than the other, or how does that factor in?

Hugo Blasutta, President & Chief Executive Officer, Canada

In terms of...?

Sara O'Brien, RBC

In terms of if you are going after a larger P3s and you're not getting paid a margin on those until they are awarded. Is that a big offset?

Hugo Blasutta, President & Chief Executive Officer, Canada

Correct. So the strategy for us in 2017 is we are putting a lot of pressure obviously in our—80 percent of the business is between transportation infrastructure, buildings, and transportation. Transportation is the one that's going to be very heavy on the P3 pursuits in 2017. So the other three major business lines—buildings, infrastructure and environment—are the ones that we are pushing for better margin in, ah, margin growth if you will in 2017. Now we will also see, as we pursue these projects, and knock on wood we're successful, we will see success fees come out of that in 2017, which will more than obviously cover the lower margin pursuit work. So we are counting on some of that.

Sara O'Brien, RBC

Maybe if you could just also comment on how you choose partners for the P3s and how that's developed in the past few years as WSP has grown in size.

Hugo Blasutta, President & Chief Executive Officer, Canada

Right. That's kind of an interesting question, because it used to be that we used to chase our partners. Now our partners are chasing us. I think that is a big—the one great thing, I think, that's come through the MMM/WSP acquisition is the fact that just the size of the firm but more than just the size in total number, that depth of technical knowledge and capability, we are actually getting calls from these proponents to join their team instead of joining another team. And that doesn't happen all the time. Our marketing scheme is not the phone will ring, we actually are quite active in pursuing work, but we typically look at the type of project, the track record of the various players, especially the contractors. A lot of it has to do with how hungry are they in the marketplace, and that's what makes the P3 pursuits very challenging, because you're teaming up, and Ricet knows better than I do, one year before, a year and a half before the job comes out. In the meantime you are making a judgement on it will quote-unquote EllisDon be hungry when we get out a year and a half? If they are not, then you have some issues, correct? So you're looking for expertise certainly in a particular sector but also win rates, track record, anything else that you can do in terms of the valuation. But we are getting more calls in terms of joining teams.

Any other questions?

Mike Tupholme, TD Securities

Thanks. Mike Tupholme, TD Securities. Hugo, the lease hold savings, is that something we could expect to be realized in 2017? I know sometimes—

Hugo Blasutta, President & Chief Executive Officer, Canada

Early 2018 actually. Calgary is a big one. That's a 2018. Victoria will be three offices 2017 with some, you know, not material. Calgary is a material one, Vancouver is material, those will be early 2018 numbers.

Mike Tupholme, TD Securities

Okay. And then a separate question: With respect to the federal government's infrastructure spending plan, it came out with a lot of fanfare and there's been some suggestion that some of the spending and projects have been slower to come to market. Is that the case or is it proceeding as planned?

Hugo Blasutta, President & Chief Executive Officer, Canada

No, I would say it's been slower, but what I've shown you up here in terms of the dates is really what's coming out in 2017 for sure. So they are starting to come out. Where we are seeing opportunities, what has come out of the gate very early, quite frankly, is investment in the First Nations communities. So we have a whole strategy just around servicing First Nations specifically in the water/wastewater group. And we are starting to see more and more projects. Now those projects aren't necessarily large by any stretch, but they are large in volume. There are a number of them coming out because they tend to be community based. So that's one of the areas that's come out quickly and we fortunately had a strategy to take advantage of that.

Jacob Bout, CIBC

Phase one of the federal infrastructure spend is very heavily skewed to water/wastewater, that kind of stuff, and it's a larger portion of the overall spend is on that water stuff. So I'm just wondering, can you talk about how you, and what I would perceive, and I might be wrong on this, is a more commoditized kind of market, how you bring a differentiated offering to keep margins in that segment and, you know, the competition that's there, there's is a lot of specialty niche players in that market, kind of what are your credentials and skill sets around that?

Hugo Blasutta, President & Chief Executive Officer, Canada

So in terms of water/wastewater, you know, we have the whole range of capabilities in that area. The value add, quite frankly, there's parts of that business that is a commodity where you have tremendous downward pressure on fees, and that's where we use, we'll be using more of—you've heard the term CRC? Our Confidence Resource Centre? These are centres that, not offshore but other areas within the global network that have a lower cost base than we would have in Canada, and have those entities work on the low cost/low fee type of work and do the value add work in Canada where there is true though leadership. So that's how we're attacking that particular market. In the smaller water/wastewater side that's delivered on what I would call traditional basis, but the water/wastewater like Lion's Gate out in BC, the stuff that's delivered on a design build P3 type model, it's the ability to know how to manage a P3 project and all that inherent risk that is the value add in that. It's less around the technical expertise in that particular case.

Jacob Bout, CIBC

And just to follow up, do you see any issues on the funding side? Traditionally the feds, if I go back and look historically it's 20 percent to 10 percent between them and the provincial and the local governments and I think there's some discussion that the fed will increase that percentage so the absolute dollars don't change for a total project value but the actual fed spend will compensate or kind of cover off the deficiencies at the provincial and local governments. Just wondered if you had any thoughts around how—

Hugo Blasutta, President & Chief Executive Officer, Canada

Yeah, I mean you always have it in the back of your mind around how that might move, but so far we're actually seeing the release of projects, Centre Block, which is a large project that's put out by Public Works Canada, I would honestly say we have a 50/50 chance on that project. That's $100 million in fees. That's a huge project that's been released by the federal government over the last two months. So I think they are getting there, they are going to release it. I think some of the stuff has been delayed. Some of it is around getting EA work done, just getting environmental assessment type work or getting the compliance side in place. But it is 2017, end of 2017 where we will start seeing the fruits of all this.

Jacob Bout, CIBC

Thank you.

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Hugo Blasutta, President & Chief Executive Officer, Canada

Sorry. I've probably gone over my time. So we take the vote now whether I come back next year or is it done? Show of hands? Thanks.

Isabelle Adjahi, Vice President, Investor Relations

So, the last presentation before the lunch is actually, as I was telling you about earlier, a presentation of the Turcot Interchange project and how we tried to put our strategy into action and transform it into revenues. So this presentation is a team presentation. We are going to have Ricet Nadeau present with Jean-Francois Gauthier. So Ricet is National Vice President, PPP and Design Build for WSP and Jean-Francois is Deputy Vice President, Major Projects in Transportation. They have both been working with the firm for 15 and 21 years respectively and they have been involved in the major projects such as Highway 25 to Turcot Interchange and the Champlain Bridge bids. They have worked a lot during all this year with our third speaker, Sébastien Marcoux. Sébastien is Deputy Project Director, KPH Turcot and he has been a member of the Kiewit team for over 20 years. Is that correct? So, Sébastien has been involved as well in all major projects. And after the lunch we will go on site to visit this project. So, gentlemen?

RICET NADEAU, NATIONAL VICE PRESIDENT, PPP/DESIGN BUILD

Thank you, Isabelle. Am I on? Yes, I am. So we will split the presentation in two. We will start with the design aspect on the project and then Sébastien will come and talk about the construction, more on the construction side. It stopped working? Isabelle, you didn't tell me how this works. This? I told you. I like mine.

So where is the project? Probably most of you came from the airport, so if you leave the airport—is there a pointer? Okay. So, if you leave the airport most of you probably took Highway 20 going downtown, so you just probably passed through the project, the thing that's almost falling apart there, so you just probably drove through it. I also put on that slide the Champlain Bridge Project which a lot of people talk about. Not a lot of people know that end of Turcot Project is kind of the beginning of the Champlain Bridge project, which we are involved with SNC-Lavalin on the Champlain Bridge project. We're in a 50/50 joint venture for the onshore work as well. So basically we are involved in this, that becomes like a big project.

The Turcot Project is basically a seven kilometre long project from west to east. There is 45 structures in the project. It's the equivalent of 145 kilometre one-lane highway. So if you put everything into a one-lane highway it's kind of 145 kilometre long project. The initial interchange was built in 1967 and it's one of the most used interchanges in Canada with more than 300,000 cars per day. And there is existing ramp ranging from 18 to 20 metres in height. So one of the goals of the project is to reduce the number of structures and to reduce the height of the interchange. The overall cost of the project is $3.7 billion. Within that $3.7 billion there is $1.5 billion which is delivered into design build procurement. So within the design that's done or project that's delivered into a design bid build for conventional project, we are involved in about more than 50 percent as well on that front, so we also have other mandates from the Ministry of Transport for the remaining aspect of the project as well. The contract for the design build project was signed the 27th of February 2015 and the end of the contract is, we're not going to aim, we're going to achieve to finalize everything in 2020.

So the theme, basically there's a construction component and a design component, it's a design build so the construction theme it's Kiewit, Parsons, and CRH. CRH just bought Holcim so the letters KPH, so you'll see everywhere KPH Turcot, so KPH is basically Kiewit, Parsons and Holcim. Holcim was bought by CRH. So that's the KPH logo. And on the designs—and Kiewit is being the leader of that construction team. And on the design side there is WSP and Parsons. Basically WSP is handling 95 percent of the design and we have also Parsons with us on that front. I really like to take the opportunity to mention that we are really privileged to work with that construction team. We've done Highway 25 with that team. We have a longstanding relationship with especially Kiewit. Sébastien, you owe me one here. So really we are privileged. I think, in my opinion, Kiewit is one of the strongest contactors in North America and we are really privileged working with them. Highway 25 was a big success and Turcot will be I'm sure.

Basically the design, most of the design is done in the first 12 to 14 months except the structures. Like I said, there's 45 structures, so the structures will be done in about two years' period. And we'll support construction during the five years that the construction will last. We had multiple offices involved. The hub office was in Laval. We had about 90 people there, a mix of designers and a little bit of construction people with us. So Laval, Quebec, Montreal, Longueuil, Gatineau, Saguenay, and Mont-Laurier were involved.

Just a graph to show that staffing that we had during the project. So basically the contact was signed the 15th of February. Like we see here, we started early. It was really important that the construction start early in the spring or summer of 2015 so the construction team decided to invest even before the contract was signed to make sure that the plans were ready for the first season. And we peaked at 240 designers in about May 2015. So you see that the peak is really the first year and then we're fading out until the end of the project.

In my opinion there is two key challenges, two key components to win this kind of project. So you need the right team. So construction team needs to be hungry, like Hugo said, we need to find a construction team that is hungry, and we need to have a design team that is aggressive. The second thing is we need to innovate. We don't want the construction team to lose their shirt, they don't want to lose their shirt on these projects, and we need to be the lowest bidder to win these projects, so the key is to innovate and think outside the box. So basically on this project there was three main things. There was multiple things but I think three main things made the success. I will talk about the first two ones. The third one is basically the Ministry reference drawing. They had five tunnels in the project. We were able to eliminate all of them. So basically it's a gain for safety, it's a gain for long-term maintenance, everything. And within all the innovation that we've made basically and the aggressiveness of the construction team, we were able to cut a year in the schedule.

So the first innovation is basically, you see here Highway 20, the blue is the existing and the red is the future Highway 20, which is basically on top of the existing, and the black line are the future CN tracks. The CN tracks are right here right now. They are going to be shifted here. So if you see the crossing here, everything is on top of each other. So the existing Highway 20, the future Highway 20, and the future CN was right on top of each other, and we needed to maintain the traffic and the CN operation during all times. So we learned after that all the other teams, they had problems figuring that issue here. So basically we took a step back and we decided to just think outside the box and we found out that there was kind of a green triangle here where there was nothing there. So it was kind of a free area with no infrastructure. So we just kind of re-thinked (sic) everything and we basically tried to take advantage of that spot and we were able, well the construction team were able to start construction early without disruption of any traffic. So basically we just shifted the Highway 20 a little bit north by increasing the radius of that curve, so it's even an improvement for safety, and we were able to...whoops. Anyhow. You'll see here the triangle I'm talking about. So basically a lot of work that you'll see later today is done there because we were able to start construction early in that area.

The other innovation that we've done is the Ministry scheme, they had the ramp from Highway 20 going downtown to Décarie Highway. That ramp was on the fourth level, so it was the highest, it was passing over everything. So the black line is kind of the elevated structure that was on the MT (inaudible) scheme. What we decided to do is we decided just to leave that ramp on the ground and take another route and basically we were able to eliminate the fourth level and we were able to eliminate probably 75 percent of that structure at the same time. That was another innovation that helped reduce the number and actually that fits exactly in the Ministry's objective, which was cutting structures and lower the interchange.

I'll let Jean-Francois here just handle the remaining of the design section.

JEAN-FRANÇOIS GAUTHIER, DEPUTY VICE PRESIDENT MAJOR PROJECTS - TRANSPORTATION

Thank you, Ricet. Good morning to all. I will show you some more visual part of the presentation, so it's about architecture and urban integration. This is very important now in all infrastructure projects to have those aspects included in the project so I will show you some examples of what we have done.

First I just want to tell you that this isn't the colour that we have chosen. Those colours were specified in the technical documents by the owner, so don't comment, don't ask me questions why we use orange, yellow or green. It was meant to be like that. So, for example, this is in the south sector. So we have orange, so we have girder orange, we have a wall painted orange, and on top we have noise wall. So this is an example of what it will look like. So same sector, this is south sector too, because south sector we have yellow, orange, and red structures. So same thing, the girder will be yellow, and there's already structures that have been built so you can see that beautiful colour right now. And all the trees and the grass around is adding to that project too. So this is an example for the east sector. It's a green colour. So same thing with the wall, with the abutment, the girder, and the noise wall on top. This is an example of the west sector. This is the first structure in the west. So we added like red paint on each pier, so this is an example with the trees around and stuff like that.

So this is the cable-stayed bridge. It's south of the centre of Turcot Interchange. It's about 250 metres long. It's a cable-stay so it's very architectural too. So this is right now. It's in construction right now. This is a big issue with the MOT in terms of traffic. This is an example of urban integration. So this is Pullman Boulevard, this is Saint-Jacques, so this is all new, so if you know Turcot right now it's very different compared to the existing Turcot. So this is very beautiful now. Lots of trees. So it will be looking like that in three years or so. One of the key challenges of that project is the MOT, maintenance of traffic, because Turcot construction we need to keep the traffic alive on those ramps. Those are the ramps in the centre sectors or the existing pier and the ramp has to be, has to stay in place. So what we have done, this is the centre sector, there's lots of structure there, so what we have done is we modelized the existing structure with the pier and this is the existing tunnel of the (inaudible). So the yellow is existing, blue is proposed construction, this is on construction, the green is temporary road. So I'll just show you some slides very fast.

So this is phase two, for example, more blue stuff, so more construction. The purple is the, ah, it's constructed, so some traffic goes on top of that already. So slowly we're demolishing the white, it's what will disappear in the next phase, phase 2A. So we're demolishing, we're going forward and forward and forward again. At the end we have only the two existing ramps in the middle, so those will disappear because we need to switch the traffic to the new ramps. So you can see the level. It's lower now than it was before. So this is what the interchange will look like after.

So our team in Montreal did a 3D video of all the interchange, so this is an example of their video. We're going 15 going north towards Interchange Turcot, the centre, so this is all done with our team in Montreal, the (inaudible), the trees, the roads. There's a cable-stayed bridge on top of Lachine, so we're going north, now we are in the centre sector. Now we're going towards the downtown. There's a hospital down there. So all the ramp there.

(Background Conversation – Inaudible)

Jean-François Gauthier, Deputy Vice President Major Projects - Transportation

We're even going through cars there. It's okay, it's in Montreal; people are crazy.

Unknown Speaker

(Inaudible)

Jean-François Gauthier, Deputy Vice President Major Projects - Transportation

Yeah. So this (inaudible) Montreal. So the MTQ, the owner, has a site, an Internet site, and everything is on that site, so you can see all the video and all this stuff. So can I change it right now like that? Perfect.

So I'll let Sébastien talk more about the construction. Thank you very much.

SÉBASTIEN MARCOUX, DEPUTY PROJECT DIRECTOR, KPH TURCOT

Good morning. Ricet, I took very good notes of your great words on (inaudible) and I must also say that we're very pleased with our partnership with WSP. I mean (inaudible) 25, which was a great success, and I think everything is lined up to be the same on Turcot. We had a great start and, you know, at the end of the day it really comes down to, it doesn't matter what firm you work with, it really comes down to the people. And there was a mention earlier how WSP goes about choosing their partners and, you know, it's the same thing on the construction side when we look at engineering firms and we actually look at resumes and we meet people because, at the end of the day, that's what makes the difference of the success of these major projects. So I think by the leadership of Ricet and JF, the guys have done a tremendous job on the project. So he said it was free for you and you don't have to pay anything and really pleased to mention that today.

So let's talk about the real stuff here. So the construction and numbers, I mean there was some mention earlier about the numbers and four interchanges, there's 45 structures on the job site. When you look at over the time period it will be completing one structure a month pretty much and when you go out there today you'll see there's a lot going on right under the interchange right now. Five million cubic metres of material to be moved. I mean that's a huge challenge. I mean put that, just consider it in a truck, you probably put 20 cubic metres in a truck so it gives you the amount of trucks on the job site right now. We probably have anywhere from 100 to 150 (inaudible) haul trucks. That's in addition to the off-road trucks that we have on site. And most of this material is being reused on site, probably over 90 percent.

Another feature of this project is the concrete that we have to demolish and bring down. There's over 30,000 cubic metres and it's probably the first time it's been done to that scale I think in North America. So it brings some, you saw some of the pictures and some of the animations that JF showed. I mean it's important that at every phase of the project we know where we're at and because of the constraint on mobility we know where people are going to drive through.

There was a mention in the schedule and, you know, what this does initially when you are shown a schedule like this you optimize it, well the first thing it does is it puts a lot of pressure on the designers, right? And we've told the guys, you know, we need to bring that schedule, we need to crunch that and we need to make sure we have a good quality design. And the key here, the first thing for a design build project to be successful, the design needs to be on time. If it's not, it derails the rest of the schedule. And I'm really proud to say that the whole team has delivered and right now we're still on schedule to meet, and you mentioned this was a goal, it's more than a goal, this is where we're going to be in 2020 with a job being finished.

You'll see today when we go on site we actually work in every sector of the project. I mean we've divided the area in four sectors. People usually focus on the south, the center sector where the main interchange is, but really there's a lot of work in the west sector where the main interchange is but really there's a lot of work in the west sector where the CN alignment start. We go to Turcot Interchange, we go all the way down to the east close to Green Avenue, and we go down to the limit of the Champlain in a Turcot Bridge. So these are the different sectors, different dots. Let's move on.

So today we're about 25 percent complete. So, as I mentioned yesterday in another conference I gave, the last 12 months were extremely busy and I told the people attending that, ah, was announcing right away that the next 12 months would be as busy as the last 12. So we have about 800 craft people on site, we have over 200 supervisors. You talked about the peak on the designers, we're about 70 percent complete on the design right now. I mean you see just a picture of some of the congestion in the areas and I mean this is some of the stuff that we need to do in order to meet our goal and meet our schedule here. Five million cubic metres, we've done over 50 percent, and this has allowed us to actually give CN the new right of way for them to allow them to start their track work, which they did last week. CN crosses right through our project and they're real on the critical path so it was really important for us to deliver that section to them and that was a big milestone for us and you'll see that today.

This is a—I'm not going to ask you to try to identify all the colours here but this is just a quick snapshot of the challenge that we have to manage our material. Each of those different colours represent a different level of contamination on the project and we need to manage the contamination, the level of contamination needs to be managed in a specific way. So we need to be able to know where are we at on the job site at every time to know this material goes from point A to point B or to point C. So all the equipment is equipped with a GPS. The operator knows that every time on the job where he's at, you know, we used to have a lot of little pickets I guess with the surveyors on the job sites. You'll see today there's a few of that but a lot less than what we even saw like five years ago. So the technology has evolved tremendously and we've done that with WSP.

This is a shot of where we'll go today. This is under the main interchange. We've started 22 structures. We'll start another one in the next few weeks. Just under this interchange I believe there's about six going up right now.

This is a shot of the (inaudible) bridge. I thought you had chosen that colour, JF, so I'm surprised to hear that, because I've seen your shirts with the same colour in the past. So you'll see that today. I mean one of the, ah, you see some of the pre-cast panels here on top. I mean this is the same type of scheme that we're using for all our structures so it allows us to save quite a bit of time on the schedule. I mean I think throughout the industry now this is pretty standard.

One of the big challenges is the fact that we are working close to and under existing structures. You'll see there, the picture on the right side is a Home Depot and we just built the wall maybe about three metres away from the Home Depot. We're putting backfill under the existing structure, the Gadbois centre, we'll go there this morning, and at the bottom there you see one of our permanent structures and one of our temporary structures. Because of the constraint of maintenance of traffic we do have to build a lot of temporary works that we'll tear down over the next few years as we go forward.

You see some examples of some of the conflicts here. JF mentioned the Lechine Canal bridge, which is here. We're starting the girder erection in the fall. This bridge needs to be built in phases because it's approximately ten metres lower than the existing structure. You actually see here, this is a cable-stayed bridge and you actually see the conflict between the current structure and the structure that we're putting up. So I mean it brings us some additional challenges on the construction side. This is going to be a phased work over the next three years. And this is just another shot of some of the conflicts that we have on the job site that we have to re-look at and so there's a lot of engineering that goes through not only in the permanent design but also in the temporary design.

The AB10(sp.) structure, Ricet showed earlier the big red dot there where we moved that structure, well that's the structure that we moved. This structure is about 290 metres long. It was quite an accomplishment from a design standpoint because of the skew, it has a 70 degree skew in the bridge, which I don't think has been done a lot in the province. So it's located right adjacent to the existing structure. In fact, one of the girders we'll be installing is about two feet away from the existing structure, so you'll get a chance to see that today. We have a little animation here if you are to start it and what this shows here is just the sequence of the erection. So you see (inaudible) that AB10 structure, the grade, the existing one, and you see that because of the stance all the girders need to be erected on temporary falsework. There are 73 girders that we'll be installing and the work will be done in two different phases. So we're finalizing the first phase, as you see with the blue girders there. Once that's done we put the precast panels then we open it to traffic. Then we're going to be demolishing the existing highway. We're going to complete that structure and then at the end switch the traffic.

As I mentioned earlier, quite a bit of demolition, we've done just over 14,000 cubic metres to date, and probably the biggest challenge has been the demolition of the CN tunnel on the west side of the highway. All the work needed to be done at night. We cut the tunnel in nine different sections. Each section weighed about 1,100 tonnes. So one night we were using the equipment that you see there, we're bringing it across the tracks, the next night we're bringing it back. CN told us originally that we'd have four hours to do this work. Well, for those of you that have been involved with CN, they did give us less than four hours. At some point, I mean we were able to actually move some of those sections in about 45 minutes. So basically CN is there, they say go, you move this portion and you bring it across the tracks. All the cutting was done prior to moving the tunnel here. And I think we do have a little video that's in French and I can add to that video once after that shows the complexity. And really, so the work was done in April over about a three-week period. It was a great success by the whole team here. Our guys and our subcontractor really did a great job. You look at this, it takes about a month to do total with the crunching of the concrete and it really involves probably eight months' work of planning. So if we can put maybe the little video...

(Video)

So great job by the whole team and all the concrete that's being demolished in the interchange is being reused in the construction itself, so all the concrete that was crushed here is actually in the interchange right now for future work.

So that's pretty much what I had for just a quick overview of the construction. I'll go to site visit. Want me to go through this as well? So I guess right after lunch this is where we'll go. So we're somewhere downtown right here on the wall and so we'll drive through here. We'll start from the west site and then we'll come down and take a look at the west portion of the work and you'll see that CN is actually working here installing some tracks of they have started to install some tracks. We'll drive on a new service road that was opened back in June and we'll go right on the job site itself. And you'll see here we have all our job offices and we have our maintenance shop, it's located here. You'll see a lot of equipment. I mean this is really an equipment-intense job. We probably have over $50 million worth of equipment on the job site. This will obviously go down. This year is a big period, next year it's going to start to come down. So we'll move down. You'll see quite a bit of excavation here. And then we'll come up over an existing structure that was built by the owner prior to our contract. We'll get off here so we'll get a chance to look at the job site going this way and down. We'll then walk down and go through the centre portion of the interchange where you saw some of the pictures and drive back and we'll go to the Gadbois centre. I guess people are going to come back here after. So that's a little snapshot of our tour for this afternoon.

Are there any questions? Yes, sir?

Unknown Speaker

You've mentioned that the challenge is the amount of dirt that you have to move and material and so on but beyond that conceptually where would you say is sort of the critical path to make sure that you stay on schedule and budget. And as a second part, if there is, heaven forbid, a budget overrun, is it shared proportionately by the team or it depends on where it happens within the process?

Sébastien Marcoux, Deputy Project Director, KPH Turcot

Well, you know, the second portion, to answer your question, if there's a budget overrun we usually blame it on the designer.

(Laughter)

Let me answer the first portion of your question. This is a very tight schedule and there's a lot of different critical paths and when we look at a critical path the second critical path may only be 30 days difference, right? And because of maintenance of traffic everything is together. You can't say I'm going to work on the west side of the job and not advance the east side of the job, because when you do a traffic switch you need to take the west side through the centre through the east side. So the material management is only one portion. There's a lot of critical items on the project. I mean we have, if you look in our schedule we have over 11,000 activities right now. So there's a lot of different things and they're very, very close to one another.

Now in terms of a cost overrun, you know, there are some indemnification events in our contract but obviously the risk on quantity is on us, the risk on schedule is on us. There's a shared risk, for example, on contamination. There's a lot of stuff that was done by the owner at bid time. So the things that we know is our risk; the things that we didn't know about is the owner's risk. But I would say that there's a lot more risk on the contractor from meeting its budget right now.

Unknown Speaker

And just a follow on related to the abutment of your project and Champlain bridge, and we asked this of SNC: To what extend do you have to coordinate work on the one hand and then intercommunicate and who's the hub of that communication in terms of traffic disruptions and so on?

Sébastien Marcoux, Deputy Project Director, KPH Turcot

There's a few things. I mean there is a monthly meeting with the people from the SSL, the Champlain guys, because we do have to align some of the construction, so there are monthly meetings. And I think the city of Montreal has done a great job with the Minister of Transportation and they've pulled together what's called Mobility Montreal and there's representatives of the different companies that are there to make sure that the traffic switches are aligned. For example, if the 720 or if Champlain closes, the highway 15, well, we don't go and close up the (inaudible). I mean there's a lot of coordination between the different parties. And you'll see today there's also a lot of construction with the City of Montreal itself. So everybody really needs to work together because that's a big constraint. That's a big constraint.

Unknown Speaker

Thank you.

Sébastien Marcoux, Deputy Project Director, KPH Turcot

Okay. Thank you.

CONCLUDING REMARKS, ISABELLE ADJAHI, VICE PRESIDENT, INVESTOR RELATIONS

Thanks a lot for this outstanding presentation and it's always good to hear the words expertise (inaudible) innovation associated with WSP and coming from our partners.

Before we go for lunch and the site visit, I just want to take a moment to thank all of you for attending this presentation and I really hope that your expectations were met and that we were able to provide you with more colour on the type of a company we are and how we think we are going to sustain our growth. I also want to thank all of the presenters. I think you have been excellent at making our crowd understand our working environment as well as the foundations for future growth.

So for those of you—we're going to head to lunch but for those of you going to the site visit this afternoon please do not forget once you get on the bus we will have you sign a release form that we will give you on the bus. Don't forget to sign it and give it back to us. And you will also find on the bus the safety equipment you are required to wear to go on site. So you'll have a vest, a hat, glasses. And those of you who have safety shoes, of course please wear them. You will be in a separate bus and you will be allowed more out of the site visit during the tour. We will be leaving at one o'clock sharp so you will see at the registration desk two ladies with two signs, bus with boots and the bus without boots, and we will walk you to the bus. You can leave your belongings here at the cloak room because we will be coming back at 4:30. So the cloak room is downstairs close to the exit we will be taking. And last, you will be receiving tomorrow a feedback survey and I would really appreciate if you could take five minutes to go through it and fill it. It allows us to improve the type of information we convey and make sure that we meet your expectations.

Last I want to thank all the team in the background. Some of them are the front desk. Miley(sp.), Sarah, Cynthia, Elian(sp.), Erica, and Melanie, you've done an outstanding job and we could not have done it without your help, so thanks a lot.

This being said, time for lunch and we will reconvene for the visit.
