



The Federal Bridge Corporation Limited

Summary of the 2010-11 to 2014-15 Corporate Plan
2010-11 Operating Budget
2010-11 Capital Budget

The Federal Bridge
Corporation Limited



La Société des ponts
fédéraux Limitée

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EXECUTIVE SUMMARY

The Federal Bridge Corporation (FBCL) is responsible for operating and maintaining some of the most important fixed-link crossings in Canada, including six bridge structures in the Greater Montreal Area and three international crossings in Ontario. Its bridges and roadways supply not only transportation but also an economic lifeline for the communities they serve. The Corporation provides the highest level of stewardship in maintaining their safety, security and efficiency, and, in this way, contributes to the continued economic strength of Canada. With headquarters in Ottawa, FBCL is aided in managing its bridge portfolio by its wholly-owned subsidiaries: The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) in Montreal; the Seaway International Bridge Corporation, Ltd. (SIBC) in Cornwall; and The St. Mary's River Bridge Company (SMRBC) in Sault Ste. Marie.

OPERATING CONTEXT

FBCL's business environment is impacted primarily by the operating environment of the federal government. The Corporation has benefited from the emphasis on infrastructure spending provided in Budgets 2009 and 2010 as it received special funding for several major projects. However, with the government entering a period of spending restraint and many of FBCL's bridge structures approaching the end of their life cycle, it may be increasingly difficult to secure funding for all of the major rehabilitation projects that will be needed. As well, toll revenues at international bridges are lower, bringing their self-sufficiency into question due to falling cross-border trade following declines in Ontario's manufacturing sector and the new passport requirements to enter the U.S. Finally, FBCL must remain cognizant of the concerns of its many stakeholders.

Within this operating context, FBCL must rectify two significant deficiencies: (1) governance: insufficient oversight by the parent Board (due largely to the complex corporate structure; and (2) unresolved funding requirements which pose a threat to financial sustainability. FBCL will deal with the deficiencies through objectives and strategies that focus on four key issues: governance, safety, financial sustainability and relationships.

OBJECTIVES AND KEY STRATEGIES

1. Ensure FBCL's Board functions according to best governance practices: Current practices do not allow the FBCL Board to provide appropriate oversight or to hold the CEO accountable for performance of the whole corporation as each subsidiary has its own Board of Directors with General Managers reporting to them. FBCL will:

- Clarify roles, responsibilities and accountabilities for boards, subsidiary and management throughout the Corporation;
- Confirm information needs of the FBCL Board for proper oversight and set up a reporting system through the CEO; and,
- Implement other best governance practices within its authorities.

2. Continue to ensure the safety of bridge structures: Safety is a major concern in Montreal where the bridge structures are 50 to 80 years old and are approaching the end of their life cycle. Similarly at Cornwall, major maintenance will be required on the existing North Channel Bridge until a new bridge can be built. FBCL will:

- Undertake all critical repairs and identify long-term major rehabilitation requirements;
- Manage major rehabilitation projects on time and within budget; and,

- Seek the continued support of all stakeholders.

3. Achieve financial sustainability for maintaining bridge infrastructure by obtaining adequate government funding and exploring opportunities to generate revenues: Significantly increased funding will be needed for major rehabilitation projects in Montreal over the next 10 years. FBCL will:

- Identify and justify the need for additional funding to rehabilitate its bridge infrastructure in Montreal
- Engage Transport Canada officials in seeking a decision by government to build a new North Channel Bridge in Cornwall;
- Improve communication and transparency of FBCL's requirements for rehabilitation; and,
- Seek new revenue opportunities and protect existing revenues.

4. Improve internal and external relationships:

FBCL operates in a multi-jurisdictional environment with many stakeholders at all levels of government, the public, First Nations and the United States. To be successful in maintaining bridge safety and achieving financial sustainability, it must gain the support of key stakeholders and partners. FBCL will,

- Communicate the contributions of FBCL's bridge crossings to gain the appreciation and support of stakeholders;
- Explore partnerships to engage stakeholders.

ABOUT FBCL

1.0 MANDATE

The Federal Bridge Corporation Limited (FBCL) was established in 1998 to oversee and be accountable for the bridges under its control and to provide strategic direction to the asset operators under its jurisdiction. Its mandate is to provide the highest level of stewardship so that its bridge structures are safe and efficient for users. The Corporation is also in a position to provide expertise and advice to the federal government with regard to design, building, maintenance and operation of its bridges.

2.0 CORPORATE PROFILE

FBCL is a Schedule III-I Crown corporation, incorporated by Order in Council PC 1998-1512, dated August 26, 1998, pursuant to its Certificate of Incorporation of September 2, 1998 under the *Canada Business Corporations Act (CBCA)*. Appendix I outlines the business limits for FBCL within its Articles of Incorporation. FBCL replaced the former St. Lawrence Seaway Authority (SLSA) as the corporate body responsible for operating and managing non-navigational SLSA structures. These structures include the properties and structures of its three wholly-owned subsidiaries: (i) The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) in Montreal; (ii) in a joint venture with its U.S. partner, the Seaway International Bridge Corporation, Ltd. (SIBC) in Cornwall and (iii) The St. Mary's River Bridge Company (SMRBC), which acquired the Canadian half of the Sault Ste. Marie International Bridge for \$2 from the International Bridge Administration (IBA), the U.S. government agency that operates the crossing. FBCL also has responsibility for all repair and maintenance of the Canadian facilities at the Thousand Islands International Bridge under a bi-national agreement with the Thousand Islands Bridge Authority (TIBA - a U.S. government organization) being the operating agency.

3.0 GOVERNANCE AND ACCOUNTABILITY

3.1 PUBLIC ACCOUNTABILITY

As a Crown corporation, FBCL is subject to the accountability regime set out in Part X of the *Financial Administration Act (FAA)*. It is accountable to Parliament through the Minister of Transport, Infrastructure and Communities who, with the assistance of the Minister

of State (Transport), is responsible for the Corporation, including the provision of broad policy direction and response to questions in Parliament for FBCL activities. FBCL is governed by a Board of Directors ("FBCL Board") consisting of a Chairperson and three other directors. The President and Chief Executive Officer (CEO) is accountable to the FBCL Board for day-to-day management and performance of the Corporation. The FBCL Board is accountable to the Minister for the stewardship of the Corporation.

3.2 FBCL BOARD RESPONSIBILITY

As per the FAA, the duties and responsibilities of the FBCL Board are to set corporate objectives and direction, monitor financial performance, approve consolidated budgets and financial statements, approve policies and by-laws, appoint the directors of subsidiaries, ensure that risks are identified and measures in place to deal with them, and ensure good governance. Members of the FBCL Board are required to act honestly, diligently, carefully and in good faith, in accordance with the FAA.

GOVERNANCE COMMITTEE

The Governance Committee is responsible for making recommendations to the Board in matters of oversight in the areas of governance, board nominations and human resources.

AUDIT COMMITTEE

The Audit Committee is responsible for making recommendations to the Board in matters of oversight in the areas of standards of integrity and behaviour, the reporting of financial information, management control practices, risk management and insurance needs.

3.3 FBCL PORTFOLIO ACCOUNTABILITY

Each subsidiary is governed by a Board of Directors who is appointed by the FBCL Board pursuant to section

106 of the CBCA. Subsidiary Boards are also governed by the duties and responsibilities set out in the FAA. In addition, FBCL recommends the Canadian Directors to be appointed by TIBA at the Thousand Islands International Bridge.

The relationship of the FBCL Board with its subsidiary Boards balances the legal reality that the parent company and its subsidiaries are distinct legal entities with the need to ensure compliance and strategic alignment of these entities with corporate objectives. Strategic directions are set for FBCL through its mandate, government policies, approvals and letter of expectations from the responsible Minister. As it adopts the leading governance practices, the FBCL Board will issue letters of expectations annually to the FBCL CEO and the Chairs of the subsidiary Boards to outline their expected roles and responsibilities in line with these strategic directions. The letters will serve as an agreement between the FBCL Board and each organization on the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. Progress reports will allow results to be monitored and actions taken accordingly.

As the parent Crown, FBCL manages activities throughout the Corporation in support of its wholly-owned subsidiaries. In particular, FBCL assumes a major coordinating role in finance, strategic planning, communications, bridge management and the setting of corporate policy. It focuses on improving communications and transparency by identifying core messages to achieve greater consistency and by speeding up the timely flow of information for the benefit of all. As the parent Crown, FBCL is the sole link to Transport Canada and central agencies.

	FBCL (Headquarters)	The Seaway International Bridge Corporation, Ltd. (SIBC)	The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	The St. Mary's River Bridge Company (SMRBC)	The Thousand Islands Bridge Authority (TIBA)
ESTABLISHED	1998 under the CBCA	1962 under the Canada Corporations Act, continued in 1979 under the CBCA	1978 under the CBCA	1955 as a not-for-profit organization; continued in 2008 under the CBCA	International agreement originating in 1976
STATUS WITHIN FBCL	Parent Company	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary (September 1, 2009)	U.S. bridge operating agency managed by International agreement
BOARD OF DIRECTORS	Four Directors appointed by Governor in Council	Joint venture between FBCL and the St. Lawrence Seaway Development Corporation –SLSDC (U.S.). Each owner nominates four directors in accordance with the bi-national agreement. All eight members are appointed by FBCL, with the U.S. members appointed on the recommendation of SLSDC.	Five to seven member Board of Directors appointed by the FBCL Board.	Nine-member Board of Directors, appointed by the FBCL Board.	TIBA is headed by a U.S. Chair, assisted by six Authority members, three U.S. and three Canadian. All seven members are appointed by the Jefferson County Board of Legislators, the Canadian members being appointed on the recommendation of FBCL.
PRIMARY RESPONSIBILITY	100% ownership of JCCBI, SIBC and SMRBC. Owner of Canadian bridge infrastructure at international crossings in Cornwall and Thousand Islands. Responsible for oversight and major rehabilitation.	Operation of international crossing at Cornwall, including a land corridor across Cornwall Island and two bridges: The North Channel Bridge located in Canada and owned 100% by FBCL; and The South Channel Bridge, which spans the international border and is owned 32% by FBCL (portion in Canada) and 68% by its U.S. counterpart, SLSDC.	Ownership and management of key bridge infrastructure and approaches in the Greater Montreal Region including: Jacques Cartier Bridge, Champlain Bridge, Honoré Mercier Bridge, Melocheville Tunnel, Bonaventure Expressway (section), Champlain Bridge Ice Control Structure.	Owner of Canadian half of the international bridge infrastructure in Sault Ste. Marie. The crossing is managed by the U.S.'s IBA, with oversight by SSMBA. SMRBC appoints Canadian directors to SSMBA and is responsible for the current rehabilitation of Customs facilities.	Oversight of international crossing consisting of separate Canadian and U.S. bridges plus small jointly owned bridges in the middle, all managed by the U.S. operator, TIBA.

4.0 OPERATING CONTEXT

4.1 BUSINESS ENVIRONMENT

In delivering its mandate, FBCL is affected by external trends which highlight its strengths, generate opportunities, create challenges and contribute to its risks. These trends are monitored continuously and plans are adapted to address significant fluctuations. For the current planning period, the following trends will have the largest impact on operations.

Federal government: As a federal Crown corporation, FBCL is impacted by the operating environment of the federal government. Given that large deficits are expected for 2010-11 and 2011-12, in part to mitigate the impact of the global recession, the government has adopted a policy of spending restraint which may make it increasingly difficult for the Corporation to secure new funding. That being said, FBCL has a primary responsibility to ensure the safety of the structures within its portfolio and will manage risks accordingly to ensure safety of bridge users at all times.

Traffic patterns: The global recession has had a negative impact on Canadian export markets with economic and employment losses in Ontario's manufacturing sector that have negatively impacted cross-border trade. Traffic, and by extension tolling revenue on international bridges, is expected to decline by 10% due to the impact of this recession, the new passport requirements for entering the U.S. and an ongoing decline in U.S. tourism to Canada.

Stakeholder relationships: FBCL has a variety of stakeholders and must remain cognizant of their many different needs. For instance, federal partners such as Transport Canada and the Canada Border Service Agency (CBSA), provincial and municipal governments and agencies, U.S. governments and agencies, and law enforcement agencies each add a layer of complexity.

In Cornwall and Montreal where bridges cross Mohawk reserves, FBCL must take into account all First Nation issues, rights and considerations in operating these crossings. This introduces several opportunities, risks and complexities not faced elsewhere and can lead to extended negotiations that impact major capital projects, as well as operations. FBCL bridges are also economic, social and tourism lifelines for surrounding communities, as both transportation infrastructure for bridge users and a consumer of goods and services from local businesses. Changing stakeholder needs or new government policy/procedures can significantly impact bridge operations

Infrastructure spending in Canada: Canada must preserve and update its infrastructure to ensure economic stability and growth. The federal government earmarked \$12 billion in its Economic Action Plan to be spent by March 31, 2011 on major public works projects such as roads, bridges, highways and public transit. Ontario and Quebec have also allocated significant funds for infrastructure projects. Although this greater visibility for infrastructure emphasizes the need for important investments in bridge structures over the long term, it has also increased competition for the limited pool of project managers, engineers, construction contractors and skilled labourers.

Human capital requirements: FBCL must attract and keep the people who contribute to its success – Board members, employees, consultants, contractors. It will do so by providing an opportunity for them to experience satisfaction and to grow while on the job. Other strategies will include: improving the selection process in order to fill vacancies with best people, encouraging cross-functional teams and developing a wellness plan.

4.2 LOCATION SPECIFIC DEVELOPMENTS

CORNWALL - UNCERTAIN PLANNING ENVIRONMENT

A dispute between the Mohawk community and Canada Customs (CBSA) over the arming of border officers resulted in CBSA officers leaving their facilities on Cornwall Island on May 31, 2009. As a consequence, the international crossing was closed for approximately 6 weeks and the tolling operations were closed for 9 weeks. After the border re-opened, both CBSA and SIBC's tolling operations were temporarily moved to Cornwall. The significant impacts are as follows:

1. Without an agreement in principle with the Mohawks concerning project requirements for the bridge and Cornwall Island scope of work, construction of the new North Channel Bridge has been delayed and limited to design work;
2. Traffic flow has significantly decreased resulting in a 25% decline in revenues so that the self-sufficiency of the crossing is in doubt. Additional expenses were incurred for temporary installations and major repairs to the deck of the North Channel Bridge were deferred to future years;
3. Stakeholder relationships have been complex and at times strained due to lack of communication or conflicting objectives; and,
4. Federal funding of \$894K in 2009-10 was approved to offset higher costs for temporary facilities and lost toll revenues sufficient to allow a break-even position but this source of funding is not guaranteed in the future.

MONTREAL – STATE OF INFRASTRUCTURE AND COMPLEXITY OF TRANSPORTATION SYSTEM

Infrastructure in the Greater Montreal Area was built between 1930 and the mid 1960's and today it is one of the more complex transportation networks in the country. Several structures are jointly owned by the

federal and provincial governments, and in the case of the Honoré Mercier Bridge, it is also subject to historical agreements with the local Mohawk community. This inter-dependant network requires continuous monitoring and a high degree of coordination and partnership at all levels of government. Because of the heavy traffic flow, repairs must be done outside of peak demand hours and, as peak hours continue to be extended, the time available to undertake maintenance and repair works has diminished.

The largest bridge rehabilitation project in Canadian history is being managed by JCCBI, that of the Honoré Mercier Bridge. This project also integrates an important partnership with the Mohawk community who is participating in the rehabilitation of infrastructure through its territory.

Over the next decade, JCCBI's infrastructure is facing concurrent major rehabilitation projects that include important funding and human capacity requirements to ensure the safety and efficiency of its structures. With a primary dependence on parliamentary appropriations, FBCL must maintain a strong partnership with Transport Canada on behalf of JCCBI in order to address the funding issues associated with ensuring the safety and security of the structures.

SAULT STE. MARIE INTERNATIONAL BRIDGE

The federal government is making a significant new investment in the Customs facilities at Sault Ste. Marie. The project will be managed by FBCL on behalf of SMRBC. This international bridge is of major importance to the forestry, manufacturing, tourism and service sectors of the northern Ontario economy. Exports from Canada to the U.S. are more than double the dollar value of imports from the U.S. to Canada at this crossing. However, traffic flow has declined by 10% as the downturn in the economy reduced demand for Canadian exports, particularly forestry exports tied to the U.S. housing market.

5.0 RISKS AND PLANNING ASSUMPTIONS

STRATEGIC CONSIDERATIONS

Strategic considerations remain fairly constant. FBCL must ensure its bridge structures remain safe and efficient and that it has the significant financial resources to undertake the major capital expenditures required to deliver this mandate. However, much of this infrastructure is approaching the end of its life expectancy, which poses an increasing safety risk as they age. The number and magnitude of the risks being managed within FBCL's bridge portfolio is very high and the consequences of failure could have a serious impact on the public and the government. FBCL must develop a coordinated approach with its subsidiaries to manage these risks.

RISKS AND ASSUMPTIONS

OVERALL OPERATIONS

1. The Office of the Auditor General (OAG) identified two significant deficiencies in its 2008 Special Examination of FBCL's systems and practices:
 - a. Unresolved funding requirements and a threat to financial sustainability – Significant unfunded capital expenditures must be undertaken in Montreal and Cornwall over the next 10 years. This shortfall threatens service levels and poses a significant risk to safety. Also, FBCL is experiencing a decrease in toll revenues at international bridges. FBCL is working with the government to achieve a long-term solution to these funding requirements.
 - b. Insufficient oversight by the parent Board (governance) – Due largely to the complex corporate structure, the FBCL Board has not fully

exercised its oversight role with respect to the affairs of FBCL and its subsidiaries and has not obtained appropriate and timely information on a regular basis to carry out effective oversight. FBCL will continue to address these deficiencies throughout the planning period.

2. No significant changes in the funding model are anticipated within the planning period (i.e., FBCL HQ, SIBC, SMRBC and TIBA are funded from corporate revenues; JCCBI is primarily funded from government appropriations). With the economy recovering, revenues are expected to rise gradually after 2010-11 at a rate of up to 1% per year with traffic recovering and tolls increasing (except at the Cornwall location as outlined below).
3. Operating expenditures are forecast to increase in line with the regional Consumer Price Index (except for Montreal as outlined below). Wages and benefits increase in line with rates for the public service of 1.5% to 2011-12.
4. Qualified independent engineering firms will carry out a systematic inspection program for each bridge or tunnel structure. Action plans and priorities are set and adjusted based on the results of these annual assessments.

LOCATION SPECIFIC ASSUMPTIONS

1. In Cornwall, revenues will not increase until the CBSA and Mohawk community dispute is resolved. Traffic is expected to increase 10% annually thereafter so that SIBC will again become self-sufficient. Until this happens, additional federal funding will be needed to offset lost revenue from ongoing low traffic volumes and any bridge closings.

2. There will be no changes to the existing international agreements.

3. In Montreal, major maintenance costs for JCCBI are projected to incur a 10% premium based on market conditions (high demand for limited pool of project managers, contractors and skilled construction workers) plus a proposed 1% to 2% increase in the Quebec Provincial Sales Tax.

6.0 OBJECTIVES, STRATEGIES AND PERFORMANCE TARGETS

In completing its assessment of the current operating context and the primary risks being managed, FBCL identified four key priorities: governance, safety, financial sustainability and relationships. Following are the objectives, strategies and performance targets that FBCL will undertake during the next five years to resolve these priority issues.

6.1 OBJECTIVE: CORPORATE GOVERNANCE

ENSURE THE FBCL BOARD OF DIRECTORS FUNCTIONS ACCORDING TO BEST GOVERNANCE PRACTICES.

The Auditor General's 2008 Special Examination observed deficiencies in corporate governance as a result of insufficient oversight by the parent Board with respect to the affairs of FBCL and its subsidiaries, mostly due to the organizational structure. As well, the parent Board does not receive all the information it needs in a timely fashion to carry out effective oversight, duties are not clearly defined, parent Board members receive little training and orientation and the appointment process for subsidiary boards is not clear. Further, the small size of FBCL's Board (4 members) makes it difficult to have the appropriate mix of skills and experience needed to oversee the wide-ranging affairs of the Corporation.

During 2009-10, progress was made towards achieving this ongoing objective. In 2008-09, FBCL engaged the Conference Board of Canada to review and propose improvements to its current structure. It is now acting upon these suggestions through a proposal to simplify the corporate structure. The implementation of these changes can be complex and in some instances would require legislative amendments. In the interim, FBCL

is undertaking actions within its existing authorities to overcome many of the deficiencies in governance. During 2009-10, by-laws were amended to clarify roles, responsibilities and accountabilities for the Chairperson, directors and management. Information requirements of the FBCL Board were confirmed and improvements were made in the training of directors and in assessing their performance and that of the Board.

STRATEGIES:

Review corporate governance to clarify roles, responsibilities, accountabilities and reporting requirements to achieve appropriate levels of corporate oversight;

Continuously review and update policies and procedures of FBCL and subsidiary Board of Directors to ensure optimal effectiveness and efficiency;

Manage corporate risk systematically and consistently with all relevant information available.

DURING THE PLANNING PERIOD:

A quarterly reporting system will be set up through the CEO to provide timely information for analysis and decision making by the parent Board;

Issues identified in board self-assessments will be addressed; progress in meeting training needs of directors will be monitored;

Headquarters will assume a greater role in areas of finance, strategic planning, risk management, engineering policy, and the environment;

A corporate-wide internal audit plan will be established and managed centrally from head office;

Development of an enterprise risk management system will begin.

6.2 OBJECTIVE: SAFETY OF BRIDGE STRUCTURES

CONTINUE TO ENSURE THE SAFETY OF BRIDGE STRUCTURES IN ORDER TO AVOID HARM TO END USERS, EMPLOYEES AND CONTRACTORS.

Federal bridge structures under the responsibility of FBCL must remain safe and secure. This is a major concern for Montreal where the bridge structures are critical links to the entire transportation network. Safety of bridge operations is also a major concern in Cornwall where the dispute between the Mohawk community and CBSA have resulted in forced evacuations and toll closures during the past two years.

INFRASTRUCTURE SAFETY

Much of FBCL's ageing bridge infrastructure has experienced some 50 to 80 years of heavy traffic, industrial pollution, climate exposure and frequent use of road salt. Based on the annual inspections, many structures in Montreal will require major rehabilitation over the next decade to assure safe passage. For example, the Nun's Island Bridge is approaching the end of its useful life and will have to be rebuilt and widened to accommodate future public transportation needs. Most remaining bridge structures, approaches, overpasses and viaducts will require major rehabilitation in the next 10 years. A study is currently underway to examine options for the Champlain Bridge with recommendations expected in fall 2010.

Similarly for the Cornwall crossing, major works are required to maintain the existing North Channel Bridge until a new bridge can be built. Although funding has been in place since 2006, construction has not proceeded because of delays relating to negotiations with First Nations and the current dispute over the arming of Customs officers on Cornwall Island. FBCL is working with Transport Canada on obtaining approval to

move forward with the project. In the interim, costly deck repairs estimated at \$1M per year will be necessary to keep the North Channel Bridge operationally safe for the next 5 years until a new bridge is built. Delays in opening a new bridge beyond 5 years will result in major rehabilitation works and funding being required.

The need for FBCL to replace much of this infrastructure at essentially the same time is putting pressure on the Corporation's financial and human resource capacity to concurrently plan and manage a large number of major and complex projects. A few positions were created at headquarters and at some subsidiaries in Engineering, Finance and Legal Services to ensure delivery of projects and services.

SECURITY OF OPERATIONS

FBCL must also ensure its bridge infrastructure is operated in a safe and secure manner for the benefit of users, employees and contractors. In this respect, the Cornwall Island crossing is of concern due to the ongoing dispute over the arming of customs officers.

Following resolution of the the current dispute and given that bridge pass negotiations are at an impasse, the options will be assessed for the location of tolling operations.

STRATEGIES:

Mitigate risks through regular bridge inspections, undertake all critical repairs within available funding and identify/prioritize long-term major rehabilitation requirements;

Manage major rehabilitation projects in a timely manner per set objectives and deliverables and within budget;

Seek the continued support of stakeholders in managing and improving bridge security.

KEY INITIATIVES TO ENSURE BRIDGE SAFETY AND PERFORMANCE MEASUREMENT ARE AS FOLLOWS:

COMPLETE IN 2010-11

Establish preventative measures including training for employees and re-confirm protocol with well-communicated roles and responsibilities among all stakeholders for quick identification and management of emergency situations;

Expand the role of the recently established corporate engineering committee to share intelligence and best practices for completing annual inspections and critical maintenance;

Ramp up JCCBI employment to give more capacity in engineering, contracting administration and the environment for delivering multi-phase projects requiring stakeholder consultations, partnership agreements, engineering studies and designs, environmental assessments and public hearings;

Install an integrated system of surveillance cameras at the toll plaza in Cornwall to support security and enforcement of tolling infractions; review security best practices for daily “road checks”, access control and document control; and

Prepare options and be pro-active in seeking government decisions on Cornwall re: proceeding to build a new bridge and the location and scope of the CBSA facilities and SIBC’s toll plaza.

DURING PLANNING PERIOD

Continue to implement normal operations, from ensuring snow and ice are removed effectively to ensuring policing services are in place, and providing support as needed (e.g., materials and systems such as camera surveillance equipment, variable message

signs and traffic lane control systems);

Be proactive in achieving the support of local communities for controlling costs and optimizing investments through technology and a business case approach.

6.3 OBJECTIVE: FINANCIAL SUSTAINABILITY

ACHIEVE FINANCIAL SUSTAINABILITY BY OBTAINING ADEQUATE FUNDING AND EXPLORING REVENUE GENERATION OPPORTUNITIES TO MAINTAIN SAFE, EFFICIENT AND EFFECTIVE INFRASTRUCTURE OVER THE LONG TERM, INCLUDING CAPITAL REQUIREMENTS TO REPLACE STRUCTURES AT THE END OF THEIR LIFE CYCLE.

The state of the FBCL portfolio infrastructure is preventing its financial sustainability. FBCL is facing a severe funding shortfall in two areas: (i) resources to carry out major rehabilitation of its ageing portfolio in Montreal and Cornwall, and (ii) a sustainability risk for Cornwall due to declining tolling revenues given the current situation with the Mohawk community.

MAJOR REHABILITATION

In Montreal, the traditional source of funding is parliamentary appropriations following the government’s decision in 1990 to remove tolls from the Champlain Bridge. JCCBI has been reliant on cyclical approvals of major maintenance programs since that time.

Unfunded expenditures over the next decade for operations and major works are forecasted at approximately \$100M per year to complete the necessary rehabilitation projects across all of its structures. Short-term revenue-generating options are limited (currently less than a \$1M per year) and, therefore, the subsidiary remains essentially dependent on parliamentary appropriations. Tolling of new infrastructure is a longer term option for financial sustainability. However, re-instatement of tolls would require a governmental policy decision beyond the

authority of FBCL.

For the Cornwall crossing, FBCL is working with Transport Canada officials to develop options for seeking government approval in 2010-11 to proceed with building a new bridge. In the interim, SIBC will continue to maintain the safety of the North Channel Bridge but may not be able to fully fund the growing maintenance costs from toll revenues.

In Sault Ste. Marie, a 40-year sustainable plan has recently been implemented, including planned increases in tolling rates and projected growth in traffic that will be adjusted to cover all operating, capital and debt payment requirements.

For the Thousand Islands, the 60-year old CBSA facilities will require major rehabilitation in about five years as they do not meet the new standard for border security and administrative operations. For this, FBCL will approach government for funding.

TOLLING REVENUES

FBCL is experiencing greater difficulty during 2009- and 2010 in achieving toll revenues sufficient to cover ongoing costs at international bridges due to the recent world-wide recession, declining tourism, the new requirement for those entering the U.S. to carry passports and rising costs as the infrastructure ages. The drop in toll revenues is most apparent at Cornwall where volumes are down due to plant closures on both sides of the border and the possibility of further bridge closures or traffic delays until the Mohawk/CBSA dispute is resolved. Also, the Mohawk community's concept of toll exemption is continuously evolving and today more than 60,000 vehicles per month travel through the toll plaza without paying or showing a pass. It is expected that long-term self-sufficiency of the Cornwall operations will remain in doubt. An emergency funding request for 2009-10 was approved for \$894K and a request for 2010-11 is likely.

Traffic declined 10% in 2009 at the Thousand Islands and Sault Ste. Marie crossings but the operations remained profitable. Unless the loss in traffic is recovered, there will be a greater risk that some future capital costs may not be fully funded.

STRATEGIES:

Develop business cases to identify and justify the need for additional funding;

Improve communication and transparency of FBCL's requirements for rehabilitation;

Seek new revenue opportunities and protect existing revenues.

KEY INITIATIVES TO ACHIEVE FINANCIAL SUSTAINABILITY AND PERFORMANCE MEASUREMENT ARE AS FOLLOWS:

COMPLETE IN 2010-11

Seek approval of new funding for JCCBI to address major rehabilitation of bridge infrastructure and reinstatement of appropriate operating reference levels;

For the Cornwall location, (i) engage Transport Canada officials to seek a decision by government to build a new North Channel Bridge and (ii) initiate promotion activities to attract additional traffic flow;

For all international bridges, verify that projected toll revenues are reasonable and sufficient to maintain their long-term viability. If necessary, adjust tolls to compensate for any declines in traffic volumes, cost escalation and to fund long-term capital requirements.

DURING THE PLANNING PERIOD

Update tolling systems at international crossings and related business software;

Review all revenue-generating possibilities;

For Thousand Islands, FBCL will approach government with options for the rehabilitation of the Customs Plaza.

6.4 OBJECTIVE: RELATIONSHIPS

IMPROVE INTERNAL AND EXTERNAL RELATIONSHIPS WITH KEY STAKEHOLDERS.

FBCL operates in a complex, multi-jurisdiction environment and must consult and coordinate its activities with numerous stakeholders both in the public realm and within the federal, municipal, provincial and U.S. governments. The Corporation has significant capital rehabilitation requirements for its infrastructure. If it is to secure governmental funding approvals to complete these works, it must obtain full support from its Minister and important federal partners (Transport Canada, CBSA and central agencies) by keeping them well informed of the issues and challenges it faces and the strong contribution of the crossings, both economical and social, to Canada and its communities. FBCL must also continue to develop positive relationships with its external stakeholders (e.g., bridge users, local communities, First Nations, municipal and provincial governments, U.S. bridge authorities) through transparency of its actions and communications as well as in ensuring a high degree of awareness by all stakeholders of the contribution of the crossings to the communities they serve.

In order to proceed effectively with new large and complex rehabilitation projects, FBCL will have to define the roles, responsibilities and needs of each major stakeholder and then develop plans to integrate their primary requirements, where possible, in order to gain support and to coordinate their participation.

STRATEGIES:

Communicate the contributions of FBCL's bridge crossings to gain the appreciation and support of stakeholders;

Improve internal relationships to resolve issues through a team-based approach;

Explore innovative methods and partnerships to engage stakeholders.

KEY INITIATIVES TO IMPROVE RELATIONSHIPS AND PERFORMANCE MEASUREMENT ARE AS FOLLOWS:

COMPLETE IN 2010-11

Initiate community contribution studies to clearly identify the value of the various bridge crossings for all stakeholders, starting with the Champlain Bridge;

Within the FBCL portfolio: (i) enhance transparency, mobility, shared resources/services and cross-functional teams; and (ii) improve internal communications by establishing clear processes and procedures, identifying information requirements and coordinating core messages;

Enhance federal relationships by continuing to work with Transport Canada and by participating in interdepartmental discussions related to bridge safety, security and specific bridge transportation issues.

DURING THE PLANNING PERIOD

Continue to discuss emerging issues with federal stakeholders;

Continue dialogue with stakeholders to develop a strong understanding of their requirements and a proactive strategy to appropriately integrate their needs within existing projects;

For the Cornwall location, eliminate sources of operational friction and assess potential locations for the tolling operations. Continue dialogue with the Mohawk Council of Akwesasne on the larger scale issues;

Develop a corporate-wide policy and process for consultation on projects that affect First Nations interests.

7.0 OTHER FINANCIAL ASPECTS

7.1 FINANCIAL REPORTING AND PUBLIC SECTOR ACCOUNTING STANDARDS

In September 2009, the Public Sector Accounting Board of Canada approved an amendment to the Introduction to Public Sector Accounting Standards. Organizations that were considered Government Business-Type Organizations will now be categorized as Other Governmental Organizations and will have the choice between International Financial Reporting Standards and Public Sector Accounting Standards dependent on an evaluation of user needs for their financial information. FBCL is an Other Governmental Organization and will follow Public Sector Accounting Standards beginning April 1, 2011. This is a significant undertaking from both a governance and accountability perspective for FBCL's management, the respective Audit Committees and the Board of Directors. The conversion may impact current accounting policies, procedures and processes, internal controls and financial systems.

7.2 SMRBC BORROWING PLAN

SMRBC was incorporated by a Special Act in 1955 and, more recently, on July 18, 2008, it was continued under section 187 of the *Canada Business Corporations Act* (CBCA). On September 1, 2009, it became a wholly-owned subsidiary of FBCL and is not an agent Crown corporation within the meaning of Part X of the FAA. SMRBC derives its borrowing authority from being a CBCA corporation.

SMRBC is undertaking a major rehabilitation of the CBSA facilities at the Sault Ste. Marie International Bridge at an estimated cost of \$49M. It has entered into a \$44M contribution agreement with Transport Canada and will complete the funding of this project through a private sector loan of up to \$5M to be repaid over 20 years.

As owner of the Canadian half of the Sault Ste. Marie International Bridge, SMRBC receives the Canadian share of surpluses generated from toll revenues. These surpluses are expected to fund capital projects on the Canadian side and loan payments as the Corporation does not receive parliamentary appropriations for its ongoing normal operations. Pursuant to subsection 127 (3) of the FAA, FBCL requires the terms and conditions to be approved by the Minister of Finance before it enters into this borrowing transaction.

8.0 FBCL CONSOLIDATED FINANCIAL STATEMENTS

The Federal Bridge Corporation Limited Consolidated Financial Statements								
11.1 BALANCE SHEET								
as at March 31								
Description	Actual 2008-2009	Current forecasts 2009-2010	Main budget 2009-2010	Budget				
				2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
(\$ 000's)								
ASSETS								
Current								
Cash and cash equivalents	20,154	4,770	4,187	9,717	11,212	12,262	8,840	4,962
Short term investments	875	3,448	1,625	3,073	2,698	2,698	2,948	3,198
Accounts receivable	2,684	2,179	1,847	2,179	2,182	2,182	2,182	2,182
Prepaid expenses	410	444	173	444	443	444	444	444
Due from Canada *	14,381	14,097	6,534	14,097	14,097	14,097	14,097	14,097
	38,504	24,937	14,366	29,510	30,631	31,682	28,510	24,882
Long-term								
Long-term investments	1,628	14,495	14,060	8,306	4,244	244	244	244
	1,628	14,495	14,060	8,306	4,244	244	244	244
Capital assets	186,732	238,071	259,380	357,777	461,463	488,124	521,482	534,662
TOTAL ASSETS	226,864	277,503	287,806	395,593	496,338	520,049	550,235	559,787
LIABILITIES								
Current								
Accounts payable	17,400	18,224	10,132	19,188	19,314	19,967	20,337	20,943
Deferred revenue	426	664	416	664	662	662	664	664
	17,825	18,887	10,548	19,851	19,975	20,629	21,001	21,607
Provision for employee future benefits	1,287	1,409	1,509	1,466	1,615	1,805	1,829	1,999
Deferred Capital Funding**	153,328	193,828	223,194	305,948	407,847	432,415	463,798	473,795
Long term debt	-	-	-	4,850	4,692	4,526	4,352	4,168
Environmental obligation	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Deposits & holdbacks***	348	1,778	104	2,378	3,106	3,106	3,106	3,106
	155,963	198,015	225,807	315,642	418,260	442,852	474,085	484,068
TOTAL LIABILITIES	173,788	216,902	236,355	335,493	438,235	463,481	495,086	505,674
SHAREHOLDER'S EQUITY								
Contributed capital	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353
Retained Earnings (Deficit)	(15,277)	(7,752)	(16,902)	(8,253)	(10,250)	(11,785)	(13,204)	(14,240)
	53,076	60,601	51,451	60,100	58,104	56,568	55,149	54,113
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	226,864	277,503	287,806	395,593	496,338	520,049	550,235	559,787
<p>* Due from Canada represents Parliamentary appropriations that the subsidiary, JCCBI, is entitled to but did not receive by year-end.</p> <p>** The portion of parliamentary appropriation used to finance the acquisition of amortizable capital assets is accounted for as deferred capital funding and is amortized on the same basis as the related capital assets.</p> <p>***Deposits are for the publicity panels.</p>								

The Federal Bridge Corporation Limited Consolidated Financial Statements								
11.2 STATEMENT OF OPERATIONS AND DEFICIT								
for the year ending March 31								
Description	Actual 2008-2009	Current forecasts 2009-2010	Main budget 2009-2010	Budget				
				2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
(\$ 000's)								
REVENUES								
Thousand Islands Bridge operating revenue	3,656	3,319	3,833	3,675	3,675	3,938	3,938	4,200
Leases and permits	4,480	4,706	4,494	4,893	4,986	5,099	5,204	5,308
Tolls	2,134	2,472	1,854	3,916	4,400	4,541	4,688	4,865
Interest	591	195	660	212	208	207	224	228
Other	38	52	48	70	73	75	78	80
	10,898	10,743	10,887	12,764	13,341	13,860	14,131	14,680
EXPENSES								
Maintenance	14,713	31,846	30,615	49,797	76,126	79,782	71,982	113,116
Operation	4,277	5,098	4,502	5,516	5,482	5,612	5,856	5,918
Administration	7,123	8,986	8,088	9,623	9,899	9,911	10,617	10,849
Thousand Islands Bridge operating expenses	2,804	2,965	2,842	2,897	2,770	2,852	2,936	3,022
Amortization	5,978	6,385	6,265	6,460	6,842	8,176	10,539	17,532
	34,895	55,278	52,312	74,293	101,118	106,332	101,930	150,436
(Loss) before government funding	(23,997)	(44,535)	(41,425)	(61,529)	(87,778)	(92,473)	(87,799)	(135,756)
Approved parliamentary appropriation and Reference Level for operating expenses	20,327	23,721	24,771	35,788	25,914	25,914	25,914	25,914
Parliamentary appropriation for expenses related to the project for the containment and treatment of groundwater in the Bonaventure Expressway western sector	-	360	360	233	62	636	637	6,008
Parliamentary appropriation for expenses related to the project of 10 years major rehabilitation on Champlain Bridge	-	12,320	9,703	20,397	20,106	17,630	15,372	16,118
Future funding requests (JCCBI)	-	-	-	-	34,644	40,250	35,567	70,878
Amortization of deferred capital funding	4,360	4,581	4,516	4,610	5,055	6,507	8,890	15,803
NET INCOME (LOSS)	690	(3,553)	(2,075)	(501)	(1,997)	(1,536)	(1,419)	(1,035)
Deficit, beginning of year	(15,967)	(4,199)	(14,827)	(7,752)	(8,253)	(10,250)	(11,785)	(13,204)
Deficit, end of year	<u>(15,277)</u>	<u>(7,752)</u>	<u>(16,902)</u>	<u>(8,253)</u>	<u>(10,250)</u>	<u>(11,785)</u>	<u>(13,204)</u>	<u>(14,240)</u>

The Federal Bridge Corporation Limited Consolidated Financial Statements								
11.3 STATEMENT OF CASH FLOWS								
for the year ending March 31								
Description	Actual 2008-2009	Current forecasts 2009-2010	Main budget 2009-2010	Budget				
				2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
(\$ 000's)								
OPERATING ACTIVITIES								
Net Income (loss)	690	(3,553)	(2,075)	(501)	(1,997)	(1,536)	(1,419)	(1,035)
Non-cash items								
Amortization of capital assets	5,978	6,385	6,265	6,460	6,842	8,176	10,540	16,428
Increase in provision for employee future benefits	(45)	122	189	57	149	191	24	170
Amortization of deferred capital funding	(4,360)	(4,581)	(4,516)	(4,610)	(5,055)	(6,507)	(8,890)	(14,700)
Changes in working capital items	(611)	3,584	69	4,501	1,117	755	450	946
Cash flows from operating activities	1,653	1,957	(68)	5,907	1,055	1,078	704	1,808
INVESTMENT ACTIVITIES								
Decrease in advance to co-venturer	(205)	8	15	189	62	-	-	-
Change in investments	(875)	(13,875)	625	6,375	4,375	4,000	(250)	(250)
Proceed from asset disposition	-	-	-	-	-	-	-	-
Acquisition of capital assets	(19,684)	(47,715)	(77,712)	(99,527)	(139,102)	(34,836)	(43,897)	(30,712)
Cash flows used in investment activities	(20,764)	(61,582)	(77,072)	(92,963)	(134,665)	(30,836)	(44,147)	(30,962)
FINANCING ACTIVITIES								
Parliamentary appropriation for funding the acquisition of capital assets	19,055	44,739	74,427	88,155	119,812	23,347	21,183	6,908
Proceed from issuance of debt (SMRBC)	-	-	-	5,000	(150)	(158)	(166)	(174)
Future capital funding requests (JCCBI)	-	-	-	-	14,642	6,653	18,215	18,017
Future funding for the North Channel Bridge maintenance	-	-	-	-	1,075	1,075	875	875
Net financing to subsidiary	(79)	(497)	(488)	(1,152)	(274)	(110)	(86)	(350)
Cash flows from financing activities	18,976	44,242	73,939	92,003	135,105	30,808	40,021	25,277
NET INCREASE (DECREASE) FOR THE YEAR	(135)	(15,384)	(3,201)	4,947	1,495	1,050	(3,422)	(3,878)
Cash and term deposits, beginning of year	20,288	20,154	7,388	4,770	9,717	11,212	12,262	8,840
Cash and term deposits, end of year	<u>20,154</u>	<u>4,770</u>	<u>4,187</u>	<u>9,717</u>	<u>11,212</u>	<u>12,262</u>	<u>8,840</u>	<u>4,962</u>

11.4 CAPITAL EXPENDITURE PLAN								
for the year ending March 31								
Description	Actual 2008-2009	Current forecasts 2009-2010	Main budget 2009-2010	Budget				
				2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
(\$ 000's)								
<u>The Federal Bridge Corporation</u>								
<u>Ottawa Head Office</u>								
Ottawa Office	-	35	32	-	-	-	-	-
Thousand Islands Bridge	180	373	182	31	67	796	1,023	77
Seaway International Bridge	748	2,899	3,307	6,800	53,741	9,971	8,044	192
	928	3,307	3,521	6,831	53,808	10,767	9,067	269
<u>The Jacques Cartier and Champlain Bridges Incorporated</u>								
Jacques Cartier Bridge	2,581	1,409	1,165	2,686	2,057	3,639	7,165	2,413
Champlain Bridge	5,028	12,568	15,212	13,308	20,353	11,801	17,693	10,670
Honoré Mercier Bridge	10,949	28,625	57,200	24,000	41,201	28,575	-	-
Melocheville Tunnel	-	100	414	33	628	666	574	123
Champlain Bridge Ice Control Structure	-	-	-	-	-	76	1,511	23
Autoroute Bonaventure	-	-	-	-	-	305	6,705	13,325
Autoroute 15	-	-	-	1,960	463	509	-	770
General	185	140	140	240	96	-	-	295
	18,743	42,842	74,131	42,227	64,798	45,571	33,648	27,619
<u>The Seaway International Bridge</u>								
	13	-	60	30	95	-	60	-
<u>Saint Mary's River Bridge Company</u>								
	-	1,566	-	21,864	20,401	7,073	1,122	2,824
Total Capital Expenditures	19,684	47,715	77,712	70,952	139,102	63,411	43,897	30,712

The Federal Bridge Corporation Limited Consolidated Financial Statements								
STATEMENT OF CONTRIBUTED CAPITAL								
for the year ending March 31								
Description	Actual 2008-2009	Current forecasts 2009-2010	Main budget 2009-2010	Budget				
				2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
(\$ 000's)								
Balance, beginning of year	68,353	68,353	68,353	68,353	68,353	68,353	68,353	68,353
Contributed Capital for the year	-	-	-	-	-	-	-	-
Balance, end of year	<u>68,353</u>	<u>68,353</u>	<u>68,353</u>	<u>68,353</u>	<u>68,353</u>	<u>68,353</u>	<u>68,353</u>	<u>68,353</u>

FUNDING AND EXPENDITURE PLAN

The Federal Bridge Corporation Limited

12.0 Funding and Expenditure Plan Summary

This table summarizes the Federal Bridge funding and expenditure plan through to the year 2015. The expenditures have been broken down by location and by parliamentary vote (operating and capital).

The negative variance throughout the plan is attributable to unfunded projects at the subsidiary The Jacques Cartier and Champlain Bridges Incorporated.

**Funding and Expenditure Plan Summary
for the Years Ending March 31, 2010 to 2015
(thousands of dollars)**

	2009-10 Forecast	2010-11 Budget	2011-12 Budget	2012-13 Budget	2013-14 Budget	2014-15 Budget
Funding						
Appropriations - Operating	33,664	55,616	46,082	44,180	41,923	48,040
Appropriations - Capital	47,207	59,580	119,812	23,347	21,183	6,908
Other Sources of Funding	17,070	25,570	13,341	13,860	14,131	14,680
Total Funding	97,941	140,766	179,235	81,387	77,237	69,628
Expenditures						
Jacques Cartier and Champlain Bridge						
Operating	39,593	57,249	82,829	86,570	79,389	120,537
Capital	42,842	42,227	64,798	16,996	33,648	27,619
	82,435	99,476	147,627	103,566	113,037	148,156
Seaway International Bridge						
Operating	1,902	2,384	2,721	2,632	2,599	2,580
Capital	2,899	6,830	53,836	9,971	8,104	192
	4,801	9,214	56,557	12,603	10,703	2,772
Thousand Islands Bridge						
Operating	4,772	4,412	3,371	3,408	3,627	3,885
Capital	373	31	67	796	1,023	77
	5,145	4,443	3,438	4,204	4,650	3,962
Saint Mary's River Bridge Company						
Operating	1,555	2,776	2,674	2,740	2,807	2,874
Capital	1,566	21,864	20,401	7,073	1,122	2,824
	3,121	24,640	23,075	9,813	3,929	5,698
Head Office						
Operating	2,875	2,862	2,809	2,812	2,974	3,034
Capital	35	-	-	-	-	-
	2,910	2,862	2,809	2,812	2,974	3,034
Total Expenditures	98,412	140,635	233,506	132,998	135,293	163,621
Variance	(472)	131	(54,271)	(51,611)	(58,056)	(93,993)
Future funding request for JCCBI						
Operating	-	-	34,644	40,250	35,567	70,878
Capital	-	-	14,642	6,653	18,215	18,017
Total necessary funding for JCCBI	-	-	49,286	46,903	53,782	88,895

12.1 Operating Budget

This table outlines the 2010-2011 Operating Budget and compares budgets with the 2009 actual results and the 2010 forecast. The 2008-2009 variance is mainly attributable to maintenance work (\$4.8M) that was under budget in the Montreal region. The 2009-2010 variance is explained by increased maintenance expenses in the Montreal region and an increase in Administration expenses (\$0.9M).

**Operating Budget
for the Years Ending March 31, 2009 to 2011
(thousands of dollars)**

	2010-11	2009-10	2009-10	2009-10	2008-09	2008-09	2008-09
	<u>Budget</u>	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Funding							
Operating Appropriations JCCBI	35,014	23,828	23,828	-	24,339	20,199	(4,140)
Funding for SIBC	-	894	894	-	-	128	128
Appropriation for groundwater containment	205	128	128	-	60	-	(60)
Appropriation for Champlain Bridge rehab.	20,397	9,708	9,708	-	-	-	-
Thousand Islands Bridge operating revenue	3,675	3,833	3,319	(514)	1,345	3,656	2,311
Leases and permits	4,893	4,494	4,706	212	4,619	4,480	(140)
Tolls	3,916	1,854	2,472	618	1,838	2,134	296
Interest	212	660	195	(466)	963	591	(373)
Other revenue	70	650	4,092	3,442	58	38	(20)
	<u>68,380</u>	<u>46,049</u>	<u>49,342</u>	<u>3,293</u>	<u>33,222</u>	<u>31,225</u>	<u>(1,998)</u>
Expenditures							
Maintenance	49,797	30,615	32,293	(1,678)	19,485	14,713	4,773
Operation	5,516	4,502	5,098	(596)	4,492	4,277	215
Administration	9,623	8,090	8,986	(896)	7,031	7,123	(92)
Thousand Islands Bridge operating expenses	2,897	2,842	2,965	(123)	-	2,804	(2,804)
	<u>67,833</u>	<u>46,049</u>	<u>49,342</u>	<u>(3,292)</u>	<u>31,008</u>	<u>28,917</u>	<u>2,092</u>
Excess (shortfall) of Funding over Expenditures	<u>547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,214</u>	<u>2,308</u>	<u>94</u>

12.2 Capital Budget

This table outlines the 2010-2011 Capital Budget and compares budgets with the 2009 actual results and the 2010 forecast. In 2009 the \$49.2M variance in actual expenditures compared to the original budget is attributable to the Seaway International North Channel Bridge replacement project (\$2.4M) that has been delayed to future year and the Honoré-Mercier Bridge (\$50.2M) contract that was also delayed. In 2010 the \$1.4M variance in forecasted expense compared to budget is caused by work on the Champlain Bridge that was less than budgeted.

Capital Budget
for the Years Ending March 31, 2009 to 2011
(thousands of dollars)

	2010-11	2009-10	2009-10	2009-10	2008-09	2008-09	2008-09
	<u>Budget</u>	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Funding							
Seaway International Bridge appropriation - NCB	55,639 *	1,542	1,507	35	3,204	748	2,456
SMRBC contribution - Custom Plaza	16,404	-	470	(470)	-	-	-
Jacques Cartier Bridge appropriation ***	36,742	73,756	44,346	29,410	66,107	19,397	46,710
SMRBC - borrowing	5,000	-	-	-	-	-	-
FBCL share of publicity revenue	2,534	962	-	962	2,108	1,090	1,018
Internally generated revenue	5,272	1,452	1,392	60	-	-	-
	<u>121,591</u>	<u>77,712</u>	<u>47,715</u>	<u>29,997</u>	<u>71,419</u>	<u>21,235</u>	<u>50,184</u>
Expenditures							
Head Office (R)	-	32	35	(3)	-	-	-
Thousand Islands Bridge (R)	31	182	373	(191)	316	180	136
Seaway International North Channel Bridge (A)	5,000 *	1,915	1,507	408	3,204	748	2,456
Seaway International South Channel Bridge (R)	1,800	1,392	1,392	-	84	-	84
Seaway International Bridge General (R)	30	60	-	60	6	13	(7)
Total Seaway International Bridge	<u>6,830</u>	<u>3,367</u>	<u>2,899</u>	<u>468</u>	<u>3,294</u>	<u>761</u>	<u>2,534</u>
Saint Mary's River Bridge Company (R)	21,864	-	1,566	(1,566)	-	-	-
Jacques Cartier Bridge (R) (A)	2,686	1,165	1,409	(244)	2,840	2,581	259
Champlain Bridge (A)	13,308	15,212	12,568	2,644	716	5,028	(4,312)
Honoré Mercier Bridge (A) **	24,000	57,200	28,625	28,575	61,200	10,949	50,251
Melocheville Tunnel (A)	33	414	100	314	232	-	232
Champlain Bridge Ice Control Structure (A)	-	-	-	-	103	-	103
Autoroute 15 (A)	1,960	-	-	-	-	-	-
Jacques Cartier Bridge & Champlain General (A)	240	140	140	-	192	185	7
Total Jacques Cartier & Champlain Bridge	<u>42,227</u>	<u>74,131</u>	<u>42,842</u>	<u>31,289</u>	<u>65,283</u>	<u>18,743</u>	<u>46,540</u>
	<u>70,952</u>	<u>77,712</u>	<u>47,715</u>	<u>29,997</u>	<u>68,893</u>	<u>19,684</u>	<u>49,210</u>
Excess of Funding over Expenditures	<u>50,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,526</u>	<u>1,552</u>	<u>(975)</u>

(A) - Funded by appropriations, (R) - Funded by internally generated revenues

* FBCL has appropriations of \$55,639 K for the North Channel Bridge in 2010-11 but will only use up to \$5,000 K.

FBCL will seek approval to reprofile whatever is not spent.

** JCCBI is seeking approval to re-profiling \$28,575 in unspent appropriations for Mercier Bridge in 2009-10.

*** 2010-11: \$36,742 K = \$8,742K (Champlain Bridge) + \$24,000K (Mercier Bridge) + \$4000 (regular).

2009-10: \$73,756 K = \$57,200 K (Mercier) + \$2,641 K (regular) + \$4160 K (Champlain) + \$9,755 K (Nun's Island) - remainder to operating.

APPENDICES

APPENDIX A - A LOOK AT EACH LOCATION

1.0 MONTREAL

1.1 CHAMPLAIN BRIDGE

Overview

The Champlain Bridge traverses Nun's Island to the South Shore, linking the boroughs of Brossard and Verdun, and is approximately six kilometres in length. Originally constructed as a toll bridge, it opened to traffic in 1962. The toll was payable until it was abolished in 1990 by a decision of the federal government. The Bonaventure Expressway, which is part of the north approach to the bridge and brings traffic into the downtown area of Montreal, was opened in 1967. The Champlain Bridge is among the busiest bridges in Canada with some 59 million vehicles crossing it every year.

SUMMARY OF CONDITION AND PLANNED WORKS

Although the Champlain Bridge is considered to be a safe structure, the bridge is going through a rapid deterioration phase. The 2009 Budget provided 10-year funding of \$212M to JCCBI for important structural repairs to the pre-stressed beams, pier caps, pier shafts and the principal piers of the main span, repairs to the structural steel of the main span, and replacement of the roadway expansion joints and pavement. The first year of the program was successfully completed as planned. Works of \$29M are planned for year 2 (2010-11).

FEASIBILITY OF REPLACING THE CHAMPLAIN BRIDGE

JCCBI has commissioned a \$1.4M study being cost-shared with Quebec that will examine replacement options for the Champlain Bridge. The repair strategy for the existing bridge will be modified accordingly, depending on the outcome of the study and the government's decision regarding its future.

APPROACHES TO THE CHAMPLAIN BRIDGE

All of the approaches to the bridge will require large investments in the years to come. Some \$30M has been identified for the elevated section of the Bonaventure Expressway. Paving other sections of the expressway and replacement of two thick slab overpasses will also have to be carried out. These works will have to run concurrently with the City of Montreal's rehabilitation of its section of the Expressway, which is scheduled to start in 2010. For the Highway 15 approach, the Nuns' Island Bridge will require a complete reconstruction in the next few years. Widening of this bridge and Highway 15 to accommodate the approach to the Champlain Bridge and future public transportation needs is also required. The Viaduct Principal is an overpass along Highway 15 that is at the end of its life cycle and will also have to be replaced.

CONTAMINATED LANDS

Significant mitigation measures will be required to contain contaminated groundwater at the former landfill site that borders the Bonaventure Expressway and the St Lawrence River. Funding for remedial measures has been requested through the Federal Contaminated Sites Action Plan (FCSAP).

2010-11 PERFORMANCE TARGETS

Maintain and operate the bridge structures in a safe and efficient manner ensuring ongoing inspection and maintenance programs are respected;

Execute the \$29M of works planned for Year 2 of the 10-year, \$212M major maintenance program for the Champlain Bridge;

Complete the study of replacement options for the Champlain Bridge, refer all information to the government for consideration and initiate further studies that may be required;

Complete projects funded through the FCSAP in a timely manner and within budget.

1.2 HONORÉ-MERCIER BRIDGE

Overview

This bridge spans the St. Lawrence River and the Seaway between LaSalle on the Island of Montreal and the Mohawk Territory of Kahnawake on the South Shore. About 28 million vehicles cross the Honoré Mercier Bridge every year.

Summary of Condition and Current Works

JCCBI is currently managing a major re-decking contract on both the federal and the Quebec portions of the bridge through agreements with the Quebec Ministry of Transportation (MTQ). An agreement between both levels of government and the Mohawk Council of Kahnawake is a first in Canada for a project of this scope. The concrete deck panels will be prefabricated and replaced one at a time, mainly at night, allowing full access to the bridge during peak rush hours. The deck replacement is divided into two separate contracts: Contract A and Contract B. Contract A is mainly for works located on the federal portion of the bridge in Kahnawake Mohawk Territory. The Mohawk Bridge Consortium, a group of Mohawk entrepreneurs, was awarded Contract A which includes strengthening the bridge's steel structure and replacing the reinforced concrete decks on the three access ramps.

Contract B will be awarded following a call for tender that closed February 5, 2010. This contract is for works located on the federal portion of the bridge between the southern ramps under contract A and the steel arch spanning the St. Lawrence River, along with a large part of the provincial portion of the bridge north of the steel arch. The contract is for the full replacement of the bridge deck and will include a new, multipurpose 2.1 km pedestrian/bike path to replace the current sidewalk. Federal funding of \$135M has been approved for this project. The MTQ's portion of the works represents an additional \$70M. In addition, a renewal of the paint system that protects the structural steel is required over the next five years to prevent further deterioration at an estimated cost of \$7M.

2010-11 Performance Targets

Complete the rehabilitation project by December 2012;

Manage project expenditures in the most cost-effective manner;

Complete the paint project within budget and on schedule.

APPENDIX A - 1.3 OTHER BRIDGE STRUCTURES

A. JACQUES CARTIER BRIDGE

The Jacques Cartier Bridge opened in 1929 and spans the St. Lawrence River facing St. Helen's Island. An estimated 36 million vehicles cross it every year. The bridge is in relatively good condition as the entire deck was replaced in 2001 and 2002. In the past few years, major ongoing repairs have been carried out to preserve the structure's integrity and to ensure its continued safety. Nevertheless, the bridge is approaching 80 years of age and certain elements will require major repairs in the years to come, notably the piers, replacement of bearings and renewal of the roadway pavement.

B. CHAMPLAIN BRIDGE ICE CONTROL STRUCTURE (THE ESTACADE)

The ice control structure was built in 1965 and runs parallel to the Champlain Bridge, extending east-west between Nuns' Island and the St. Lawrence Seaway. The structure serves to retain ice formation in the La Prairie basin of the St. Lawrence River and thus protects the piers of the Champlain Bridge from large ice sections moving downstream, as well as the man-made islands of Parc Jean Drapeau. The structure is open to pedestrian and cyclists during the summer. The Estacade Bridge is in relatively good condition. Current works are limited to annual maintenance and no major rehabilitation is contemplated.

C. MELOCHEVILLE TUNNEL

The Melocheville Tunnel, an extension of Highway 132, is located in Melocheville near the Beauharnois hydroelectric power station on the southwest shore of Montreal. It was restored and resurfaced in 1968. Since then, maintenance work, such as pavement repairs, cleaning and painting of the tunnel walls, and restoration of the approaches, has been performed regularly to ensure safety and to preserve the structure's integrity. Approximately 4.5 million vehicles travel through the tunnel every year. The Tunnel is in relatively good condition and no major rehabilitation is contemplated.

2010-11 PERFORMANCE TARGETS

Complete systematic inspections of the bridge structures and address any deficiencies identified in a timely manner.

Complete a pre-feasibility study on potential revenue opportunities.

2.0 CORNWALL

OVERVIEW

The Seaway International crossing is comprised of a high level bridge opened in 1962, connecting Cornwall to Cornwall Island (North Channel Bridge), a toll plaza and roadway extending across Cornwall Island connecting the North and South Channel Bridges, a high level suspension bridge opened in 1958, connecting Cornwall Island to Rooseveltown in New York State and straddling the waterway used by ocean vessels to navigate the St. Lawrence River (South Channel Bridge) and a connecting roadway to New York State highway #37. The international crossing is a vital transportation route for many of the small to medium sized industries in the region, with approximately 2.5 million transits per year.

TOLLING STRUCTURES AND OPERATIONS

Providing toll free travel to the Akwesasne community for community members, service providers and deliveries continues to place a serious strain on SIBC tolling operations. Feelings of animosity toward the federal presence on the Island have led some within the community to construct driveways and roads that allow for travel to circumvent the toll plaza and many patrons refuse to show a bridge pass. In addition, the Akwesasne Mohawk Police Services do not enforce toll violations.

In the summer of 2009, the conflict between CBSA and the Mohawk Community closed the bridge crossing for 6 weeks after which time the CBSA installations were temporarily moved to the City of Cornwall. Three weeks later, the SIBC tolling operations were re-opened at a temporary location in Cornwall (for security and business reasons). Traffic remains down and monthly toll revenues are 25% below normal. The government provided \$894K to partially cover the costs of setting up temporary tolling operations in Cornwall and lost revenue, allowing SIBC to break even in 2009-10. Tolling operations will stay at the base of the bridge, until a suitable permanent operating location is established.

SUMMARY OF CONDITION AND PLANNED WORKS

North Channel Bridge

Overall, the bridge is in fair condition. Significant maintenance costs are incurred annually in operating the structure and these costs are rising. Because of the CBSA and Mohawk community dispute, SIBC deferred deck and road repairs to 2010-11 when \$1M of works are planned. A government decision is required re: proceeding to build a new bridge and the location and scope of the CBSA facilities and SIBC's toll plaza. If a new bridge is not operational within five years, very significant expenditures associated with bridge deck replacement, bridge piers and repainting of the steel structure may be required to extend the life of the existing bridge any further.

South Channel Bridge

The bridge is in good condition. In 2009-10, a recoating project was initiated, involving the construction of enclosures and access platforms, removal and disposal of the existing coatings, and the application of a new corrosion protection coating system. Contract provisions support hiring Mohawk labour and contractors. It is being funded by the bridge

owners and managed by SIBC. The project is expected to be completed by 2013 at an estimated cost of \$22M, \$7M being the Canadian share of the works. Other than regular maintenance and the painting project outlined above, there will be no significant expenditures within the 5-year planning period.

STRATEGIES/ PERFORMANCE TARGETS

- Obtain funding resources as required, and carry out maintenance repairs to keep the North Channel Bridge safe until a new North Channel Bridge is operational;
- Successfully manage the \$22M South Channel Bridge recoating project;
- Promote the safety, efficiency and benefits of the international crossing in order to increase traffic flow to levels achieved prior to the current CBSA/Mohawk community dispute;
- Liaise continuously with stakeholders and police forces to ensure emergency plans are in place to address any threat or risk in an appropriate and timely manner to ensure the safety of the bridge, its users, and employees.
- Complete systematic inspections of the bridge structures and address any deficiencies identified in a timely manner.

PERFORMANCE TARGETS

- Complete phases 1 and 2 of the the recoating contract for the South Channel Bridge by 2011-12 and within budget;
 - Increase toll revenues at a rate of 5-10% per year once the local conflict has been resolved;
 - Complete systematic inspections of the bridge structures and address any deficiencies identified in a timely manner.
-

3.0 SAULT STE. MARIE

OVERVIEW

The Sault Ste. Marie International Bridge connects the Canadian and the U.S. cities of Sault Ste. Marie. SMRBC is the owner of the Canadian portion of the bridge and the Michigan Department of Transport (MDOT) owns the U.S. side. The International Bridge Administration (IBA – a U.S. agency under MDOT) manages the bridge operations and reports to the international authority, SSMBA. Until 2005, tolls remained unchanged from rates set back in 1962 except for exchange rate adjustments. Since 2005, tolls have been reviewed every six months and adjusted as necessary to fund planned capital replacement projects.

SUMMARY OF CONDITION AND PLANNED WORKS

The Canada Customs Plaza was opened to traffic in 1962 and has seen limited upgrading or expansion since that time. A technically more modern and efficient facility and plaza infrastructure is now under construction. Given that SMRBC has no employees, the project is being managed by the parent FBCL. No significant works other than regular maintenance are planned for the next five years as the bridge infrastructure is in good condition. The U.S. toll plaza is planned for expansion during the same period as the CBSA plaza expansion so a high degree of traffic coordination will be required by the bridge operator.

2010-11 PERFORMANCE TARGETS

Complete systematic inspections of the bridge structure and address any identified deficiencies in a timely manner;

Manage the Canada Customs Plaza Modernization project on time and within budget.

4.0 THOUSAND ISLANDS

OVERVIEW

The Thousand Islands Bridge spans the St. Lawrence River from Collins Landing near Alexandria Bay, New York to Ivy Lea, near Gananoque, Ontario. The bridge crossing consists of: a U.S. Bridge, Canadian Bridge and jointly owned rift bridges in the middle on the border. The U.S. bridge and assets are owned by the Thousand Islands Bridge Authority (TIBA), a U.S. corporation that manages the crossing through an operating agreement with FBCL. The Canadian bridge and assets (toll plaza, toll administration building, maintenance garage and CBSA Facilities) are owned by FBCL.

SUMMARY OF CONDITION AND PLANNED WORKS

The Thousand Island crossing is in good condition. FBCL oversees the inspection programs for the Canadian bridge spans and manages capital projects carried out for Canadian assets. For 2010-11, projects being considered are new pavement and renovations for the Canadian toll plaza, asphalt replacement at the north approach to the Canadian Bridge, replacement/upgrade of electrical items on the bridge, and a new CBSA tertiary garage. Potential major maintenance and capital projects within 5 years are: rehabilitation of concrete piers at the Canadian bridge and asphalt replacement at the Canadian maintenance garage and CBSA facilities.

2010-11 PERFORMANCE TARGETS

Conclude a new operating agreement with TIBA;

Complete annual inspections of the bridge structures and address any identified deficiencies in a timely manner.

APPENDIX B

REVIEW OF FBCL'S 2009-10 PERFORMANCE

(AS AT NOVEMBER 30, 2009)

Objectives	2009-10 Performance Targets	Year to Date Assessment
Ensure FBCL's bridge portfolio is safe, well-maintained and run efficiently.	<p>Each year ensure that the annual engineering inspection is completed, all critically identified deficiencies are addressed and FBCL receives inspection reports consistent with IBTA requirements.</p> <p>Implement and report on the 10-year \$212M maintenance program for the Champlain Bridge.</p>	<p>This target was met at all locations except Cornwall due to the CBSA/Mohawk dispute. FBCL satisfies IBTA requirements and provides reports to Transport Canada.</p> <p>The full 2009-10 maintenance program for the Champlain Bridge will be successfully implemented.</p>
Minimize life-cycle costs through maintenance works that respect the environment.	Verify that maintenance works follow all environmental regulations and policies.	All maintenance works were completed in accordance with environmental regulations and policies.
Manage major bridge projects successfully	Major bridge construction well designed, well built, on time and within budget.	<p>For the Honoré Mercier Bridge, the target was met with the tendering of Contract B and the prequalification of proponents.</p> <p>The designs for the new North Channel Bridge and Brookdale Ave. in Cornwall are nearing completion. Further progress is on hold pending resolution of the current Mohawk/CBSA dispute,</p> <p>The project to construct new CBSA facilities in Sault Ste. Marie was started with selection of a lead consultant for full design services. Properties have been acquired on Queen Street. Demolition will start later in 2009-10.</p>
Achieve financial viability sufficient to maintain safe and efficient bridge structures.	<p>Review and confirm a 10-year expenditure plan for each bridge during 2009-10.</p> <p>Obtain approval of appropriate reference levels for JCCBI and develop a funding plan to implement 10-year capital and maintenance programs for all FBCL bridges.</p> <p>Achieve self-sufficiency at international crossings through collection of tolls.</p>	<p>A 10-year expenditure plan has been established for each bridge.</p> <p>An analysis was completed of JCCBI's requirements and priorities for the next 10 years. A request was made to government for approval of appropriate funding for JCCBI.</p> <p>This target was met at the Thousand Islands and Sault Ste. Marie crossings. The Cornwall crossing requires federal funding because of lost toll revenue during the bridge closure in summer 2009 and the additional costs of establishing operations in Cornwall.</p>

<p>Ensure FBCL Board functions according to best governance practices</p>	<p>Present a proposal to improve governance. Clarify roles and responsibilities; establish reporting requirements. Complete 1/3 of other actions to improve governance</p>	<p>A proposal to simplify FBCL's complex organizational structure was presented to government for consideration. Information needs of the FBCL Board were drafted. By-laws were amended to clarify roles & responsibilities for the Chair, Directors and management.</p>
<p>Effective communications to keep Parliament well informed</p>	<p>Ensure the Minister is informed in a timely manner of all important</p>	<p>An excellent proactive reporting relationship has been established</p>

APPENDIX C - LIST OF ABBREVIATIONS

FBCL	FEDERAL BRIDGE CORPORATION LIMITED
CBSA	CANADA BORDER SERVICES AGENCY
CBCA	CANADA BUSINESS CORPORATIONS ACT
SLSA	THE ST. LAWRENCE SEAWAY AUTHORITY
JCCBI	THE JACQUES CARTIER AND CHAMPLAIN BRIDGES CORPORATION, LTD.
SIBC	SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.
TIBA	THOUSAND ISLANDS BRIDGE AUTHORITY
SMRBC	THE ST. MARY'S RIVER BRIDGE COMPANY
IBA	INTERNATIONAL BRIDGE ADMINISTRATION
SSMBA	SAULT STE. MARIE BRIDGE AUTHORITY
MDOT	MICHIGAN DEPARTMENT OF TRANSPORTATION
CEO	CHIEF EXECUTIVE OFFICER
FAA	FINANCIAL ADMINISTRATION ACT
OAG	OFFICE OF THE AUDITOR GENERAL
MCA	MOHAWK COUNCIL OF AKWESASNE
MCK	MOHAWK COUNCIL OF KAHNAWAKE
MBC	MOHAWK BRIDGE CONSORTIUM
IBTA	INTERNATIONAL BRIDGES AND TUNNELS ACT
FCSAP	FEDERAL CONTAMINATED SITES ACTION PLAN
MTQ	QUEBEC MINISTRY OF TRANSPORTATION
TC	TRANSPORT CANADA
