Federal Bridge Corporation Limited

Presented to the Board of Directors

19 September 2008

Special Examination Report

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Ce document est également publié en français.

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The Federal Bridge Corporation Limited
Special Examination Report—2008

Main points

What we examined

Federal Bridge Corporation Limited (FBCL or the Corporation) is a Crown corporation responsible for three important bridges and other infrastructure in the Montréal area. It is also responsible for three international bridges in Ontario. These assets are operated by its three subsidiary corporations: Jacques Cartier and Champlain Bridges Incorporated, in Montréal; Seaway International Bridge Corporation, Ltd. in Cornwall; and St. Mary's River Bridge Company in Sault Ste. Marie, and by two US bridge operators.

Federal Bridge Corporation Limited is responsible for ensuring that the bridges and structures in its care and control are safe and efficient for users. FBCL and its subsidiaries employ more than 150 people. The Corporation reports to Parliament through the Minister of Transport, Infrastructure and Communities.

We examined whether Federal Bridge Corporation Limited and its subsidiaries have systems and practices in place to provide the Corporation with reasonable assurance that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively. Our detailed examination work in both the parent corporation and the subsidiaries focused on the areas of corporate governance, bridge management, corporate risk management, strategic planning, performance measurement and reporting, consultations with First Nations, contracting, and environmental management.

Why it's important

Federal Bridge Corporation Limited and its subsidiaries own and manage some of the most important and strategic fixed-link crossings in Canada. Each year, about 134 million vehicles and about $67 billion worth of merchandise cross its bridges, making them among the busiest in North America. These structures play a vital role in connecting Canada's transportation and economic network with the world.

Recent tragic events in North America involving aging bridge structures have focused public attention on bridge safety. Federal Bridge Corporation Limited and its subsidiaries face the significant challenges of strains on its own aging structures, the introduction of new safety and security requirements for bridges and international crossings, and the impact of declining commercial traffic volumes on bridge revenues.

What we found

We identified two significant deficiencies in the systems and practices we examined.

- **Unresolved funding requirements and a threat to financial sustainability.** We found a significant deficiency in the Corporation's ability to maintain and repair existing bridges and facilities, given the status of current funding. Significant capital investments are needed at several bridges in the Montréal area and at international bridges. FBCL estimates costs to maintain and repair existing bridges and facilities at $615 million over the next five years. FBCL estimates that it will lack about $371 million in revenues to cover these costs and other operating expenses over the next five years. Because FBCL and its subsidiaries do not have borrowing authority, federal funding will be needed for the repairs. If the repair programs do not proceed in a timely manner, the ability to safeguard the bridges and maintain current levels of service could be compromised and could increase the safety risk. At the same time, the Corporation foresees a threat to its financial sustainability as a result of decreased truck traffic and toll revenues at the international bridges. FBCL needs to work with the government to resolve these funding requirements and find additional revenue sources in order to remain financially self-sustaining in the long term.

- **Insufficient oversight by the parent Board**. We found a significant deficiency in the area of corporate governance, in that the parent corporation's Board has not exercised its oversight role with respect to the affairs of FBCL and its subsidiaries. The Board of FBCL has not obtained from management of both the parent and the subsidiaries all the information it needs on a timely and regular basis to carry out effective oversight. The small size of the parent corporation's Board—only four members—makes it difficult to have the appropriate mix of skills and experience needed to properly oversee the wide-ranging affairs of FBCL and its subsidiaries. In addition, FBCL was without a permanent chief executive officer for more than a year.

In other systems and practices we examined, we found no significant deficiencies but noted another area that needs improvement.

- While key elements of a bridge management system are in place, and inspection practices are industry-accepted, Federal Bridge Corporation Limited needs to develop a corporate-wide long-term maintenance plan for dealing proactively with the aging of bridges and other facilities across the Corporation. It also needs to take a broader approach to risk management that considers all significant risks to all the structures operated by its subsidiaries and bridge operators.

Federal Bridge Corporation Limited and its Board have responded. The Corporation and the Board agree with our recommendations. Their responses follow each recommendation in the report.

Special Examination Opinion

To the Board of Directors of Federal Bridge Corporation Limited

1. Under section 131 of the *Financial Administration Act* (FAA), Federal Bridge Corporation Limited (FBCL or the Corporation), along with its wholly owned subsidiaries, is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.

2. Section 138 of the FAA also requires Federal Bridge Corporation Limited and its wholly owned subsidiaries to have a special examination of these systems and practices carried out at least once every five years.

3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from July to December 2007—there were no significant deficiencies in the systems and practices we examined.

4. We based our examination plan on a survey and a risk analysis of the systems and practices of the Corporation and its subsidiaries. On 27 November 2007, we submitted the plan to the Audit Committee of the Board of Directors of the Corporation. The plan identified the systems and practices that we considered essential to providing Federal Bridge Corporation Limited and its wholly owned subsidiaries with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. Those are the systems and practices that we selected for examination.

5. The plan included the criteria that we selected specifically for this examination in consultation with the Corporation. The criteria were based on our experience with performance auditing and our knowledge of the subject matter. Our choice of criteria was also based on guidance provided by the Canadian Institute of Chartered Accountants (the criteria and the systems and practices we examined are listed in **About the Special Examination** at the end of this report).

6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we relied on the 2007 internal audit of the contracting practices at Jacques Cartier and Champlain Bridges Incorporated (JCCBI).

7. We identified two significant deficiencies in the systems and practices we examined:

- **Unresolved funding requirements and a threat to financial sustainability.** We found a significant deficiency in the Corporation's ability to maintain and repair existing bridges and facilities, given the status of current funding. Significant capital investments are needed at several bridges in the Montréal area and at international bridges. FBCL estimates costs to maintain and repair existing bridges and facilities at $615 million over the next five years. FBCL estimates that it will lack about $371 million in revenues to cover these costs and other operating expenses over the next five years. Because FBCL and its subsidiaries do not have borrowing authority, federal funding will be needed for the repairs. If the repair programs do not proceed in a timely manner, the ability to safeguard the bridges and maintain current levels of service could be compromised and could increase the safety risk. At the same time, the Corporation foresees a threat to its financial sustainability as a result of decreased truck traffic and toll revenues at the international bridges. FBCL needs to work with the government to resolve these funding requirements and find additional revenue sources in order to remain financially self-sustaining in the long term.

- **Insufficient oversight by the parent Board**. We found a significant deficiency in the area of corporate governance, in that the parent corporation's Board has not exercised its oversight role with respect to the affairs of FBCL and its subsidiaries. The Board of FBCL has not obtained from management of both the parent and the subsidiaries all the information it needs on a timely and regular basis to carry out effective oversight. The small size of the parent corporation's Board—only four members—makes it difficult to have the appropriate mix of skills and experience needed to properly oversee the wide-ranging affairs of FBCL and its subsidiaries. In addition, FBCL was without a permanent chief executive officer for more than a year

8. In our opinion, except for the significant deficiencies described in the preceding paragraphs, there is reasonable assurance that there were no other significant deficiencies in the systems and practices we examined with respect to the criteria established for the examination.

9. The rest of this report provides an overview of Federal Bridge Corporation Limited and its subsidiaries and more detailed information on our examination observations and recommendations.

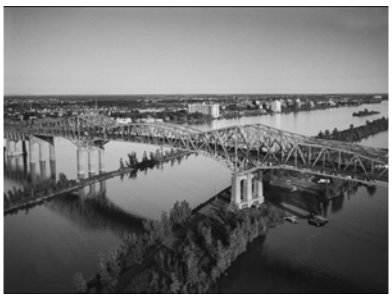
Mark G. Watters, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
25 April 2008

Overview of Federal Bridge Corporation Limited

Background

10. Federal Bridge Corporation Limited (FBCL or the Corporation) was established in 1998 as a parent corporation under the *Canada Business Corporations Act*. It is listed as a Schedule III Part I Crown corporation under the *Financial Administration Act* (FAA).



Champlain Bridge located in Montréal

Source: Jacques Cartier Champlain Bridge Inc

Seaway International Bridge located in Cornwall

Source: Seaway International Bridge Corporation

11. FBCL was given responsibility for overseeing three subsidiaries. The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and the Seaway International Bridge Corporation, Ltd. were transferred to FBCL in 1998 in place of its predecessor, the St. Lawrence Seaway Authority, and the St. Mary's River Bridge Company was added to the portfolio in 2000.

12. FBCL and its subsidiaries oversee the management, maintenance, and repair of the Seaway International Bridge in Cornwall; six bridges, highway roads and overpasses, and a tunnel in the Greater Montréal area; and the Thousand Islands International Bridge. In 2000, FBCL also received responsibility for the Canadian portion of the Sault Ste. Marie International Bridge. These structures and bridges play an important role in connecting transportation and economic networks. Every year, about 134 million vehicles and about $67 billion worth of merchandise cross the bridges, making them among the busiest in Canada.

13. FBCL and its subsidiaries have about 150 employees. While the subsidiaries are separate legal entities, with each having its own management and Board of Directors, FBCL provides guidance and direction to them. The subsidiaries or international bridge operators directly manage and operate the structures (Exhibit 1).

14. **Mandate.** FBCL's mandate is not defined in a separate Act of Parliament. According to its articles of incorporation, its mandate is "to provide the Government of Canada with oversight and accountability for bridges under its control and to oversee and provide strategic direction to the asset operators under its jurisdiction."

15. **Mission.** FBCL's mission is to "provide the Government of Canada with the highest level of custodianship of the bridges under its care and control and to ensure that these structures are safe and efficient for users" (*2006–07 Annual Report*).

Exhibit 1 Status and responsibilities of Federal Bridge Corporation Limited and its subsidiaries

Structures	Responsible corporations/ Enabling legislations	Status	Bridge operators
Greater Montréal area • Jacques Cartier Bridge • Champlain Bridge • Champlain Bridge Ice Control Structure (Estacade) • Federal portion of the Honoré Mercier Bridge • Federal portion of the Bonaventure Expressway • Melocheville Tunnel • Clément Bridge	The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) *Canada Business Corporations Act* (CBCA)	Wholly owned subsidiary (100% of shares owned by FBCL)	JCCBI
Cornwall Seaway International Bridge	Seaway International Bridge Corporation, Ltd. (SIBC) *Canada Business Corporations Act* (CBCA)	Wholly owned subsidiary (100% of shares of SIBC are owned by FBCL)	SIBC (on behalf of FBCL and US owner)
Sault Ste. Marie Sault Ste. Marie International Bridge	St. Mary's River Bridge Company (SMRBC) (Act of Parliament)	Partly owned subsidiary (90.67% of shares of SMRBC are owned by FBCL Remaining shares belong to directors and City of Sault Ste. Marie)	International Bridge Administration (an administrative entity under the Michigan Department of Transportation) under an operating agreement with St. Mary's River Bridge Company
Thousand Islands Thousand Islands International Bridge	The Thousand Islands Bridge Authority (incorporated in New York State) under an operating agreement with FBCL	Not a subsidiary FBCL oversees the administration of the Canadian portion of the bridge, based on a mandate given by the Government of Canada	The Thousand Islands Bridge Authority (US Corporation)

Source: 2006–07 Annual Report of Federal Bridge Corporation Limited

Key challenges

16. After the retirement of FBCL's former Chair and Chief Executive Officer (CEO) in early 2007, the two positions were separated in accordance with the *Federal Accountability Act*. In August 2007, a Chair was appointed. After the position had been vacant for more than a year, a CEO was appointed in March 2008. Transport Canada started the latest review of the Corporation's governance in spring 2007; the report is not completed yet. FBCL recognizes that the leadership change will allow for better oversight by ensuring that its Board of Directors is independent of management.

17. Recent tragic events that involved aging bridge structures in North America have focused attention on bridge safety. Since these events, there has been greater scrutiny by regulators and stricter safety requirements. At the same time, increasing traffic on JCCBI's bridges in Montréal and emerging issues have put strains on the structures' capacity.

18. In 2007, the *International Bridges and Tunnels Act* came into effect. The Act gives oversight responsibility to the federal government for the maintenance, repair, and operation of international bridges and tunnels, and approvals for their construction, alteration, and acquisition. Transport Canada has drafted regulations for the maintenance, repair, and operation of international bridges and tunnels, including a consistent approach for reporting on these aspects of the structures. It expects the regulations to become effective in 2008.

19. In addition to Transport Canada, FBCL and its subsidiaries also deal with other key stakeholders at municipal, provincial, federal, and international levels of government. These include First Nations groups, international bridge operators, and various federal and provincial government departments and municipalities.

Financial results and trends

20. The 2006–07 revenues of FBCL and its subsidiaries came mostly from tolls collected by the subsidiaries ($8 million) and parliamentary appropriations for maintenance, repair, and operation of Jacques Cartier and Champlain Bridges Incorporated ($33 million). Domestic bridges are financed through federal parliamentary appropriations, while toll revenues finance the ongoing maintenance and operation of international bridges. Major rehabilitation and construction projects are normally financed through parliamentary appropriations ($27.2 million in 2006–07).

21. Major projects that are scheduled to begin soon include the rehabilitation of the Honoré Mercier Bridge in Montréal and the construction of a new bridge in Cornwall. The total cost for these projects for the next five-year period is estimated at more than $200 million. Other major projects are also expected in Montréal and at the international bridges in the next five years (total estimated capital and repair costs at $615 million for 2009–13).

22. Commercial traffic at the international crossings has fallen in recent years and is expected to decline further due to a slowdown in the economy. Toll revenues can be maintained with rate increases, but the projected traffic may not be sufficient to ensure that FBCL and its international bridges remain financially self-sufficient in the medium to long term.

Focus of the special examination

23. We examined the systems and practices of FBCL and its subsidiaries in the following areas:

- corporate governance,
- bridge management,
- corporate risk management,
- strategic planning and performance measurement and reporting,
- consultations with First Nations,
- contracting, and
- environmental management.

Our objective was to determine whether those systems and practices provide the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. Our objective was not to audit the safety of bridges but rather to determine whether the Corporation and its wholly owned subsidiaries had reasonable assurance that their bridges were safe.

24. More details on the audit objectives, scope, criteria, and approach are in **About the Special Examination** at the end of this report.

Observations and Recommendations

Funding and financial sustainability

Unresolved funding requirements and a threat to financial sustainability

25. We expected the Federal Bridge Corporation Limited (FBCL or the Corporation) to follow-up on bridge deficiencies in a cost-effective and timely manner and to have a plan to address the sustainability of international bridges. We found a significant deficiency in the ability of

FBCL to maintain and repair existing bridges and facilities, given the status of current funding. Significant capital investments are needed at several bridges in the Montréal area and at international bridges. FBCL estimates that it will lack about $371 million in revenues to cover these costs and other operating expenses over the next five years.

26. In addition, the Corporation foresees a threat to its financial sustainability as a result of decreased truck traffic and toll revenues at the international bridges. It is clear that anticipated toll revenues and current levels of appropriations will not cover all estimated expenses and capital investments required to maintain its bridges (Exhibit 2). FBCL needs to find additional revenues to achieve overall sustainability in the long term.

Exhibit 2 Revenues will not cover all estimated expenses and capital investments needed to maintain and repair bridges and facilities

Corporation's estimated shortfall (federal portion)	2009–13 ($ million)		2009–13 ($ million)
	Montréal Area	International bridges	Total
Estimated revenues			
Operating	4	46	50
Financing from Federal Bridges Corporation Limited	12	–	12
Appropriations	160	74	234
Total estimated revenues	**176**	**120**	**296**
Estimated expenses			
Capital and repair	468	147	615
Other operating expenses	40	12	52
Total estimated expenses	**508**	**159**	**667**
Net estimated shortfall	**(332)**	**(39)**	**(371)**

Source: Internal financial reports of Federal Bridge Corporation Limited

27. FBCL estimates that rehabilitation, repair, or replacement costs for bridges and facilities will total $615 million over the next five years. These costs are presented as estimated capital costs and repair expenses in Exhibit 3. The corporation anticipates increases to current federal funding through appropriations for that work.

Exhibit 3 Capital costs and repair expenses are estimated to be $615 million

Bridges and facilities	Estimated capital costs and repair expenses (federal portion) 2009–13 ($ million)
Montréal area	
Champlain—major maintenance	119
Mercier	126
Nun's Island—Highway 15 Clement Bridge	106
Other capital costs and repair expenses	117
International bridges	
Cornwall	88
Sault Ste. Marie	53
Other	6
Total	**615**

Source: Internal financial reports of Federal Bridge Corporation Limited

Aging infrastructure of the Champlain Bridge needs repairs

28. Since our 2003 special examination, Jacques Cartier and Champlain Bridges Incorporated (JCCBI) identified several emerging issues with some of the key components of the Champlain Bridge, one of its major assets. The bridge is 47 years old and reaching the end of its estimated useful life. JCCBI has identified several priority repairs needed to ensure the bridge's safety and maintain current levels of service. These repairs are significant and will require major investments. If the repair program does not proceed in a timely manner, the ability to safeguard the bridge and maintain current level of services could be compromised and could increase the safety risk. The following paragraphs describe some of the needed repairs.

29. In 2006, while studying the capacity of the Champlain Bridge exterior concrete girders (a key component of the bridge), JCCBI found a potential risk of an over stress in shear in the girders. The impact of over stress in shear could put undue strain on the exterior girders and most likely reduce the load-carrying capacity of the bridge.

30. In 2007, JCCBI found corrosion inside a principal concrete girder of the bridge, in an area not known to be subject to corrosion. Corrosion in that area has the potential impact of further reducing the bridge's load-carrying capacity. JCCBI repaired the principal girder. However, given the limitations of current methods to investigate the interior condition of concrete structures, it is unable to fully assess the condition of 99 other similar girders. According to JCCBI, evaluating the actual damage to the other girders would involve destructive testing methods and would require an investment of several million dollars and several months. JCCBI has therefore opted instead to structurally reinforce all the exterior girders to help ensure that minimum load-carrying standards are met.

31. In 2008, JCCBI's analysis of the load-carrying capacity found new issues in 7 of the 50 header beams (pier caps). The analysis revealed that 7 pier caps were not constructed according to the original design and require strengthening.

32. In response to these issues, JCCBI updated its long-term maintenance plan to include reinforcement to the exterior girders to address the potential risk of over stress in shear, and acceleration of reinforcements to the other girders to address the corrosion issue. It is also considering solutions to address the recent issues in the bridge's header beams. Significant work on other key components of the bridge, such as the piers, joints, and header beams, had already been included in the plan. The plan had also considered the future performance of key bridge components to maintain the current level of service over the useful life of the Champlain Bridge.

33. In updating its long-term maintenance plan, JCCBI estimates that more than $119 million will be needed over the next five years and another $73 million in the following five years to repair the Champlain Bridge—for a total of $192 million over a 10-year period. JCCBI's financial capacity to address issues at the Champlain Bridge while maintaining the same level of service depends on having the necessary funding. However, it currently lacks the total estimated $192 million it would cost to do the work, and FBCL has yet to formally request it.

34. Although JCCBI's inspection practices are accepted by industry and comparable with those of other bridge operators, they are not sufficient to predict exactly when deterioration due to aging will become a risk to the safety of the Champlain Bridge. A recent study of risks at the Champlain Bridge highlighted some of these issues. In our view, such risks are serious and JCCBI needs to continue addressing them on a priority basis.

35. The emerging issues and associated risks at the Champlain Bridge have raised serious concerns about the long-term cost effectiveness of maintaining the bridge. In 2006, JCCBI analyzed the life cycle costs to repair and maintain the Champlain Bridge until the end of its useful life. It plans additional studies in the upcoming year to update the 2006 cost estimates. JCCBI needs to fully examine whether it would be less costly to replace the bridge than to continue to repair it in the long term and FBCL needs to make a recommendation to Transport Canada for any additional funding required.

Issues identified by inspections at other bridges have not all been resolved

36. **Mercier Bridge.** A 2004 detailed inspection of the Mercier Bridge identified serious issues in some critical bridge components. While the bridge is one of Montréal's busiest bridges and there are few opportunities for redirecting traffic, JCCBI concluded that a major rehabilitation scheduled for 2012 could no longer wait. After considering various rehabilitation options, it concluded with the help of qualified engineering consultants that it was more economical and practical to replace key components that were deficient, including the deck, than to construct a new bridge. JCCBI has recently awarded a contract to start rehabilitation work at the Mercier Bridge.

37. The Mercier Bridge rehabilitation costs are estimated at $126 million over the next five years ($148 million in total). This estimate is $63 million more than the original estimate of $85 million. JCCBI attributes the cost increases mainly to the preliminary nature of the design, unforeseen complexities, changes in construction requirements, and underestimation of construction costs. JCCBI has realized that higher-than-expected costs will require about $63 million more in funding for the Mercier Bridge project than the amount approved in 2006. Current approved funding is sufficient to cover only part of the Mercier Bridge rehabilitation costs and JCCBI is seeking additional funding from the federal government to cover the remaining estimated costs.

38. **Nun's Island Bridge, Highway 15 and Clement Bridge.** In 2006, a qualified engineering firm hired by JCCBI found that the Clement Bridge's load-carrying capacity did not meet the minimum load standards set by the current Canadian Highway Bridge Design Code. JCCBI immediately restricted truck traffic on the bridge and started an emergency rehabilitation of the Clément Bridge, which it expects to complete in the fall of 2008. It estimates $6 million will be needed to bring the Clement Bridge to standard. In addition, JCCBI estimated the costs of projects for the rehabilitation of Nun's Island Bridge and Highway 15 to be about $100 million.

39. **Overpasses.** JCCBI also manages 20 overpasses (as well as six other minor structures), most of them on the Bonaventure Expressway and Autoroute 15–North Approach, linking downtown Montréal with the Metropolitan Highway System (provincial routes 15 and 20). In December 2007, after the Johnson Inquiry report on the failed de la Concorde boulevard overpass issued recommendations for bridge design and maintenance programs, JCCBI indicated that two of its structures had similar features and could pose certain risks, even without visible evidence of serious issues. JCCBI and a consultant engineering firm will perform a specialized inspection to further assess the condition of the structures and any need for repair or rehabilitation. JCCBI also needs to recalculate the load-carrying capacity of each structure according to the 2006 Canadian Highway Bridge Design Code. The results of this special inspection are expected to be known before the end of 2008.

40. **International bridges.** International bridges handle much lower traffic volumes and have suffered much less deterioration than the Montréal-area structures; their operators use less salt or use sand in maintenance programs. Except for the North Channel Bridge in Cornwall, according to recent inspections the bridges are in good condition and do not appear to require significant rehabilitation in the next five years.

41. In the case of the North Channel Bridge, the deck—a key component of the Bridge—has deteriorated significantly. Recent inspections showed that the bridge would require major rehabilitation including repair work to the deck and the steel structure by 2010. After conducting a cost-benefit analysis, FBCL concluded that it would be more economical to construct a new low-level bridge than to maintain the existing one. FBCL estimates the overall costs at $76 million for the North Channel Bridge replacement project (out of the $88 million estimated capital and repair costs in Cornwall: see Exhibit 3). Meanwhile, the bridge operator is performing some maintenance activities to keep the bridge safe for users. According to FBCL and its subsidiary, the Seaway International Bridge Corporation, Ltd., the results of a detailed inspection in 2007 show that the bridge is still safe and more repairs are necessary to maintain the bridge until it is replaced or fully rehabilitated.

42. For other international bridges, the corporation is planning major investments to improve its level of service at its facilities in Sault Ste. Marie. Other major capital expenses also include improvements to international bridges facilities occupied by the Canada Border Services Agency for the examination of persons and goods entering Canada. Under the *Customs Act and other related legislation*, toll bridge operators are required to pay for upgrades to these facilities. FBCL estimates the costs of these services to be $53 million. Current levels of toll revenues at international bridges are not sufficient to finance these planned investments.

43. **Recommendation.** Federal Bridge Corporation Limited should work with Transport Canada to identify options to achieve the long-term financial sustainability of the parent corporation and its subsidiaries. Meanwhile, it should work with the government to ensure the safety of the users of its bridges by promptly resolving the need for funding to carry out the necessary repairs to these bridges. Jacques Cartier and Champlain Bridges Incorporated should fully examine whether, in the long term, it would be less costly to replace the Champlain Bridge than to repair it, and FBCL should make a recommendation to Transport Canada.

The Corporation's response. *FBCL agrees with this recommendation. It will continue discussions with Transport Canada and will provide options for the long-term financial sustainability of the parent corporation and the subsidiaries. It will also continue to impress upon Transport Canada the importance of resolving the funding issues for all of its bridges, including the Champlain Bridge.*

Corporate governance

The parent Board has not exercised its oversight role

44. The governance structure of Federal Bridge Corporation Limited (FBCL) and its subsidiaries is highly complex. FBCL—the parent corporation—has a Board of four directors, including the Chair and the Vice-Chair. The Board has five committees: an audit committee, a human resources committee, a nominating committee, a corporate governance committee, and a risk management committee—all drawn from the four-position Board. The three subsidiaries each have a board, with a total of twenty members appointed by FBCL, and about ten board committees. In addition, two other boards oversee international bridges.

45. Our examination focused on the governance structure and practices of FBCL, including the relationships established between the parent corporation and its subsidiaries. We expected FBCL to have in place an effective governance structure and best practices.

46. We found a significant deficiency in the area of corporate governance, in that the parent corporation's Board has not exercised its oversight role with respect to the affairs of FBCL and its subsidiaries. The Board of FBCL has not obtained from management of both the parent and the subsidiaries all the information it needs on a timely and regular basis to carry out effective oversight. The small size of the parent corporation's Board—only four members—makes it difficult to have the appropriate mix of skills and experience needed to properly oversee the wide-ranging affairs of FBCL and its subsidiaries. In addition, FBCL had been without a permanent chief executive officer for more than a year.

47. Expectations for roles, responsibilities, and accountabilities for the parent Board, senior management, and subsidiaries need to be fully set out and clarified. Since 2003, the parent Board interpreted its mandate and set out its duties. However, the duties are generic in nature and not specific to the affairs of FBCL and its subsidiaries. They do not clearly define how the Board, senior management, and subsidiaries will ensure that the mission of FBCL is fulfilled and mandate is achieved.

48. Until the positions were split in 2007, one person was carrying out the duties of Chair and CEO of the parent corporation and of a subsidiary (JCCBI). Now that the duties are performed by different people, the parent Board needs to review the responsibilities, accountabilities, and authority of senior management at the parent corporation as well as those of the subsidiaries and international operators. It also needs to determine what impact the split will have on relationships between the parent Board, senior management, and subsidiaries. The complexity of the governance structure will have an impact on the ability of FBCL to implement these changes successfully. Clarifying the roles and responsibilities may help the recently appointed CEO at the parent corporation to better communicate the Corporation's and its subsidiaries' challenges and opportunities to the government.

49. The parent Board last assessed its performance in 2006. The Board needs to implement a regular performance assessment process that follows best practices.

50. **Recommendation**. The Board of Federal Bridge Corporation Limited (FBCL) should update expectations for roles, responsibilities, and accountabilities for the parent Board, senior management, and subsidiaries, now that the roles of Chair and Chief Executive Officer of FBCL and JCCBI have been split.

The Board's response. *The parent Board agrees with this recommendation. It will clarify roles, responsibilities, and accountabilities of the Board and senior management at the parent corporation and will also clarify these for the subsidiaries. Now that a CEO has been appointed, the Board will be in a position to amend its letters of expectations to subsidiaries and indicate the significant role to be played by the CEO in ensuring that the subsidiaries assist in the accomplishment of the Corporation's mandate. The parent Board will regularly assess its performance. Also, since members of the subsidiary boards have now had an opportunity to work together with one of their own as Chair, they will be in a position to assess their performance as a board and indicate any areas of board duties that need to be re-assessed. The appointment process for subsidiary boards will be reviewed in accordance with governance best practices and by-laws will be amended.*

51. **Information submitted to the parent Board is not always timely and complete.** The parent Board has not defined what information it requires, on a regular and timely basis, from senior management and its subsidiaries to fulfill its oversight role. We reviewed the information received by parent Board members before meetings. In several cases, we found that the information for decision making did not include an analysis of possible alternatives. At each meeting, the parent Board received a number of status reports from subsidiaries on issues concerning them, but we found that the reports were not always provided in a timely manner. We also found that presentations on emerging issues at some bridges often lacked key information that would help the parent Board determine whether the bridges still met the Bridge Design Code or that would explain the severity of the issues and their impact on bridge safety.

52. Furthermore, reports were not always risk-based and did not enable the parent Board to assess how FBCL and its subsidiaries managed risks. The Board did not regularly receive all pertinent information on the condition of bridges, on how inspections are conducted and against which standards, and on how repairs are prioritized. Nor did it receive financial information about some international bridges on a regular basis. We saw little evidence that the parent Board was informed about key inspection results.

53. Letters of expectations from the FBCL Board to the subsidiaries required the subsidiaries to provide relevant and timely information—for example, on rehabilitation projects. However, the parent Board has not fully defined how much information it needs, what type of information it needs, and when it needs the information. Nor has the Board assessed whether it receives adequate information to exercise its stewardship role.

54. Some Board members met individually with management of FBCL or the subsidiaries to obtain the missing information, particularly on bridge risks and emerging issues. However, it is not clear how the information is shared with other Board members and considered in decision making.

55. Members of the parent Board received little training and orientation. As part of the orientation process, the Board provides newly appointed members with documentation, such as the bylaws of FBCL. However, new members did not receive information on the governance structure of the subsidiaries or on the relationships between the parent Board and the boards of subsidiaries. Nor did all new members visit the bridges soon after appointment. The parent Board needs to have more complete and timely training and orientation to be better informed about the affairs of FBCL and its subsidiaries.

56. Minutes of meetings of the parent Board and its committees did not always provide sufficient details on the nature of the discussions, the options considered, and the analysis to support important decisions. Without an appropriate level of documentation for meetings of the parent Board and its committees, it is difficult for Board members to understand the context in which decisions were made.

57. **Recommendation.** In addition to obtaining the information requested in the letters of expectations to the subsidiaries, the Board of Federal Bridge Corporation Limited (FBCL) should define the information it needs on key activities and risks of FBCL and its subsidiaries and ensure that it obtains all pertinent information on a regular and timely basis to fulfill its oversight responsibilities.

The Board's response. *The FBCL Board agrees with this recommendation and will review the information requirements on key activities and risks specified in its annual letter of expectations to subsidiaries to ensure that the information is risk-based, comprehensive, and reported in a timely fashion.*

58. **Appointment process to boards of subsidiaries is not clear.** Skills needed are not always formally discussed with the subsidiaries' boards, and their members do not know who is responsible for making recommendations for appointments. The parent Board needs to clarify and take responsibility for appointments to boards of subsidiaries to ensure that open positions are filled with individuals who have the skills and experience needed by those boards to fulfill their stewardship responsibilities. Bylaws of the subsidiaries need to set an appropriate length of time for the terms of subsidiary board positions to ensure the continuity of expertise and rotation on the subsidiaries' boards.

59. **The profile of the parent Board is incomplete.** After our 2003 special examination of FBCL, the parent Board created a nominating committee, which in 2005 reviewed the Board's competency profile and members' skills and experience. The parent Board communicated the profile to the federal government. The profile identified some of the skills and experience required by the parent Board as a whole, such as financial expertise and general engineering experience. However, we found that the profile is incomplete; it lacks key skills and experience needed, such as those related to structural engineering, consultations with First Nations, or environmental management.

60. The parent Board still needs skills and experience in the wide-ranging affairs of FBCL and its subsidiaries to hold in-depth discussions and make informed decisions, and the profile of the parent Board needs to be updated. We recognize that the four-position Board may be too small to include all the key skills and experience needed to fulfill its stewardship responsibilities. The Board told us that it had retained the services of an experienced engineer to obtain advice; however, it has not sought outside help in the areas of consulting with First Nations and environmental management.

61. **Recommendation.** The Board of Federal Bridge Corporation Limited should update its competency profile, identify the skills and experience it lacks, and communicate its needs to the government. It should seek outside expertise and experience to complement that represented by its members.

The Board's response. *The FBCL Board agrees with this recommendation and will update its 2005 competency profile. When the Board informs the federal government of an upcoming vacancy on the Board, it will continue to identify missing skills and experience and communicate its needs, as it did most recently. The Board will also continue to seek outside expertise and skills and experience to complement the Board's skills. In the past, where there was no board member with engineering expertise, the Board retained the services of a highly experienced and well regarded engineer in order to obtain pertinent advice.*

62. **Separation of positions will strengthen the Board's independence.** The separation of the positions of Chair and CEO of

FBCL will most likely strengthen the parent Board's independence and oversight of FBCL and its subsidiaries. However, more changes are needed to ensure that members of the parent Board and subsidiary boards do not participate in day-to-day management decisions. At JCCBI, for example, there is some overlap between the activities of the Board's management committee and that of management:

- The same individual serves as part-time President, Chair of the Board, Vice-president of the audit committee, and a member of the management committee.
- The management committee is composed of three board members with responsibilities that include participating in day-to-day operations and planning and managing special rehabilitation projects.

63. Changes to the governance structure of FBCL together with clearer definition of roles and responsibilities are needed to ensure that board members and its committees are independent of senior management. The parent Board and subsidiary boards need to be able to oversee the corporations and challenge management's decisions to ensure the best outcomes for the corporations.

64. **Recommendation**. The Board of Federal Bridge Corporation Limited should review its governance structure and clarify the roles, responsibilities, and accountabilities of its members and committees to further strengthen the independence of the boards of FBCL and its subsidiaries.

The Board's response. *The FBCL Board agrees with the recommendation. The role of a board is clearly one of oversight and separate from day to day management. It will review its governance structure to further strengthen the Board's independence and that of its subsidiaries. The current conflict of interest code will be amended to include a statement that specifically addresses this issue. Any governance deficiencies will be corrected by the FBCL Board in amended letters of expectations to the subsidiaries.*

65. **Governance structure and mandate reviews.** Transport Canada indicated that neither FBCL's mandate nor its governance structure have been formally reviewed since FBCL was established in 1998. The mandate of a Crown corporation is normally reviewed from time to time to determine whether it is still relevant. Given the unresolved financial sustainability issue, the recent changes in FBCL's operating environment as a result of the *Federal Accountability Act*, the impact of the new *International Bridges and Tunnels Act*, and Transport Canada's review of the governance of FBCL (see paragraph 16), now would be an opportune time for the government to review the mandate of the parent corporation to assess whether FBCL continues to play a relevant role. Such a review normally goes well beyond the scope of the annual review of the corporate plan.

66. We would expect the review to assess the validity of FBCL's mandate, the continuing need for the parent corporation, and its performance record in meeting the needs implicit in the mandate cost effectively. In addition to clarifying the purpose of FBCL, a mandate review would help the Board in establishing the Corporation's strategic direction and developing its corporate plan.

67. **Recommendation.** The Board of Federal Bridge Corporation Limited should request that the government conduct a review to clarify the Corporation's mandate and assess its relevance; the review should include the governance structure of FBCL.

The Board's response. *The FBCL Board agrees with this recommendation and will request the government to conduct a review to clarify the Corporation's mandate and assess its relevance, including the governance structure.*

Bridge management

Key elements of bridge management are in place

68. We expected the Corporation to have a well-functioning bridge management system to keep all of its bridges safe for users. An effective bridge management system ensures that reliable data is collected on all key components of bridges, using acceptable inspection practices to predict their future condition, to plan for repairs needed to maintain and safeguard the assets over their remaining useful life, and to budget for carrying out these plans.

69. We found that the subsidiaries and bridge operators have implemented the key elements of a well-functioning bridge management system. They have a well-defined inventory of the bridges' key components, and they use inspections and studies to collect data on the condition of the components. We found that each bridge operator uses this information to prepare a long-term maintenance plan for its bridges, including budgets for expected maintenance costs and capital investments.

Regular inspection practices to collect data on bridges are accepted by industry

70. Although subsidiaries and bridge operators follow different inspection policies and procedures, overall we found that the subsidiaries and the bridge operators have implemented acceptable inspection practices to document and oversee the condition of key components of their bridges. These compare with the practices of other bridge operators.

71. **International bridges.** Operators of international bridges contract out inspections to qualified engineering firms. These inspections can be either detailed or more general. The scope and frequency are defined in advance. One bridge operator undertakes detailed inspection of the entire bridge over a four-year period while other operators perform detailed and general inspections in alternate years. The bridge operators also contract out specialized inspections. In addition, in-house employees regularly perform a visual examination of the bridge. Staff numbers are low, and only two subsidiaries have an in-house engineer to validate the results of inspections and assist with the visual examinations of the bridges. The parent corporation's staff engineers do not oversee all inspections. The bridge operators rely mostly on consultants to provide assurance that their bridges are safe. The information from inspections is used in planning priority repairs and preparing the long-term maintenance programs.

72. **Montréal bridges.** Inspections are contracted out to qualified engineering firms and conducted according to the inspection policy. JCCBI's major bridges must undergo a detailed inspection of the entire structure over a five-year period. Each year, the portion not covered by the **detailed inspection** undergoes a **general inspection**. The scope of inspections is well defined and tailored to a particular bridge. We found that the inspection requirements either meet or exceed industry standards and practices. Qualified engineering firms also conduct regular **specialized inspections** of bridges, such as ultrasound evaluations to monitor the condition of a bridge. We also found that these specialized inspections either meet or exceed industry standards. Qualified in-house engineers regularly perform a visual examination of the bridges between detailed inspections. The results from inspections are documented in JCCBI's database for future reference.

Detailed inspection—an in-depth close-up visual examination of the condition of selected components of a bridge above and below water.

General inspection—a visual examination of a bridge by a qualified engineering firm.

Specialized inspection—a detailed inspection of a specific key element of a bridge.

Safety information from inspections of provincially owned portions of the Mercier Bridge has not been requested in a timely manner

73. The subsidiaries and bridge operators normally keep an appropriate level of documentation on the results of bridge safety inspections. However, we found that JCCBI rarely asked for inspection results for the parts of the Mercier Bridge that it does not own.

74. The Ministère des Transports du Québec (MTQ) owns parts of the Mercier Bridge. An agreement between JCCBI and the MTQ defines responsibilities for maintaining all portions of the bridge. JCCBI has never requested the results of bridge inspections for MTQ portions of the bridge; nor does the agreement require the MTQ to provide inspection reports to JCCBI.

75. We understand that JCCBI had only asked recently for MTQ's detailed inspection reports on the Mercier Bridge when it was preparing tender documents for the rehabilitation contract. In our view, the 10-year delay in asking for this information is not acceptable. JCCBI needs documentation on all key components of the bridge to be able to reach a conclusion about the overall safety of the structure.

76. **Recommendation.** To regularly assess the overall condition of the Mercier Bridge, Jacques Cartier and Champlain Bridge Incorporated should request on a timely basis all safety information on bridge components owned by the Ministère des Transports du Québec.

The Corporation's response. *JCCBI agrees with this recommendation and will request on a timely basis all safety information on the Mercier Bridge components owned by the Ministère des Transports du Québec.*

The Corporation does not assess and report on the overall condition of the bridges

77. We expected that FBCL and its subsidiaries would assess and report on the overall condition of each of its bridges, as other bridge operators do. We found that instead, it rates key components of each bridge in accordance with inspection practices of Public Works and Government Services Canada but does not assess the condition of the entire structure overall. Using such information, the parent corporation could arrive at and report its conclusions about the overall safety of each bridge to the parent Board and Transport Canada. We noted in the draft regulations for the *International Bridges and Tunnels Act* that FBCL and its subsidiaries will be required to prepare and submit a report that includes a statement by a professional engineer as to the overall condition of the structure.

78. **Recommendation.** Federal Bridge Corporation Limited and its subsidiaries should assess the overall condition of their bridges. They should also report the conclusions about the safety of each bridge to the parent Board and Transport Canada.

The Corporation's response. *FBCL agrees with this recommendation and will review its reporting to both the Board and Transport Canada to ensure that all safety inspection reports assessing the overall condition for bridges under its mandate are provided on an annual basis and included in its corporate plan.*

The Corporation lacks corporate-wide policies and procedures for inspections

79. JCCBI reviewed its inspection program in fall 2007 and adopted an inspection policy in December of that year. The policy defines senior management responsibilities for inspections and sets out the information to be reported to JCCBI's board. The policy also specifies the scope and frequency of inspections for each bridge, and the level of documentation to be kept. The current condition of the key components of each bridge is also considered in establishing the scope and frequency of inspections. However, the impact of any important changes in the condition of bridge components needs to be reflected in the scope and frequency of inspections.

80. We noted that some policies and procedures for inspections differed at international bridges. We encourage the parent corporation to review the policies and procedures for inspection of its subsidiaries and bridge operators and develop a corporate-wide inspection policy and set of procedures applicable to all bridge operators to ensure consistency, compliance with minimum standards, and timely implementation of bridge inspectors' recommendations.

The recommended repairs are not prioritized at the corporate-wide level

81. Inspection reports prioritize recommended repairs on the basis of risk and the significance of issues identified during inspections. Bridge operators address most issues in the year following the inspection. However, outstanding issues are not prioritized at the corporate level to determine which repairs are most urgent. Detailed information on outstanding repairs and on the future performance of key components of bridges is needed from the subsidiaries in developing a corporate-wide long-term maintenance plan.

82. By December 2007, bridge operators had implemented most priority repairs recommended by detailed inspections. We found that JCCBI has a database to follow up on inspection recommendations and assigns recommendations to in-house engineers for action. However, we noted that in-house engineers do not always verify that repairs have been performed before the next annual inspection. Documentation of bridge repairs and oversight by a qualified in-house engineer are important to ensure timely and appropriate correction of issues. In addition, all data used to establish priority repairs and prepare the corporate-wide long-term maintenance plan needs to be validated by a qualified in-house engineer at the subsidiary or corporate level.

83. **Recommendation.** Federal Bridge Corporation Limited should prioritize the recommendations from inspections at the corporate-wide level, predict the future performance of key components of all bridges of FBCL and the subsidiaries in preparing its corporate-wide long-term plan, and allocate financial resources appropriately. In addition to ensuring that priority repairs have been performed before the next annual inspection, a qualified in-house engineer should provide oversight at the subsidiary or corporate level to ensure that results from predictions are appropriately addressed in the corporate-wide long-term maintenance plan.

The Corporation's response. *FBCL agrees with this recommendation. Priorities will be clearly established in the Corporation's long term plans and will guide the allocation of financial resources. An in-house qualified engineer will provide oversight to ensure priorities are appropriately addressed.*

The requirement related to seismic risk needs to be addressed

84. The 2006 Canadian Highway Bridge Design Code requires bridge owners to classify the importance of their structures in terms of capacity to provide service (life-line bridge, emergency route, or other service) after a seismic event. We would have expected all bridge operators to classify their bridges and evaluate whether they meet this Design Code requirement. Although FBCL and its subsidiaries had conducted various seismic studies before 2000, they have not yet met this new requirement. An evaluation could help the Corporation to better understand the limitations of the structures and improve performance if necessary.

85. **Recommendation.** Bridge operators should update their studies according to the 2006 Canadian Highway Bridge Design Code and take steps to meet the requirement related to seismic risk.

The Corporation's response. *FBCL agrees with this recommendation and will review changes to the Canadian Highway Bridge Design Code to evaluate whether its bridges meet the requirements and will apply a risk management approach to implementing corrective measures.*

Corporate-wide risk management

86. We expected FBCL to have identified all significant risks to which it is exposed, defined its tolerance for those risks, and assigned responsibilities for mitigating the risks. In our 2003 special examination report, we encouraged the Corporation to implement a corporate-wide risk management process. We found that since 2003 the Corporation has made progress in implementing such a process, but some key elements are missing.

The Corporation has not fully implemented a corporate-wide risk management process

87. FBCL developed a risk management policy that defines roles and responsibilities for managing corporate risks, and it identified its corporate risks. It also established a risk management committee to oversee the implementation of the policy and the development of risk profiles. The profiles identified 26 risks and related mitigation measures in areas such as governance, communications, and funding needs.

88. We reviewed the policy and found that it does not specify the Corporation's thresholds or levels of tolerance for the identified risks, for purposes of monitoring the effectiveness of mitigation measures. In addition, the policy does not specify the information to be reported to the risk management committee and to a subsidiary board or the parent Board.

89. We also reviewed the revised risk profiles and found that they were generic in nature and lacked the following elements:

- key risks in important areas, such as bridge safety, results of ratings of key bridge components, environmental management, and relationships with stakeholders;
- the events that could have a negative impact on the achievement of corporate objectives; and
- the potential severity of the impact and the likelihood of an event.

90. These factors are difficult to assess, but they are essential to know for determining the potential impact of a particular risk on the ability of FBCL to fulfill its mandate as well as the effectiveness of mitigation measures. In cases where the mitigation measures were identified in its profiles, we found that they had been successfully implemented.

91. Even though FBCL and its subsidiaries have implemented some elements of a risk management process, risks are still managed on an ad hoc basis. Risks are assessed and related mitigation measures are implemented at the project level. It is not clear how project risks are integrated into the corporate-wide risk management process and how they are reported to the risk management committee and to the boards to ensure appropriate oversight of the affairs of FBCL and its subsidiaries.

92. **Recommendation.** Federal Bridge Corporation Limited (FBCL) should complete the implementation of its organization-wide risk management process and request reports from management on how risks are managed to verify that mitigation measures have been implemented effectively. Risks should be reported promptly to the risk management committee and to the FBCL Board and the boards of the subsidiaries to ensure appropriate oversight of their affairs.

The Corporation's response. *FBCL agrees with this recommendation. It has already established a risk management committee and it will review its risk management reporting process to this committee and to the Board to ensure that both are provided with the necessary information to allow them to perform appropriate oversight.*

Strategic planning and performance reporting

93. Strategic planning guides what an organization is, what it does, and why it does it, with a focus on the future. FBCL held its annual planning session in September 2007 to identify new key issues and develop strategic directions for dealing with them. The five-year corporate plan, as required by the Financial Administration Act, is the ultimate result of the strategic planning process.

The corporate plan and performance reporting are missing key elements

94. **Corporate plan.** We expected FBCL's corporate plan to include meaningful corporate objectives for all important activities, and strategies for addressing risks and emerging issues. We also expected forecast outcomes to be based on sound assumptions and the Corporation to have appropriate long-term plans for bridge management. We found that the Corporation's long-term maintenance plans are in place, but its corporate plan is missing key elements.

95. We reviewed the Corporation's most recent corporate plan and found that it includes mandate and mission statements. The corporate plan also includes the key elements of the long-term capital plans of most subsidiaries. However, we found that the corporate plan needs more complete information in areas, such as the following:

- key risks and emerging issues, as well as related strategies and costs of implementing them;
- the overall condition of the Corporation' bridges and whether the bridges are safe for users;
- stakeholders' concerns;
- the decline of traffic volumes and the rapid deterioration of aging bridge structures, and the resulting impact on the financial sustainability of FBCL and its subsidiaries; and

- challenges and objectives for the St. Mary's River Bridge Company.

96. **Performance measurement and reporting.** We expected FBCL to measure its performance against corporate objectives and to report on the findings in its annual report. We concluded that FBCL met our expectations but found some areas that could be improved.

97. The annual report presents conclusions on the achievement of corporate objectives and performance indicators noted in the corporate plan. However, we found that the annual report provided little information on

- the overall condition of the Corporation's bridges and whether the bridges are safe for users,
- stakeholders' interests and how they were accommodated, and
- the financial sustainability of FBCL and its subsidiaries.

98. Without complete performance information on all important activities, it is difficult to determine the extent to which FBCL has fulfilled its statutory control objectives.

99. **Recommendation**. Federal Bridges Corporation Limited should ensure that the corporate plan and annual report provide more complete information on the overall condition of its bridges, key risks, and emerging issues, as well as related strategies and the costs of implementing them to better inform the Treasury Board and Transport Canada.

The Corporation's response. *FBCL agrees with this recommendation and will ensure that its corporate plan and annual report provides more complete information on its bridges to the Treasury Board and Transport Canada.*

Consultations with First Nations

100. Recent Supreme Court decisions found that governments have a legal duty to consult with Aboriginal peoples about activities affecting them and, where appropriate, to make reasonable accommodation of their interests. We looked at how this requirement affected the Corporation's major construction projects now under way. We found that it has good consultation practices but has not developed formal corporate-wide consultation principles.

101. **Mercier Bridge.** The Mercier Bridge project involves replacing the deck and rehabilitating other sections of the bridge located on the Kahnawake Mohawk reserve. It is a very large bridge rehabilitation project and adding to its complexity are the shared federal-provincial ownership and the crossing of the bridge onto the reserve. Under an agreement with the Ministère des Transports du Québec (MTQ), JCCBI manages both federal and provincial rehabilitation work as well as consultations with First Nations.

102. **Seaway International Bridge.** The project at Cornwall involves demolishing the North Channel Bridge, building a new low-level bridge, and improving the bridge facilities occupied by the Canada Border Services Agency (CBSA) and the Seaway International Bridge Corporation, both of which are located on a corridor passing through land within the Akwesasne Mohawk reserve. As the bridge owner, FBCL manages the project and handles the consultations with First Nations.

103. For the Cornwall project, an environmental assessment of bridge replacement options was initiated in 2001 under the *Canadian Environmental Assessment Act,* and results were endorsed by the Mohawk Council of Akwesasne. The process included a review of First Nations' rights and concerns, and determined that further consultations with First Nations were required. Since FBCL must provide adequate facilities to CBSA under the *Customs Act* and other related legislation, the project was expanded to include improvements to facilities occupied by CBSA. Project approval has been obtained for the entire project, but construction work has not started yet.

The Corporation has good consultation practices but no formal consultation principles

104. While there is no specific federal government policy on consultations, Indian and Northern Affairs Canada (INAC) has recently issued approved interim guidelines which lay out the federal approach for federal officials to fulfill the legal duty to consult with Aboriginal communities and accommodate them as necessary in light of Supreme Court decisions.

105. We found that FBCL and JCCBI have developed ad hoc negotiation strategies, but there are no formal corporate-wide consultation principles on how to manage work affecting First Nations' interests. FBCL and JCCBI have mitigated some of the risks involved by including key federal departments, such as INAC, in the consultation and accommodation processes. We found that despite the lack of formal corporate-wide consultation principles, the consultation practices on the two projects were good, if ad hoc.

106. JCCBI conducted consultations on the Mercier Bridge project from 2004 to 2007 on an ad hoc basis, relying on the expertise of individual members of its management. JCCBI presented bridge design options and project risks to the Mohawk Council of Kahnawake (the Council). The consultations allowed JCCBI to identify a number of concerns, which it analyzed case by case. It did not document the results of analyses or the way it accommodated each concern. The Council signed a tripartite agreement with JCCBI and the Ministère des Transports du Québec in support of the project; this indicates that most First Nations' interests were accommodated. In addition, the Council has recently expressed in writing its satisfaction with JCCBI's consultation efforts.

107. For the Cornwall project, consultations with the Mohawk Council of Akwesasne initially conducted by Transport Canada identified concerns about the Seaway International Bridge Corporation, Ltd.'s toll policy, access to Cornwall Island, and the size and location of the facilities occupied by the Canada Border Services Agency. The consultations did not result in an agreement. After 2006, FBCL took over the consultations, using practices similar to those used for the Mercier Bridge rehabilitation project. Concerns were analyzed case by case, again with no formal documentation of the discussions and accommodation options considered. The negotiations are still under way.

108. Since such consultations are inherently sensitive, formal principles for the consultations conducted by FBCL and its subsidiaries would help in consultation with First Nations. FBCL need to ensure that the principles are aligned with federal government practices and consistent across FBCL and its subsidiaries. The principles would also need to specify how FBCL and its subsidiaries can consult and accommodate on behalf of other departments and agencies including CBSA for the rehabilitations of the facilities they occupy in Cornwall. Documenting analyses of concerns, options considered, and the rationale for the options chosen would provide guidance for consultations on future projects.

109. **Recommendation.** To ensure that its consultations are aligned with federal government practices and are consistent across FBCL and its subsidiaries, Federal Bridge Corporation Limited should develop formal corporate-wide principles for consultations with First Nations that would guide consultation planning for any project that could affect First Nations' interests.

The Corporation's response. *FBCL agrees with this recommendation. It will develop a consultation policy that will establish corporate-wide principles* *and guide consultation planning for its projects affecting First Nations interests, in line with federal government practices.*

First Nations interests were accommodated in making tendering arrangements

110. As noted in the Contracting section of this report, we found that JCCBI has an appropriate process for tendering and awarding contracts. In the contract for the Mercier Bridge project, its tendering arrangements were approved by the Treasury Board and varied from its standard approach (we did not examine contracting arrangements for the Cornwall project because they had not been finalized).

111. JCCBI determined that dividing the Mercier Bridge project into two contracts would enable the project to benefit from First Nations experience in bridge work and would also provide benefits to Kahnawake. Contract A would consist of steel work on three bridge approaches and the installation of prefabricated deck panels, and it would be tendered and awarded on a sole-sourced basis to a consortium of Kahnawake contractors and engineers. Contract B for the remaining work, representing about 55 percent of total project costs, would be a public tender.

112. JCCBI determined that the Kahnawake consortium's proposal demonstrated sufficient experience and qualifications for the bridge design and construction work and the capacity to manage the project. It also concluded that the consortium had proposed a fair price. JCCBI recently awarded Contract A to the consortium and work will start in 2008.

113. **Financial and performance risks.** JCCBI has established a tight management structure enabling it to validate the progress of work against predefined milestones, confirm the quality of materials and workmanship, and verify contractors' spending and invoicing to mitigate some of the risks identified in its original request for funding. However, some accommodation measures present financial and performance risks that are not yet fully mitigated.

114. Because of restrictions under the *Indian Act*, standard bonding assurance is not available to the consortium. As a result, suppliers and subcontractors have no recourse to a bond should the contractor default in his payments. In addition, the fact that this is the first such large, complex project for this particular consortium represents an unknown degree of risk to the project. JCCBI has little financial assurance for completing the work should the consortium default in its obligations during the work. JCCBI presented the financing arrangements to the federal government, which found them to be reasonable in the circumstances.

Contracting

115. FBCL and its subsidiaries manage contracts mainly for bridge management projects, including bridge inspection and surveillance of construction contracts. There was no major construction work at the international bridges in 2007. JCCBI handles 70 percent of the Corporation's budget for capital projects. In December 2007, it had 19 active construction contracts worth a total of $34 million.

116. We reviewed four bridge construction contracts at JCCBI, and examined the process for awarding inspection contracts for the Canadian portion of international bridges and bridges in Montréal. We expected FBCL and its subsidiaries to have adequate contracting practices for defining bridge construction and inspections, awarding and amending contracts, and monitoring contractors' performance. For the design and surveillance contracts, we relied on JCCBI's 2007 internal audit of contracting practices. We concluded that the Corporation has good contracting practices but needs to improve some of them.

JCCBI has appropriate contracting practices

117. **Policies and procedures.** JCCBI has policies and procedures in place for defining, awarding, monitoring, and amending inspection and surveillance contracts, as well as construction contracts. Most important elements of JCCBI policies are consistent with best practices. The policies set parameters for defining, monitoring, and amending contracts. JCCBI employees are experienced and apply the procedures in accordance with the policies.

118. **Management of contracts.** Requests for proposals clearly indicate qualifications and experience requirements from contractors. Every JCCBI construction and inspection contract that we reviewed was subject to a competitive process and awarded in accordance with the policies. Appropriate consideration is given to qualifications versus price. The technical statements of requirements are based on results of inspections and the designs of engineering contractors. Although we found some contract amendments, they did not relate to unclear technical requirements. JCCBI hires surveillance contractors to monitor work and ensure that it is performed according to contract requirements.

119. **Amendments to contracts.** For JCCBI as well as international bridge operators, there were a few amendments to bridge inspection contracts in 2007. We reviewed four JCCBI construction contracts, with a total value of $3.6 million (10 percent of JCCBI contracts). In total, there were 77 amendments to these contracts, with an average increase of 7 percent over the original contract value. Some amendments concerned the issue of the Champlain Bridge's principal girders; a highly unusual issue (see paragraph 30). Most amendments related to extra work and adjustment to quantities. They were properly justified and approved.

120. Management is aware of the high number of amendments, however it has not analyzed contract amendments since 2003 to identify whether corrective action to contracting practices is needed. Such an analysis would provide management and the Board with data for improving overall contracting practices. It would also help to ensure that future major contracts, such as those planned at the Mercier and Champlain bridges, follow best contracting practices and that the projects are completed on time and on budget.

Contracting practices of international bridge operators vary

121. International bridge operators manage far fewer contracts than JCCBI. FBCL has a contracting policy similar to JCCBI, but it does not apply to subsidiaries. Each bridge operator has its own set of contracting practices, some of which are documented and/or subject to a policy. Not all policies or procedures address important contracting elements, such as requiring a competitive process. A comprehensive contracting policy applicable to all subsidiaries would ensure that all contracts follow best practices to ensure best value.

122. Some inspection contracts have been tendered to the engineering firm that designed the bridge, and a competitive process has not always been used. International bridge operators that issued sole-source contracts for inspections of the Canadian portion of the bridge considered that the selected firm's knowledge of the bridge was the most important selection criterion. However, sole-sourcing does not respect the federal government's contracting principles of access, competition, and best value.

123. **Recommendation.** To ensure that departures from best contracting practices are justified, the parent Corporation should review the contracting practices of the subsidiaries and bridge operators. The Corporation should develop a corporate policy and procedures to meet best practices for defining, awarding, monitoring, and amending all contracts. This would help ensure that contractors perform planned construction work effectively as designed and complete it on time and on budget.

The Corporation's response. *The parent Corporation agrees with this recommendation and will review contracting practices of subsidiaries and bridge operators. It will also develop a corporate policy and procedures reflecting contracting best practices.*

All bridge operators have properly defined inspection contracts

124. The inspection contracts issued by JCCBI and international bridge operators clearly define the qualifications required of contractors and the inspection standards to be applied. Management meets with the inspection firm before inspection starts and reviews areas of importance. During field inspections, management continues to meet with inspectors and exchange information.

Environmental management

The Corporation has implemented its environmental policy

125. We expected the Corporation to have an effective environmental management system in place for ensuring that environmental risks and potential impacts are adequately mitigated. We examined how the Corporation manages its environmental risks and responsibilities and reviewed four bridge construction contracts of JCCBI and the Mercier Bridge rehabilitation project. We found that the Corporation had met our expectations.

126. As well as dealing with JCCBI's contaminated sites along the St. Lawrence River and the Bonaventure Expressway, FBCL and its subsidiaries are committed to assessing any potential environmental impacts of its bridge construction work in Montréal and at the international bridges. There appear to be no significant environmental concerns associated with the international bridges, and the environmental assessment of the bridge replacement in Cornwall identified no potential important environmental impacts that cannot be mitigated.

127. Since our 2003 special examination, FBCL has developed an environmental management policy that applies to the parent corporation and its subsidiaries. The policy commits them to complying with all legal requirements concerning the environment. The policy also assigns roles and responsibilities for environmental issues arising from bridge management projects as well as contaminated sites.

128. **Responsibilities.** To implement its environmental policy, FBCL chairs an environmental management committee composed of representatives from the subsidiaries. The committee has identified the environmental laws and regulations applying to the Corporation, and it monitors changes. The *Canadian Environmental Assessment Act* requires the parent corporation, but not its subsidiaries, to conduct environmental assessments.

129. **Potential environmental impacts.** Although not required by law, JCCBI conducted an environmental assessment for the Mercier Bridge rehabilitation project. It has assessed and documented project impacts, and identified mitigation measures.

130. Where no environmental assessment was performed for JCCBI's construction work; we found the tendering documents include requirements for the protection of the environment. Once construction work is completed, JCCBI obtained environmental reports from contractors confirming that they have complied with environmental requirements and mitigated environmental impacts that resulted from their work.

JCCBI has a plan to deal with contaminated sites

131. Since 2003, the Corporation has prepared an inventory of its land sites and documented their environmental condition. JCCBI identified contaminated sites along the St. Lawrence River and Bonaventure Expressway in Montréal, but little contamination was found at the international bridges. Our examination focused on the Montréal contaminated sites. We expected management practices to be in place to ensure that contaminated sites are properly managed. We found that JCCBI has a plan to deal with contaminated sites.

132. An extensive decommissioned waste disposal site is located next to JCCBI's contaminated sites. This landfill site was used and operated from 1866 until it closed in 1967. Two parcels of land that are managed by JCCBI form part of a vast decommissioned landfill site. JCCBI also manages two other parcels of land on behalf of the Government of Québec. These four parcels were transferred to JCCBI in 1978. They are vacant and uninhabited except for the section forming part of the Bonaventure Expressway.

133. Studies performed in the 1990s identified contamination sources. JCCBI conducted several studies between 2003 and 2005 to assess groundwater toxicity and the impacts of contamination on human health and the environment. The studies concluded that groundwater contamination at the parcels of land under JCCBI's management was above industry standards.

134. The City of Montréal installed a floating oil containment boom situated on the river, adjacent to JCCBI properties. The City of Montréal also installed a local underground oil seepage containment wall on JCCBI property next to the Victoria Bridge. No other mitigation measures have been implemented on JCCBI sites. JCCBI studied permanent options for the containment and treatment of contaminated groundwater and developed a related action plan. A **turnkey contract** to build and operate a system is being considered for 2010. JCCBI estimates its share of the costs of the preferred permanent option at one million dollars. Discussions are ongoing with Québec's Ministère du Développement durable, de l'Environnement et des Parcs (Department of Sustainable Development, Environment and Parks) to rectify this environmental issue. We encourage management to continue discussions with stakeholders, with the aim of reaching an agreement on contaminated sites and ensuring cost-effective mitigation of risks.

Turnkey contract—A contract in which the contractor is responsible to design, build, and operate a system over a set period of time on behalf of an organization (in this case, Jacques Cartier and Champlain Bridges Incorporated).

Conclusion

135. We concluded that during the period covered by our examination, there were two significant deficiencies.

136. We found a significant deficiency with respect to funding issues and a threat to the Corporation's financial sustainability in the long term that could jeopardize plans for repairs needed to ensure the safety of its bridges The other significant deficiency was in the area of corporate governance; FBCL's Board of Directors has not exercised its oversight role with respect to the affairs of the Corporation and its subsidiaries.

137. The systems and practices in other areas we examined were maintained in such a way as to provide the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

138. While FBCL and its subsidiaries together have key elements of a bridge management system and industry-accepted inspection practices, FBCL needs to take a more proactive approach to dealing with its aging infrastructure before problems develop and become urgent priorities. For example, it needs to develop a corporate-wide long-term maintenance plan and a broader approach to risk management that would consider all significant risks to all the structures operated by its subsidiaries.

139. FBCL will need to work with Transport Canada to resolve its current funding issues and also find additional revenue sources so it can remain financially self-sustaining in the long term.

About the Special Examination

Objective

Under section 138 of the *Financial Administration Act* (FAA), parent federal Crown corporations and its wholly owed subsidiaries are subject to a special examination once every five years. Special examinations of Crown corporations are a form of performance audit covering the Corporation, as specified by the FAA. In a special examination, the Auditor General provides an opinion on the management of the Corporation as a whole. The opinion for this special examination is found on page 5 of this report.

Special examinations answer the question, Do the Corporation's systems and practices provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively

Key systems and practices examined, approach, and criteria

At the start of this special examination, we presented an audit plan to the Corporation's audit committee with a list of systems and practices and related criteria. We considered these essential to providing FBCL and its subsidiaries with reasonable assurance that their assets are safeguarded and controlled, their resources are managed economically and efficiently, and their operations are carried out effectively. These are the systems and practices that we examined and the criteria that we used. The selection of the bridges for detailed examination was based on an assessment of risk and their significance. Our audit approach included

- analyzing various documents, reports, and data;
- reviewing contracting files;
- meeting with representatives of the Corporation and of international and federal organizations involved with the Corporation; and
- visiting all bridges and facilities of the Corporation.

Key systems and practices examined	Criteria
Bridge management	The Corporation has a well-functioning bridge management system to keep its bridges safe for users. The system includes the following features: • Design, construction, and inspection policies and procedures are consistent with accepted industry standards. • Periodic and targeted bridge inspections that are conducted in accordance with accepted industry standards. Qualified bridge inspectors use a complete set of data on the bridge condition to assess the level of severity and likelihood of risks of inspection deficiencies. Inspection results are validated by the Corporation and deficiencies are followed up in a cost effective and timely manner.
Corporate governance	The Corporation has a well-performing governance framework that meets expectations for best practices and board stewardship, shareholder relations, and communications with the public. It also has appropriate accountability mechanisms with its subsidiaries.

Key systems and practices examined	Criteria
Corporate risk management	The Corporation identifies its corporate risks, management tolerance for risks, and mitigation measures, and assigns implementation of measures to specific individuals.
Strategic planning, performance measurement, and reporting	The Corporation's corporate plan and budget include important activities, meaningful corporate objectives to ensure fulfillment of its mandate and statutory objectives, strategies for addressing risks and emerging issues, and performance measures. Forecast outcomes are based on sound assumptions (stakeholders' interests, traffic volumes and tolls, bridge inspection deficiencies, environmental risks) and address the sustainability of international bridges. Long-term plans for the design and construction of the Corporation's bridges are current, cover an appropriate time period, and are updated regularly. Performance is monitored against corporate objectives and reported in annual reports.
Consultations with First Nations	The Corporation consults with First Nations and, where applicable, reasonably accommodates their concerns when a project might adversely affect their interests.
Environmental management	The Corporation has an effective environmental management system in place to ensure that environmental risks and potential impacts are appropriately mitigated, roles and responsibilities are defined, and risks and impacts are documented and appropriately addressed. The Corporation manages its contaminated sites to ensure that they do not pose further threats to the environment.
Contracting	The Corporation has appropriate contracting practices for defining construction and bridge inspection, monitoring contractor performance, and awarding construction and bridge inspection contracts to ensure transparency and an efficient and economical use of resources.

We consulted the following sources in our work:

- Public Works and Government Services Canada inspection policy and the Canadian Highway Bridge Design Code,
- Treasury Board's contracting policy,
- Supreme Court decisions on the federal government's legal duty to consult with First Nations,
- principles for environmental management systems,
- Treasury Board Guidelines on Corporate Governance in Crown Corporations and other Public Enterprises, and best practices in the private sector,
- Treasury Board Guidelines for the Preparation of Corporate Plans, and
- Treasury Board and Canadian Institute of Chartered Accountants guidelines for annual reporting.

Audit work completed

Audit work for this special examination was substantially completed on 25 April 2008.

Audit team

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Appendix List of recommendations

The following is a list of recommendations found in the Special Examination Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Funding and financial sustainability	
43. Federal Bridge Corporation Limited should work with Transport Canada to identify options to achieve the long-term financial sustainability of the parent corporation and its subsidiaries. Meanwhile, it should work with the government to ensure the safety of the users of its bridges by promptly resolving the need for funding to carry out the necessary repairs to these bridges. Jacques Cartier and Champlain Bridges Incorporated should fully examine whether, in the long term, it would be less costly to replace the Champlain Bridge than to repair it, and FBCL should make a recommendation to Transport Canada. **(25–42)**	FBCL agrees with this recommendation. It will continue discussions with Transport Canada and will provide options for the long-term financial sustainability of the parent corporation and the subsidiaries. It will also continue to impress upon Transport Canada the importance of resolving the funding issues for all of its bridges, including the Champlain Bridge.
Corporate governance	
50. The Board of Federal Bridge Corporation Limited (FBCL) should update expectations for roles, responsibilities, and accountabilities for the parent Board, senior management, and subsidiaries, now that the roles of Chair and Chief Executive Officer of FBCL and JCCBI have been split. **(44–49)**	The parent Board agrees with this recommendation. It will clarify roles, responsibilities, and accountabilities of the Board and senior management at the parent corporation and will also clarify these for the subsidiaries. Now that a CEO has been appointed, the Board will be in a position to amend its letters of expectations to subsidiaries and indicate the significant role to be played by the CEO in ensuring that the subsidiaries assist in the accomplishment of the Corporation's mandate. The parent Board will regularly assess its performance. Also, since members of the subsidiary boards have now had an opportunity to work together with one of their own as Chair, they will be in a position to assess their performance as a board and indicate any areas of board duties that need to be re-assessed. The appointment process for subsidiary boards will be reviewed in accordance with governance best practices and by-laws will be amended.

Recommendation	Response
57. In addition to obtaining the information requested in the letters of expectations to the subsidiaries, the Board of Federal Bridge Corporation Limited (FBCL) should define the information it needs on key activities and risks of FBCL and its subsidiaries and ensure that it obtains all pertinent information on a regular and timely basis to fulfill its oversight responsibilities. **(51–56)**	The FBCL Board agrees with this recommendation and will review the information requirements on key activities and risks specified in its annual letter of expectations to subsidiaries to ensure that the information is risk-based, comprehensive, and reported in a timely fashion.
61. The Board of Federal Bridge Corporation Limited should update its competency profile, identify the skills and experience it lacks, and communicate its needs to the government. It should seek outside expertise and experience to complement that represented by its members. **(58–60)**	The FBCL Board agrees with this recommendation and will update its 2005 competency profile. When the Board informs the federal government of an upcoming vacancy on the Board, it will continue to identify missing skills and experience and communicate its needs, as it did most recently. The Board will also continue to seek outside expertise and skills and experience to complement the Board's skills. In the past, where there was no board member with engineering expertise, the Board retained the services of a highly experienced and well regarded engineer in order to obtain pertinent advice.
64. The Board of Federal Bridge Corporation Limited should review its governance structure and clarify the roles, responsibilities, and accountabilities of its members and committees to further strengthen the independence of the boards of FBCL and its subsidiaries. **(62–63)**	The FBCL Board agrees with the recommendation. The role of a board is clearly one of oversight and separate from day to day management. It will review its governance structure to further strengthen the Board's independence and that of its subsidiaries. The current conflict of interest code will be amended to include a statement that specifically addresses this issue. Any governance deficiencies will be corrected by the FBCL Board in amended letters of expectations to the subsidiaries.
67. The Board of Federal Bridge Corporation Limited should request that the government conduct a review to clarify the Corporation's mandate and assess its relevance; the review should include the governance structure of FBCL. **(65–66)**	The FBCL Board agrees with this recommendation and will request the government to conduct a review to clarify the Corporation's mandate and assess its relevance, including the governance structure.

Recommendation	Response
Bridge management	
76. To regularly assess the overall condition of the Mercier Bridge, Jacques Cartier and Champlain Bridge Incorporated should request on a timely basis all safety information on bridge components owned by the Ministère des Transports du Québec. **(68–75)**	JCCBI agrees with this recommendation and will request on a timely basis all safety information on the Mercier Bridge components owned by the Ministère des Transports du Québec.
78. Federal Bridge Corporation Limited and its subsidiaries should assess the overall condition of their bridges. They should also report the conclusions about the safety of each bridge to the parent Board and Transport Canada. **(77)**	FBCL agrees with this recommendation and will review its reporting to both the Board and Transport Canada to ensure that all safety inspection reports assessing the overall condition for bridges under its mandate are provided on an annual basis and included in its corporate plan.
83. Federal Bridge Corporation Limited should prioritize the recommendations from inspections at the corporate-wide level, predict the future performance of key components of all bridges of FBCL and the subsidiaries in preparing its corporate-wide long-term plan, and allocate financial resources appropriately. In addition to ensuring that priority repairs have been performed before the next annual inspection, a qualified in-house engineer should provide oversight at the subsidiary or corporate level to ensure that results from predictions are appropriately addressed in the corporate-wide long-term maintenance plan. **(79–82)**	FBCL agrees with this recommendation. Priorities will be clearly established in the Corporation's long term plans and will guide the allocation of financial resources. An in-house qualified engineer will provide oversight to ensure priorities are appropriately addressed.
85. Bridge operators should update their studies according to the 2006 Canadian Highway Bridge Design Code and take steps to meet the requirement related to seismic risk. **(84)**	FBCL agrees with this recommendation and will review changes to the Canadian Highway Bridge Design Code to evaluate whether its bridges meet the requirements and will apply a risk management approach to implementing corrective measures.

Recommendation	Response
Corporate-wide risk management	
92. Federal Bridge Corporation Limited (FBCL) should complete the implementation of its organization-wide risk management process and request reports from management on how risks are managed to verify that mitigation measures have been implemented effectively. Risks should be reported promptly to the risk management committee and to the FBCL Board and the boards of the subsidiaries to ensure appropriate oversight of their affairs. **(86–91)**	FBCL agrees with this recommendation. It has already established a risk management committee and it will review its risk management reporting process to this committee and to the Board to ensure that both are provided with the necessary information to allow them to perform appropriate oversight.
Strategic planning and performance reporting	
99. Federal Bridges Corporation Limited should ensure that the corporate plan and annual report provide more complete information on the overall condition of its bridges, key risks, and emerging issues, as well as related strategies and the costs of implementing them to better inform the Treasury Board and Transport Canada. **(93–98)**	FBCL agrees with this recommendation and will ensure that its corporate plan and annual report provides more complete information on its bridges to the Treasury Board and Transport Canada.
Consultations with First Nations	
109. To ensure that its consultations are aligned with federal government practices and are consistent across FBCL and its subsidiaries, Federal Bridge Corporation Limited should develop formal corporate-wide principles for consultations with First Nations that would guide consultation planning for any project that could affect First Nations' interests. **(100–108)**	FBCL agrees with this recommendation. It will develop a consultation policy that will establish corporate-wide principles and guide consultation planning for its projects affecting First Nations interests, in line with federal government practices.

Recommendation	Response
123. To ensure that departures from best contracting practices are justified, the parent Corporation should review the contracting practices of the subsidiaries and bridge operators. The Corporation should develop a corporate policy and procedures to meet best practices for defining, awarding, monitoring, and amending all contracts. This would help ensure that contractors perform planned construction work effectively as designed and complete it on time and on budget. **(110–122)**	The parent Corporation agrees with this recommendation and will review contracting practices of subsidiaries and bridge operators. It will also develop a corporate policy and procedures reflecting contracting best practices.