Project overview

1. The Aberdeen Western Peripheral Route / Balmedie–Tipperty is a £745m project to design, build and maintain a new 58km bypass around the City of Aberdeen. Once built, Aberdeen Roads Limited will maintain the new road over a period of 30 years. The project is based on the Non-Profit Distributing procurement model.

2. The project requires the construction of: 46km of new dual carriageway; the upgrading of 12km of existing carriageways; 40km of side roads; 75 structures (including two major river crossings at the Dee and the Don); and 77 culverts.

3. It is an immensely complex and challenging project, given the scale and geography, and the interaction between the new road and existing infrastructure, including road crossings, underground and overground services, and oil and gas pipelines.

4. The Aberdeen Western Peripheral Route / Balmedie–Tipperty will be a world-class piece of infrastructure that will serve the North East of Scotland and beyond in the coming decades. It will deliver strong value for money: releasing a reported £6 billion into the North East economy over the next 30 years and creating 14,000 new jobs.

5. Balfour Beatty and Galliford Try continue to make every effort to complete the project, in the face of very significant challenges during the build phase.

Road commissioning

6. The project was first announced in 2003, and was approved by Scottish Government Ministers in 2009. Following challenges to the project by local landowners, the project was tendered in 2013. The Scottish Ministers announced Aberdeen Roads Limited as the preferred bidder in June 2014.

7. The Design-Build-Finance-Operate contract was signed in December 2014. The works commenced in January 2015.

Key participants
8. The employer is Aberdeen City Council, acting as agent for Transport Scotland.

9. The contractor is Aberdeen Roads Limited (ARL), a limited company incorporated for the sole purpose of carrying out the project (including the 30 year concession period). The shareholders in ARL are Balfour Beatty Investments Limited, Carillion Private Finance (Transport) Limited and Galliford Try Investments Limited. ARL is paid by monthly charge, beginning with delivery of each section of the project, and running for the duration of the concession period.

10. ARL in turn sub-contracted the design and construction of the road to a construction joint venture comprising Balfour Beatty Civil Engineering Limited, Galliford Try Infrastructure Limited (trading as Morrison Construction), and Carillion Construction Limited. ARL and this joint venture are collectively referred to here as "the contractors".

11. ARL sub-contracted the maintenance of the road, once constructed, to Balfour Beatty Civil Engineering Limited, for the same concession period.

Challenges during the construction of the road

12. The project is forecast to complete approximately 13 months late.

13. The project is very close to being completed despite extraordinary challenges, including, in particular:

   ▪ the late diversion of utility companies' apparatus (some 300+ water pipes, electricity cables and overhead lines, gas pipes etc.), which intersected the site, disrupted the contractors' planned sequence of works;

   ▪ the worst flooding in the region since records began, which caused consequent damage to the works and impacted operations on site for a considerable period; and

   ▪ the unprecedented collapse of Carillion, the UK's second largest construction contractor.

14. Notwithstanding those difficulties, the remaining members of the joint venture have worked tirelessly to complete the project as early as possible, and continue to do so.
15. The joint venture has incurred huge sums to cope with the disruption and mitigate delays to the project, including bringing in additional labour, plant and materials from around the world. But for those mitigation measures, the project delay would have been very much more significant.

16. As is public knowledge, the contractors have notified claims for additional time to complete the construction works, and for compensation in respect of additional costs incurred during the project. Those claims are being discussed between the contractors and Transport Scotland in a confidential "without prejudice" forum, and that privilege is maintained in this hearing. Even after resolution of the claim, the joint venture partners' losses will be huge.

Full project completion and opening of completed sections

17. The contract divides the project into sections. The contractors have handed over the project sections as they are complete.

18. There is one remaining section, which comprises two parts: (i) the stretches of road generally from Stonehaven to Craibstone, and from Cleanhill out to Charleston; and (ii) the bridge over the River Don. The contract provides for that section to be completed and handed over in one go. However: while the road part is now complete, the bridge requires repairs – so it is not complete.

19. Both Transport Scotland and the contractors strongly desire that the road part of the section be handed over now, rather than waiting until the whole section is complete. However, the contract does not permit that. In order to do so: first, the contracts must be amended, which requires negotiation and agreement among Transport Scotland, ARL, Balfour Beatty and Galliford Try (as the construction joint venture), and Balfour Beatty (as the operation and maintenance contractor); and second, there are several funders to ARL, each of whom must consent to any 'agreed' amendment.

20. The contractors have worked with Transport Scotland to agree the contract amendments to make this happen.

21. The state of play is currently this:

   a. Transport Scotland and the contractors have completed their negotiation and agreed the contract amendment.
b. The contract amendment documents have been issued to the funders for approval. ARL is doing everything it can to expedite the funders' approval processes. A report on the up to date position will be given at the hearing.

c. The road part of the final section will be opened as soon as consent is received and the contract amendment is signed.

22. With regard to the final completion of the project, the remedial and finishing works to the River Don Crossing are progressing as quickly as possible, seven days a week. It is essential that they are carried out correctly and comprehensively, with safety being the utmost concern.

23. The remedial works are currently forecast to be complete just before Christmas, which would allow opening of the full project; albeit that is a challenging programme as the works are highly susceptible to adverse weather, and are subject to stringent safety tests.