

The Federal Bridge
Corporation Limited



La Société des ponts
fédéraux Limitée

Annual Report
1998-1999

Canada 



Thousand Islands National Park
St. Lawrence County
New York
Mercier
Thousand Islands

Mission Statement

*Adhering to sound business principles,
The Federal Bridge Corporation Limited
will provide a safe and efficient service
to the users of its installations,
thereby underlining the valuable contribution
made by the Government of Canada
to help Canadians meet their transportation needs.*



Letter to the Honourable David Collenette, Minister of Transport

July 26, 1999

The Honourable David Collenette, PC, MP

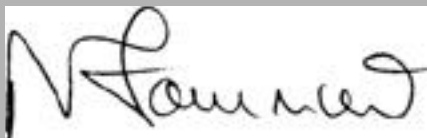
Dear Minister:

In accordance with the provisions of section 150 of the Financial Administration Act, I am pleased to submit the Annual Report of The Federal Bridge Corporation Limited for the fiscal year ending March 31, 1999.

In its 1999 Corporate Plan, the Corporation has set goals for a more market-driven, value-added approach to management. It is with pleasure that I am able to inform you that the overall changes that have been made during the short time that the Corporation has been operating are consistent with these goals and have already resulted in considerable financial savings.

The Annual Report also contains the financial statements of the Corporation for the fiscal year ending March 31, 1999, as audited by the Auditor General of Canada.

Yours truly,



Michel Fournier
President

Canada 





This report, covering the period October 1, 1998 to March 31, 1999, is the first Annual Report of The Federal Bridge Corporation Limited.

On June 11, 1998, the *Canada Marine Act* (Bill C-9) received Royal Assent. This legislation established Canada's new national marine policy which called for the commercialization of the St. Lawrence Seaway. The St. Lawrence Seaway Authority was dissolved and a new not-for-profit corporation was entrusted with the management and operation of the Seaway's navigational structures. The Authority's responsibility for non-Seaway related bridges and structures along the Seaway was not transferred to the new not-for-profit corporation.

The Federal Bridge Corporation Limited was incorporated to superintend the management of the seven bridges and structures not related to Seaway navigation. This has provided the opportunity to organize all such federal structures under a single corporation, specializing in bridges, roads, tunnels and other civil structures.

Bridges, roads and tunnels are an integral part of everyday life. Commuters, tourists, travellers and pedestrians all rely on these structures. Without them our day-to-day lives would be dramatically different. Less obvious is the major role they play in our

economy and in our society's emergency response systems. The dedicated men and women who work to keep these structures operational provide an invaluable service to our society. Maintaining these bridges and tunnels in order to keep them safe, while drawing maximum advantage from the structures, is essential to the well-being of our society.

As a Crown Corporation, The Federal Bridge Corporation Limited is managed much like any other company, with a mandate to produce a fair return on investment for its sole shareholder, the Government of Canada. Our vision is to consolidate all federally managed bridges, tunnels and certain highways and waterways under a single corporation. These federal structures would then have the opportunity to operate in the same manner, in accordance with a uniform code of conduct. Standardization of sound management policies and practices for all federal structures will contribute to improving their efficiency and on-time delivery of services. In turn, operating and administrative costs will be substantially reduced, resulting in additional savings for Canadian taxpayers.

Subject to the same expectations of efficiency, accountability and transparency that Canadians have for their public agencies, The Federal Bridge Corporation Limited has a dual responsibility. We perform many traditional functions of a government agency, fulfilling important public policy objectives, while adhering to the principles of the private-sector to the fullest extent possible.

This report highlights the Corporation's goals and achievements over its first six months, as well as detailing the projects and plans that are underway for the next fiscal year.

A handwritten signature in black ink, appearing to read 'N. Stannard', written in a cursive style.



The Jacques Cartier Bridge

Constructed between 1926 and 1929, the bridge was officially opened by Prime Minister William Lyon Mackenzie King as a toll bridge on May 24, 1930. This bridge has undergone many changes during its 69-year existence. Originally, the Jacques Cartier Bridge was named "The Harbour Bridge" after the Montreal Harbour Commissioners, who launched the project. Four years after its opening, the name was changed to the Jacques Cartier Bridge. In 1962, the Government of Canada announced that there would no longer be tolls collected on the Jacques Cartier Bridge. With 41 million transits a year, it is the second busiest bridge in Canada.

Corporate Profile

The Federal Bridge Corporation Limited (FBCL) is a Crown Corporation established on September 2, 1998 under the *Canada Business Corporations Act*. The Corporation was created with a mandate to replace The St. Lawrence Seaway Authority (SLSA) as the corporate body responsible for superintending what was the SLSA's non-navigational assets. They are: the Thousand Islands Bridge, the Seaway International Bridge, the Jacques Cartier Bridge, the Champlain Bridge, the Bonaventure Autoroute, the Mercier Bridge (Southern Extension) and the Melocheville Tunnel.

The transfer also included the rights, title and interest to all real property held by the SLSA on Cornwall Island, Second Crab Island and Stanley Island. Also included were the rights, title and interest to real property located in the City of Cornwall, all reclaimed land over the bed of the St. Lawrence River at Cornwall Island and the land on Cornwall Island formerly known as the Ottawa and New York Railway Lands.

In addition to the non-navigational structures already transferred from the SLSA, the mandate of The Federal Bridge Corporation Limited is sufficiently broad to allow it to assume bridge or structure management functions elsewhere in Canada, provided the Governor in Council deems it necessary.

The Corporation follows the business guidelines as written in Schedule 2 of its incorporating document. The Corporation is empowered to:

- a) Acquire lands, for constructing, maintaining and operating bridges connecting Canada with the United States. In accordance with the St. Lawrence Seaway Authority Act, this may be done independently or in conjunction with appropriate authorities in the United States.
- b) Acquire or construct and maintain lands for managing and operating such works or other properties as the Governor in Council may deem necessary.
- c) Acquire or become responsible for all of The St. Lawrence Seaway Authority property or undertakings transferred by the SLSA.
- d) Lease any land, property or water-power held in its name, in the name of The St. Lawrence Seaway Authority, or in the name of Her Majesty the Queen in right of Canada provided it is approved by the Governor in Council.



Cost Impact

It is important to recognize that activities performed by the newly formed Federal Bridge Corporation Limited do not represent additional costs for the management, operation and maintenance of what was formerly The St. Lawrence Seaway Authority structures. The SLSA performed these activities for many years. Traditionally, almost all of these costs have been charged to the bridge authorities, while the remainder was paid for by the users of the Seaway.

In order to provide The Federal Bridge Corporation Limited with a transition period after its incorporation, a one-year service agreement was negotiated between the not-for-profit St. Lawrence Seaway Management Corporation (SLSMC) and Transport Canada. This agreement allows The Federal Bridge Corporation Limited to obtain services from SLSMC at 2.6 times their cost. FBCL is currently developing an organizational structure capable of performing these activities on its own. It will be in place prior to the completion of this one-year contract.

The Champlain Bridge

Constructed between 1957 and 1962, the Champlain Bridge was originally a toll bridge. The National Harbours Board was given permission to build the bridge, employing the engineering firm of P.L. Pratley of Montreal in conjunction with the offices of P. Ewart and Lalonde and Valois. In the 28 years that the Champlain Bridge collected tolls, the fee of 25 cents per car was never raised. The Government of Canada abolished tolls on this bridge in 1990. Today it is the busiest bridge in Canada, with 48 million transits per year.



The Bonaventure Autoroute

The Bonaventure Autoroute was constructed between 1965 and 1967 as one of the Government of Canada's contributions to Expo '67. Its purpose was to provide greater access to the Champlain Bridge. When the Bridge was first opened the only access to its north side was from Wellington Street. The autoroute was of particular importance due to the approaching world exhibition and the subsequent increase in traffic. It was officially opened on April 21, 1967, one week before the opening day of Expo '67.

Mandate

As part of its mandate, The Federal Bridge Corporation Limited manages federal structures for which it is responsible in an efficient and effective manner. In particular, it ensures that:

- ◆ *Structures are safe.*
Structures must be safe, with no danger or threat to the life and property of the users.
- ◆ *Structures are properly maintained and their useful life is maximized.*
In order to ensure that the structures' useful lives are extended, regular and major maintenance programs must be in place to ensure that they are maintained in the best possible condition. All work is to be done with a commercial approach, where cost/benefit is taken into account.
- ◆ *Heritage structures will be maintained and preserved.*
Historical information directly linked to a federal structure, or any historical structure, will be preserved in order to promote heritage aspects.
- ◆ *Maintenance work will respect the environment.*
All repairs must take the necessary steps into consideration to protect the local environment.
- ◆ *Structure revenue and use are maximized.*
Structures will be used to their fullest potential, maximizing the revenue the structures can generate.
- ◆ *The role of the Government of Canada is recognized.*
A new structure signage system will help raise public awareness about the role the Government of Canada plays in meeting the transportation needs of users.



Vision

Currently, various departments and government agencies are responsible for managing federal installations. While The Federal Bridge Corporation Limited was established to manage seven bridges and structures not associated with navigation on the St. Lawrence Seaway, its incorporation provides an opportunity for similar federal structures to be governed by a single corporation. The Federal Bridge Corporation Limited (FBCL) and Transport Canada (TC) are already working on a Memorandum of Agreement for the transfer of additional structures under TC's control to FBCL.

A study by Raymond Chabot Grant Thornton, commissioned by FBCL, proposed an integration approach to reach the consolidation objective associated with the vision of having a single corporation which manages, operates and maintains many federal structures. The proposed approach focuses on developmental phases based on geographical groupings, where the Corporation will be in a position to combine many federal structures under a single organization.

Reduction in administrative costs

By consolidating federal structures under a single corporation, administrative costs will be substantially reduced. In this case, federal structures are defined as all federally managed bridges and tunnels, as well as certain highways and waterways. Currently, there are five agencies or departments responsible for the management of Canada's federal structures. There would be a beneficial impact on cost with a single administration given responsibility for all structures. This would result from direct cost reductions due to a reduced administrative burden and from economies of scale due to FBCL's greater purchasing potential.

Mercier Bridge

The Mercier Bridge was built in 1933 and opened to traffic on July 11, 1934. It was named in memory of one of Quebec's best known premiers, the Honourable Honoré Mercier. With the construction of the St. Lawrence Seaway, it was necessary to raise and extend the southern end of the bridge so that ships could pass beneath it. The raised portion was built with four lanes equipped with an interchange in preparation for Quebec's expansion of its part of the bridge. Traffic volume is presently estimated at 28 million vehicles per year.



The Melocheville Tunnel

The Melocheville Tunnel was built during the construction of the Beauharnois Canal Section of the St. Lawrence Seaway in 1958. The tunnel is an extension of regional route 132. It was constructed close to the Beauharnois hydro-electric station and lies beneath the locks. Traffic volume is estimated at approximately 4 million vehicles per year.

Standardization of management policies and practices

The Federal Bridge Corporation Limited (FBCL) is dedicated to the goal of operating on a commercial basis. The standardization of management policies and practices means that all structures will be operated based on a uniform set of guidelines. Applying these practices to the operation and management of all federal structures will contribute to improving their efficiency and substantially reducing their operating costs. Efforts have already been made at The Jacques Cartier and Champlain Bridges Incorporated (JCCB), a subsidiary of FBCL, to adopt more effective management policies and practices. Changes made to the Corporation are setting the course toward a more private sector-oriented, value-added approach to management. The changes at JCCB already represent savings in the order of \$3 million per year.

Rationalization of expertise and resources

Rationalization of expertise and resources will prove to be an extremely beneficial tool in managing federal structures. At present, all five government agencies responsible for federal structures have the expertise and resources to manage, operate and maintain their installations. Under the guidance of a single centralized agency, these resources and expertise could be rationalized and distributed among the various structures in a more efficient and effective manner.

As a result of such streamlining, the resources required would be reduced. Furthermore, a centralized agency would also foster a greater level of expertise, due to its in-depth knowledge of all federal structures.



Arrangements with third parties

Certain federal structures are currently being managed through agreements between the Government of Canada and other organizations. For example, the Canadian span of the Thousand Islands Bridge is operated and maintained by The Thousand Islands Bridge Authority in the United States under an agreement between the American and Canadian authorities responsible for the Thousand Islands Bridge.

The Corporation will therefore negotiate arrangements with third parties so as to manage the agreements entered into between the Government of Canada and the organization in question.

The creation of local business-like corporations to manage certain federal structures is also a possibility that merits further study. The principle of local authorities has proved successful for the management of airports, and even for some highways. This approach may be a very useful tool in the management, operation and maintenance of certain federal structures. The creation of local authorities could prove to be the appropriate private/public alternative to manage, operate and maintain selected structures in specific locations.

The Champlain Bridge Estacade

This structure was built to prevent ice floes in the St. Lawrence River from striking the man-made islands of Expo '67. The concept of building a monorail train or a light rail transit system on the Estacade that would connect the Island of Montreal and the South Shore is being studied.



The Seaway International Bridge

The Seaway International Bridge was constructed in accordance with the terms of an international agreement between Canada and the United States signed in 1957. This high level bridge opened to traffic in 1962. As the twelfth busiest crossing between Canada and the United States, this toll bridge between Cornwall, Ontario and Rooseveltown, New York was crossed by 2.2 million vehicles in 1998. With Canadian and U.S. firms taking advantage of NAFTA, truck traffic represents 6 to 11 percent of the bridge's hourly traffic volume. Typical summer weekday traffic volumes total 8,100 per day with a peak hour volume of 660 vehicles.

Looking to the Future

While The Federal Bridge Corporation Limited has been in operation for only a brief period, we are moving quickly to realize our goals.

The initiative to standardize management of policies and practices is under way. Currently, the Corporation is discussing the transfer of the fixed sections of the St-Louis de Gonzague Bridge and the Valleyfield Bridge over the Beauharnois Canal. In both cases, these structures are presently being managed under agreements between Transport Canada and the St. Lawrence Seaway Management Corporation.

Also planned for the next fiscal year is the completion of the direct transfer of the Champlain Bridge's Estacade. The Corporation's subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, commissioned a study, in partnership with l'Agence Métropolitaine de Transport (The Quebec Government's transportation agency for the Montreal region), focusing on the feasibility and impact of building a monorail or light rail transit system on the Estacade, linking Montreal and the South Shore. This is in keeping with the statement made by Transport Minister David Collenette on July 26, 1998 that "Congestion on the highways in the Montreal area, in southern Ontario, the Lower mainland of B.C., and at our border gateways is impeding our ability to export goods. The Government of Canada has a duty to get involved because chronic urban congestion is harming the environment and impeding trade."

Over the course of the next fiscal year, there are plans to continue discussions with Transport Canada and Public Works and Government Services Canada to complete negotiations with respect to the three aforementioned structures. As well, we are negotiating terms of agreements for sixteen (16) other structures in regions throughout the country.

The Corporation is also working to highlight the positive contribution of the Government of Canada. Structures that are well maintained and operated foster a sense of confidence among users. The Corporation is presently developing a new signage program to provide motorists with valuable information about road and traffic conditions. This program will be implemented in progressive phases in the coming years. In the first phase, electronic billboards will be installed on the Jacques Cartier and Champlain Bridges.

The second phase will see the introduction of smaller electronic billboards on our installations. Using Variable Message Sign (VMS) technology, the signs will provide motorists with important information about traffic conditions on various structures. This valuable service will be provided at no cost to users or taxpayers. Rather, it will be funded by revenue generated from paid advertisements to be installed on our properties.

Looking to the future with the goal of operating on a commercial basis ensures that the Corporation will continue to expand and thrive. Finding innovative ways of accomplishing more with less will guarantee a positive and successful future.



Locations

The head office of The Federal Bridge Corporation Limited is in Ottawa, Ontario. Its subsidiaries, The Jacques Cartier and Champlain Bridges Incorporated (JCCB) and The Seaway International Bridge Corporation Ltd. (SIBC), have offices in Longueuil and Cornwall respectively.

The Corporation's Structure

As The Federal Bridge Corporation Limited progresses through its various development phases, it will gradually develop the organizational structure and obtain the necessary expertise in order to carry out its mission. Currently, the Corporation has a Board of Directors that consists of three members. The Eastern (JCCB) and International (SIBC) facilities each have their own Board of Directors.

Board of Directors

President and Chief Executive Officer	.....	Michel Fournier
Director	.....	Yvon Bourget
Director	.....	Sheila Tremblay

Officers

Counsel and Secretary	.....	Norman B. Willans
Vice President, Human Resources	.....	Michelle Holland
Director, Administrative Services and Treasurer	.....	Gérard Lalonde

This annual report covers the operations of The Federal Bridge Corporation Limited (including the Thousand Islands Bridge), its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, and the proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Limited.

Separate reports are available for The Seaway International Bridge Corporation Limited and The Jacques Cartier and Champlain Bridges Incorporated.

Copies of these reports may be obtained from:

The Federal Bridge Corporation Limited

World Exchange Plaza
Suite 840, 45 O'Connor
Ottawa, Ontario
K1P 1A4

Tel: (613) 993-6880

Fax: (613) 993-6945

The Thousand Islands International Bridge

The Thousand Islands International Bridge stands as a shining symbol of the goodwill between the United States and Canada. This bridge system covers a distance of 13.7 kilometers and took sixteen months to complete, an amazing accomplishment by today's standards. Opened in 1938 by Prime Minister William Lyon Mackenzie King and President Franklin Delano Roosevelt, the bridge provides easy passage between the U.S. and Canadian sides of the Thousand Islands.

HISTORY OF OUR BRIDGES



The Financial year in review

This analysis is supplemental to the Consolidated Financial Statements presented on the following pages and covers the operations of The Federal Bridge Corporation Limited, its subsidiary and its proportionate share (50%) of its interest in its joint venture.

OVERVIEW

The financial results for this first year of operation are for a period beginning on October 1, 1998 and ending on March 31, 1999.

REVENUES for the six month period ending March 31, 1999

Revenues from operations were \$2.4 million while investment income was of \$0.3 million. Total revenue for the period amounted to \$2.7 million.

EXPENSES for the six month period ending March 31, 1999

Operating expenses for 1998/99, for activities related to system operations, maintenance, and engineering were \$9.2 million. This amount also reflects the additional expenses that resulted from the transfer to the Corporation's subsidiary of the Honoré-Mercier Bridge and the Melocheville Tunnel.

Administrative expenses reached a total of \$1.8 million for the period and include professional services necessary at start up.

The amortization expense of \$1.3 million is mostly on assets transferred from the St. Lawrence Seaway Authority as per the transfer of assets agreement.

The Corporation can recover some of its costs for the maintenance of the Canadian customs facilities at the Lansdowne Border Crossing at The Thousand Islands Bridge. In 1998-1999 the recoveries amounted to \$0.3 million.

Parliamentary Appropriations in the amount of \$9.6 million were necessary to cover operating expenses of the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, during that period.



Management's Report

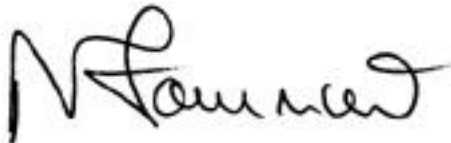
The accompanying consolidated financial statements of The federal Bridge Corporation Limited and all information in this Annual Report are the responsibility of management.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgment. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the consolidated financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Corporation maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of controls is supplemented by an audit which consists of periodic reviews of different aspects of the Corporation's operations. The external auditor has full and free access to the directors, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing his report thereon.



Michel Fournier
President and chief Executive Officer

Ottawa, Canada
July 26, 1999



Auditor's Report



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Transport

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 1999 and the consolidated statements of operations and retained earnings and cash flows for the six-month period then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the six-month period then ended in accordance with generally accepted accounting principles.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations and the articles and by-laws of the Corporation.

Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 16, 1999




The Federal Bridge Corporation Limited
Consolidated Balance Sheet
March 31, 1999

ASSETS	\$
Current	
Cash and short-term deposits	8,298,764
8.35% term deposit, at cost, maturing March 31, 2000	1,500,000
Accounts receivable	1,364,486
Accrued interest receivable	120,680
Due from Canada	3,660,005
	14,943,935
Investments	
5.36% term deposits, at cost, maturing March 26, 2002	2,500,000
Advance to co-venturer (Note 5)	508,393
	3,008,393
Capital assets (Note 6)	34,828,458
	52,780,786
 LIABILITIES	
Current	
Accounts payable	3,712,657
Deferred revenues	307,908
	4,020,565
Provision for employee termination benefits	578,377
Deferred capital funding (Note 7)	274,324
	852,701
	4,873,266
 SHAREHOLDER'S EQUITY	
Capital stock	
Authorized	
Unlimited number of shares, without par value	
Issued and fully paid	
1 share	1
Contributed capital (Note 4)	47,641,592
Retained earnings	265,927
	47,907,520
	52,780,786

The notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors



 President



 Director



The Federal Bridge Corporation Limited
Consolidated Statement of Operations and Retained Earnings
For the six-month period ended March 31, 1999

Revenues	\$
Tolls	627,071
Leases and licences	727,772
Share in Thousand Islands Bridge operating revenues (Note 3)	905,738
Interest	339,499
Other	112,621
	2,712,701
	2,712,701
 Expenses	
Maintenance	7,345,571
Operation	1,975,136
Administration	1,799,421
Amortization	1,259,627
Cost recovery (Note 3)	(267,745)
	12,112,010
Loss before government financing	(9,399,309)
Parliamentary appropriation for operating expenses	9,628,543
Amortization of deferred capital funding (Note 7)	36,693
Net income	265,927
Retained earnings, beginning of period	-
Retained earnings, end of period	265,927

The notes are an integral part of the consolidated financial statements.



The Federal Bridge Corporation Limited
Consolidated Statement of Cash Flows
For the six-month period ended March 31, 1999

<i>CLASH FLOWS FROM OPERATING ACTIVITIES</i>	\$
Net income	265,927
Non-cash items	
Amortization of capital assets	1,259,627
Amortization of deferred capital funding (Note 7)	(36,693)
Decrease in amount due from Canada	1,640,472
Increase in provision for employee termination benefits	20,875
Changes in working capital items	(564,204)
Cash flows from operating activities	2,586,004
<i>CASH FLOWS FROM INVESTMENT ACTIVITIES</i>	
Decrease in term deposits	3,000,000
Increase in advance to co-venturer	(67,808)
Acquisition of capital assets	(144,060)
Cash flows from investment activities	2,788,132
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>	
Contribution in the form of cash and short-term deposits (Note 4)	2,846,565
Increase in deferred capital funding (Note 7)	78,062
Capital stock	1
Cash flows from financing activities	2,924,628
Net increase in cash and cash equivalents	8,298,764
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	8,298,764
Cash and cash equivalents include:	
Cash and short-term deposits	8,298,764

The notes are an integral part of the consolidated financial statements.



The Federal Bridge Corporation Limited

Notes to Consolidated Financial Statements

March 31, 1999

1 - AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited, incorporated on September 2, 1998 under the *Canada Business Corporations Act* a Crown corporation listed under Schedule III Part I of the *Financial Administration Act*.

The Corporation is mandated to replace The St. Lawrence Seaway Authority (SLSA) as the entity having responsibility for the SLSA's assets not required for navigation.

The Corporation's primary activities involve the management and operation of bridges, installations and other properties. Moreover, the Corporation may acquire land and build structures or other assets and acquire shares or interests in any other bridge management corporation.

In accordance with a directive issued by the Minister of Transport under the *Canada Marine Act* the SLSA transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated, for The Seaway International Bridge Corporation, Ltd., and for the operations of the Thousand Islands Bridge were transferred to The Federal Bridge Corporation Limited. The Melocheville Tunnel and Mercier Bridge were transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated.

Note 4 describes the transfer of these assets.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation, Ltd. The consolidated operations include the results of the subsidiary and those of the joint venture for the period from October 1, 1998 to March 31, 1999.

b) Parliamentary appropriations

The parliamentary appropriations which the subsidiary uses to offset the excess of its operating expenses over its operating revenues is shown on the statement of operations and retained earnings. In this regard, the excess of operating expenses over operating revenues of the subsidiary do not include amortization, the change in the provision for employee termination benefits and the gain or loss on the disposal of capital assets.



The Federal Bridge Corporation Limited
Notes to Consolidated Financial Statements
March 31, 1999

2 - SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

The portion of the parliamentary appropriations which is used by the subsidiary to finance the acquisition of amortizable capital assets is accounted for as deferred capital funding on the balance sheet and amortized on the same basis as the related capital asset. The portion used to finance the acquisition of non-amortizable capital assets is recorded as contributed capital.

Any portion of the parliamentary appropriations that the subsidiary is entitled to but which are not received by year-end is shown as an amount due from Canada.

c) Capital assets and amortization

Capital assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred.

Capital assets obtained from other departments, agencies and Crown corporations under the control of the Government of Canada are accounted for at the transferor's carrying amount with the consideration shown in contributed capital.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets at the following rates:

Bridges	2% - 5.1%
Remedial work	4.8% - 10%
Deferred major repairs	10%
Vehicles and equipment	10% - 20%
Buildings	2% - 10%

The cost of the section of the Bonaventure Autoroute and the initial cost of the Jacques Cartier Bridge are fully amortized.

d) Defer red revenues

Deferred revenues are comprised of leases and licences collected in advance and the sale of toll tickets which have not been used as of year end.

e) Employee termination benefits

The cost of these benefits is expensed in the year during which they are incurred.



The Federal Bridge Corporation Limited
Notes to Consolidated Financial Statements
March 31, 1999

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Pension plan

All employees of the subsidiary and the joint venture are covered by the Public Service Superannuation Plan administered by the Government of Canada. The cost of this plan is shared equally by the employees and these companies. The contribution represents the total pension obligation of the subsidiary and the joint venture. Contributions with respect to current service and eligible past service are expensed in the year they are paid. The payment of past service contributions is based on the terms of redemption in effect, generally over the employees' remaining years of service to retirement.

g) Measurement uncertainty

Preparing financial statements in accordance with generally accepted accounting principles requires that management make certain estimates and assumptions which affect the reported amounts of assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the year. Accounts payable, accrued liabilities for major remedial works and estimated supplier claims are the most significant items which are estimated. Actual amounts could differ from the estimates.

*3 - INFORMATION ON THE CONSOLIDATION OF OPERATIONS AND
 RETAINED EARNINGS*

Cost recovery

This recovery represents the repayment of costs incurred as maintenance expenses for the Canadian Customs station of the Thousand Islands Bridge in accordance with a contractual agreement.

Share in the Thousand Islands Bridge's operating income

This share represents the net income from operations of the Canadian portion of the Thousand Islands Bridge in accordance with a management agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority.



The Federal Bridge Corporation Limited
Notes to Consolidated Financial Statements
March 31, 1999

4 - CONTRIBUTED CAPITAL AND ACQUISITION OF ASSETS

As indicated in Note 1, the SLSA transferred its assets on October 1, 1998 in accordance with the directive from the Minister of Transport. The following table describes the result of the assets transfer from the SLSA and its subsidiary (The Jacques Cartier and Champlain Bridges Incorporated - JCCB) to The Federal Bridge Corporation Limited. The net transfer of assets of \$47,641,592 has been accounted for as contributed capital.

	<u>SLSA</u>	<u>JCCB</u>	<u>Total</u>
	\$	\$	\$
Cash and short-term deposits	698,638	2,147,927	2,846,565
Accounts receivable	1,226,335	501,746	1,728,081
Due from Canada	-	5,300,477	5,300,477
Accrued interest receivable	58,569	-	58,569
Term deposits	7,000,000	-	7,000,000
Advances to co-venturer	440,585	-	440,585
Capital assets	27,845,891	8,098,131	35,944,022
Accounts payable	(127,516)	(4,546,159)	(4,673,675)
Deferred revenues	-	(212,575)	(212,575)
Provision for employee termination benefits	(159,520)	(397,982)	(557,502)
Deferred capital funding	-	(232,955)	(232,955)
Contributed capital and acquisition of assets	<u>36,982,982</u>	<u>10,658,610</u>	<u>47,641,592</u>

5 - ADVANCE TO CO-VENTURER

This account represents the excess of the contribution required by The Federal Bridge Corporation Limited in its joint venture.

The advance bears interest at the average one-year Treasury bill rate and has no repayment terms. As at March 31, 1999, its carrying amount approximated its fair value.

6 - CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
	\$	\$	\$
Land	3,769,987	-	3,769,987
Bridges	118,223,636	89,156,185	29,067,451
Vehicles and equipment	3,246,273	2,292,435	953,838
Buildings	1,406,882	850,059	556,823
Remedial works	48,917	19,807	29,110
Deferred major repairs	943,207	491,958	451,249
	<u>127,638,902</u>	<u>92,810,444</u>	<u>34,828,458</u>



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7 - DEFERRED CAPITAL FUNDING

	\$
Portion transferred on the acquisition of the subsidiary	232,955
Parliamentary appropriation to finance the acquisition of amortizable capital assets	78,062
Amortization	<u>(36,693)</u>
Balance, end of period	<u>274,324</u>

8 - INCOME TAXES

As a federal Crown corporation, the Corporation is not subject to the Income Tax Act. However, at this time, it is not possible to confirm that the Corporation will continue to be exempt in the future. As at March 31, 1999, no provision for income taxes has been recorded.

9 - RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

10 - COMMITMENTS

The Corporation has entered into a long-term lease expiring on September 30, 2000 which calls for lease payments of \$73,500 for the rental of premises. Minimum payments for the next fiscal years amount to \$49,000 in 1999-2000 and \$24,500 in 2000-2001.

The Corporation is committed towards suppliers for an amount of approximately \$2.9 million. It is also committed for an amount of \$840,270 pursuant to an agreement for police services which expires on June 30, 1999.

Moreover, on an ongoing basis, the Corporation is required to assume 32% of the cost of major remedial work or improvements incurred to assure the reliability of the south channel span of the International Bridge between Cornwall, Ontario and Rooseveltown, New York.



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11 - CONTINGENCIES

- a) Claims have been filed or lawsuits instituted against the subsidiary, some of which are claiming significant monetary damages which could result in major expenses. These matters are subject to considerable uncertainty and the outcome of each case cannot be predicted. An allowance for each expense has been established based on management's best estimate. It is possible that the subsidiary may have to settle some of these claims for amounts that exceed the allowances currently established.
- b) It may be necessary to decontaminate some of the subsidiary's properties. To date, the subsidiary has been unable to determine the related costs as it has not assessed the extent of contamination on all of its properties. The costs for environmental assessments and decontamination work are accounted for in the year during which the work is performed.

12 - MAJOR REHABILITATION WORKS

The Corporation is required, as part of its mission, to carry out major rehabilitation works on the deck of the Jacques Cartier Bridge. An amended application with the Treasury Board was prepared at the end of 1998 for approval to prepare a call for tenders for the replacement of the deck of the Jacques Cartier Bridge under a three-year turnkey project. Construction work on the bridge is scheduled to start in April 2001 and end in November 2002. Construction planning and engineering designs started during the 1998-1999 year.

13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, term deposits, accounts receivable, amount due from Canada and accounts payable approximate their fair value given their short-term maturity. There is no concentration of accounts receivable and accordingly, the credit risk is low.

14 - UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 dates as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.



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The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

