

**THE FEDERAL BRIDGE CORPORATION
LIMITED**

SPECIAL EXAMINATION REPORT

**PRESENTED TO THE BOARD OF
DIRECTORS**

JUNE 25, 2003

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To the Board of Directors of the Federal Bridge Corporation Limited

OBJECTIVE OF THE SPECIAL EXAMINATION

1. The *Financial Administration Act (FAA)* requires the Federal Bridge Corporation Limited (the Corporation) to undergo a special examination at least once every five years. The purpose of the special examination is to determine whether the Corporation is maintaining systems and practices in a way that provides 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.

SPECIAL EXAMINATION SCOPE AND APPROACH

2. We based our special examination plan on preliminary survey of the Corporation's systems and practices that contribute to achieving the Corporation and its subsidiaries' expected results (see Appendix B), and an analysis of the risks associated with them. We presented the plans to the Board of Directors on December 17, 2002. The plan outlined the systems and practices that we would examine in detail—the systems and practices that are essential to ensuring that assets are safeguarded and controlled, that resources are managed economically and efficiently, and that operations are carried out effectively. Other systems and practices included in the preliminary survey were not selected for detail examination, because our analysis indicated that their significance and the associated risks did not have a decisive impact on the Corporation's activities. The plan defined the criteria by which we would assess the appropriateness of the systems and practices we examined (see Appendix A). The examination took place between November 2002 and April 2003.

3. Our responsibility is to express an opinion as to whether, during the period under examination, there was reasonable assurance that there were no significant deficiencies in the systems and practices examined. Our examination was carried out in accordance with the plan and the standards for assurance engagements of the Canadian Institute of Chartered Accountants. Accordingly, it included such tests and other procedures as we considered necessary in the circumstances.

4. During the special examination, we interviewed members of the Board of Directors, management and employees. We examined key documents, met with representatives of Transport Canada and visited the infrastructures. We did not use the internal audit reports since the scope of their work was not relevant for the purposes of our special examination.

OPINION

In our opinion, with respect to the criteria established for the examination, there is reasonable assurance that there are no significant deficiencies in the systems and practices examined.

For the Auditor General of Canada,

Richard Flageole, FCA
Assistant Auditor General

Ottawa, Canada
April 3, 2003

5. In the section “**Assessment of key sectors examined**”, we identify good management practices and, although they are not considered significant deficiencies, potential improvements to the Corporation’s systems and practices.

OVERVIEW AND OPERATIONAL CONTEXT OF THE FEDERAL BRIDGE CORPORATION LIMITED

6. The Federal Bridge Corporation Limited is a Schedule III Part I Crown Corporation established by Order in Council PC 1998-1512 on September 2, 1998. Created under the *Canada Business Corporations Act*, the Corporation replaced The St. Lawrence Seaway Authority (SLSA) as the corporate body responsible for operating and managing SLSA non-navigational structures.

7. On September 28, 1998, pursuant to subsection 80(1) of *Canada Marine Act*, providing for the SLSA, the Minister of Transport issued a directive to SLSA to transfer the shares of its subsidiaries (The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation, Ltd.) as well as the management of the Canadian properties at the Thousand Islands International Bridge to The Federal Bridge Corporation Limited.

8. The said transfer became effective on October 1, 1998 and The Federal Bridge Corporation Limited took over the administration of seven non-navigational Seaway bridges and structures:

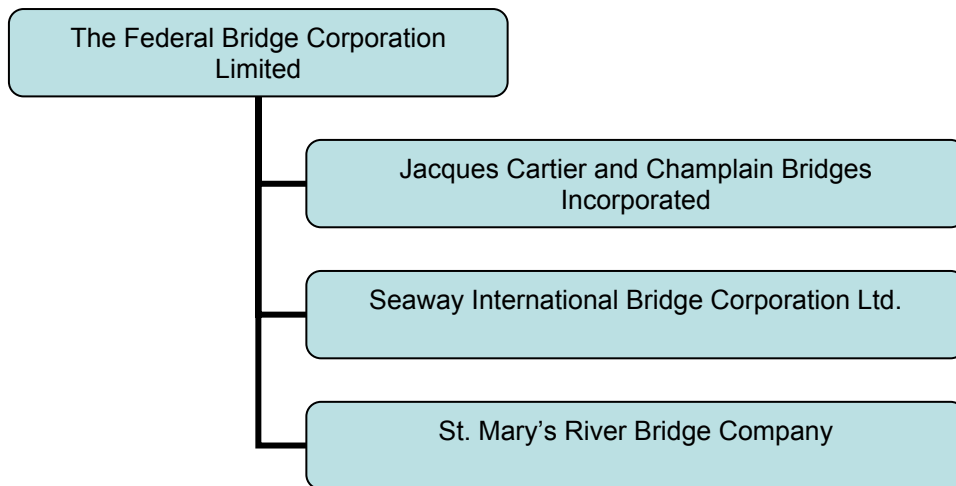
- in Montreal: the Jacques Cartier Bridge, Champlain Bridge, a portion of the Bonaventure Expressway, the southern extension of Honoré-Mercier Bridge, the Melocheville Tunnel;
- in Ontario: the Seaway International Bridge and the Thousand Islands International Bridge.

9. On December 2, 1999, under the recommendation of the Minister of Transport and the Treasury Board, the Governor General in Council transferred, without counterpart, the Champlain Bridge Ice Control Structure's management from the Minister of Transport to Jacques Cartier and Champlain Bridges Incorporated.

10. In September 2000, the Corporation acquired 91.33% of the shares of the St. Mary's River Bridge Company (PC-2000-1167—July 28, 2000), owner of the Canadian half of the Sault Ste. Marie International Bridge. The remaining 8.67% of the shares is held by the City of Sault Ste. Marie and the directors.

Exhibit 1 illustrates the Corporation's current legal organizational structure:

Exhibit 1



11. As a parent Crown corporation, The Federal Bridge Corporation Limited reports to Parliament on its activities through the Minister of Transport.

12. The parent corporation directly owns the Canadian portion of the Thousand Islands International Bridge. Opened in 1938, the Thousand Islands Bridge connects Ivy Lea in Ontario and New York State. Under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority (TIBA) in the United States, TIBA operates and maintains the Canadian span of the Thousand Islands International Bridge that is under the Corporation's control as well as the American portion that it owns. The TIBA Board of Directors is composed of seven members recommended by the chairman of the Jefferson County Board of Legislators. Three members of the TIBA Board must be of Canadian nationality and recommended by the President of The Federal Bridge Corporation Limited. According to the agreement, TIBA personnel are required to answer the questions of the parent corporation and to provide any information it requests. The parent corporation remains responsible for planning and carrying out major maintenance work on the Canadian portion of the bridge.

13. The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) was established on November 3, 1978 under the *Canada Business Corporations Act*. It manages public civil infrastructures, including bridges, highways and one tunnel in the Montreal region. Its activities fall into two specific sectors: "Engineering and Construction", and "Operations and Maintenance". The "Engineering and Construction" sector directs major construction renovation and repair projects, pertaining specifically to civil engineering and road works such as piers, beams, decks, steel structures, foundations, paving and painting, as well as lighting, lane signal monitoring and intelligent transportation systems. The "Operations and Maintenance" sector has primary responsibility for public works pertaining to structure. Assets under control of JCCBI include the Jacques Cartier Bridge, the Champlain Bridge, the Champlain Bridge Ice Control Structure, a section of the Bonaventure Expressway, the Honoré-Mercier Bridge (southern extension) and the Melocheville Tunnel.

14. The Seaway International Bridge Corporation, Ltd. (SIBCL) was incorporated under the *Canada Corporations Act* in 1962 and was continued under the *Canada Business Corporations Act*. It operates and manages a toll bridge in Cornwall, Ontario. SIBCL operates as a joint venture on behalf of The Federal Bridge Corporation Limited and its American counterpart (The Saint Lawrence Seaway Development Corporation). Assets under control of SIBCL include a high level bridge connecting the City of Cornwall to Cornwall Island in the St. Lawrence River, a toll plaza and roadway on the island, and a high level suspension bridge connecting Cornwall Island to Rooseveltown in the State of New York.

15. The St. Mary's River Bridge Company (SMRBC) was incorporated under the *Canada Corporations Act* in 1962 and was continued under the *Canada Business Corporations Act*. SMRBC owns the Canadian portion of the Sault Ste. Marie International Bridge. Opened in 1962, the Sault Ste. Marie International Bridge spans St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. The operation and maintenance (major and minor) of the Sault Ste. Marie International Bridge (Canadian and American portions) are performed by the International Bridge Authority of Michigan (IBA), a unit of the Michigan Department of

Transportation (MDOT), under an intergovernmental agreement signed between the MDOT and Transport Canada in July 2000. According to this agreement, IBA's activities are carried out under the supervision of a six-member committee, the Joint International Bridge Authority (JIBA). SMRBC and IBA each name three members to this committee. According to the agreement, JIBA's responsibilities include among other things, approving the five-year business plan, the annual operating expenses budget, the annual capital spending plan, any expenditure exceeding USD \$100,000, the instructions issued to the consulting engineering firm for the annual inspection of the bridge, the annual inspection report prepared by this firm, changes in toll rates and any borrowing which requires pledging the revenue generated by bridge operations as security.

Exhibit 2 presents a summary of the key financial and operating data of the parent corporation and its subsidiaries.

Exhibit 2¹

(in thousand) (except for the number of employees)	The Federal Bridge Corporation Ltd. Consolidated Data	The Federal Bridge Corporation Ltd. ²	The Jacques Cartier and Champlain Bridges Incorporated	The Seaway International Bridge Corporation, Ltd.	The St. Mary's River Bridge Company
Toll Revenues	\$4,491	Not applicable	Not applicable	\$1,406	\$3,084
Other Revenues	<u>7,599</u>	<u>\$6,076</u>	<u>\$976</u>	<u>134</u>	<u>412</u>
Total Revenues	<u>\$12,090</u>	<u>\$6,076</u>	<u>\$976</u>	<u>\$1,540</u>	<u>\$3,496</u>
Maintenance Expenses	\$27,694	\$924	\$23,791	\$1,103	\$1,874
Other Expenses	<u>14,161</u>	<u>5,003</u>	<u>7,877</u>	<u>311</u>	<u>969</u>
Total Expenses	<u>\$41,855</u>	<u>\$5,927</u>	<u>\$31,668</u>	<u>\$1,414</u>	<u>\$2,843</u>
Parliamentary Appropriation	\$26,726	Not applicable	\$26,726	Not applicable	Not applicable
Number of Employees	99	11	46	42	0

¹ Excerpt from the 2001/2002 annual report, 2002-2003 to 2006-2007 corporate plan or other financial management data.

² Including the Thousand Islands Bridges.

Exhibit 2 (cont'd)

	The Federal Bridge Corporation Ltd.	The Jacques Cartier and Champlain Bridges Inc.			The Seaway International Bridge Corporation, Ltd.	The St. Mary's River Bridge Company
	The Thousand Islands International Bridge	The Jacques Cartier Bridge	The Champlain Bridge and the Bonaventure Expressway	The Honoré-Mercier Bridge	The Seaway International Bridge	The Sault Ste. Marie International Bridge
Original cost (in thousands)	\$21,926	\$20,469	\$70,852	\$12,937	\$10,038	\$4,578
Net book value (in thousands)	\$17,434	Fully amortized	\$2,085	\$2,802	\$1,808	Fully amortized
Construction date	In 1938	In 1930	The Champlain Bridge was in 1962. The Bonaventure Expressway was opened in 1967	In 1934	In 1962	In 1962
Number of lanes	2	5	6	4	2	2
Length	1.02 KM	3.4 KM	3.4 KM	1.9 KM	2.6 KM	4.5 KM
Number of accidents	Not available	256	235 (Champlain Bridge only)	90	6	Not available
Traffic volume—Vehicles	2 million	43 million	49 million	28 million	2 million	2.2 million
Traffic volume—Trucks	0.6 million	1.46 million	4.4 million	1.24 million	0.14 million	0.126 million

Legislative mandate

16. The mandate of the Corporation is to operate and manage non-navigational structures. As outlined in Schedule 2 of its incorporation documents, The Corporation has the power to:

- *Acquire lands for the construction, maintenance and operation of bridges connecting Canada with the United States, either alone or in cooperation with U.S. authorities.*
- *Acquire lands for constructing, maintaining, managing and operating other structures or property as directed by the Governor in Council. It assumes responsibility for all transferred property and rights, and, with the approval of the Governor in Council, may also lease to any person any lands, property or water power held in its name or in the name of the Government of Canada.*

Mission, vision and values

17. The Corporation's mission as approved by the Board of Directors is as follows:

- The Federal Bridge Corporation Limited will provide, on behalf of the Government of Canada, a high quality and safe and efficient service to its clients, in an environmentally sound manner.

18. During the last annual strategic planning workshop, the Board of Directors and the members of senior management proposed the following interpretation of the Corporation's vision and values.

Vision:

- To aim for the highest standards of safety and security;
- To be recognized as the best bridge management organization in Canada;
- All processes and practices will be efficient;
- To possess the understanding of the requirements at domestic and international bridges;
- Customers will be informed and activities will be aimed at their satisfaction;
- To promote new standards of innovation in bridge rehabilitation;
- To provide timely and accurate information to Treasury Board, the government and the public;
- To have partnerships and strategic alliances that support the Corporation's goals;
- To be leaders of innovation and new technologies;
- To always be respected in everything the Corporation does;
- To support and coordinate the activities of subsidiary companies.

Values:

- Safety and security for the country, customers and facilities;
- Customer satisfaction through efficiencies;
- Good planning;
- Proactive and credible;
- Strategic alliances;
- Communications—good listening;
- Mentoring, sharing, supporting;
- Preserving the environment;
- Sound management practices;
- Respect and value the contributions of all.

Objectives

19. To fulfill the mandate and the corporate mission, the Corporation set out the following objectives in the 2002-2003 to 2006-2007 corporate plan summary:

- Structures are safe and properly maintained, and their useful life is maximized;
- Maintenance works are carried out with respect to environmental laws and regulations;
- Structure use and profitability are maximized;
- Maintenance and operation practices give the Canadian government a positive image.

Activities and responsibilities

20. The parent corporation and its subsidiaries currently operate and manage structures. The Corporation's activities fall into two categories: national and international activities. The national activities concern The Jacques Cartier and Champlain Bridges Incorporated, while the international activities concern the parent corporation, The Seaway International Bridge Corporation Ltd. and The St. Mary's River Bridge Company.

Funding

21. The international activities are self-financing by means of the collection of tolls, while the national activities are funded by the government. In addition, the parent corporation collects advertising revenue via its commercial signage in Montreal.

Constraints

22. The concrete deck of the North Channel Bridge managed by SIBC is deteriorated. The Corporation has been advised in recent engineering reports that this deck should be replaced within the next five to ten years. The Corporation is currently undertaking an environmental assessment to consider replacing the North Channel Bridge with a new bridge that would be more cost effective to maintain. The Corporation currently faces challenges by trying to obtain the collaboration of a local community with respect to the environmental assessment and to secure the necessary funding for this project as tolls are collected from less than 40% of the users. A solution will have to be developed within an acceptable timeframe for these two challenges in order for the Corporation to meet its objectives.

Strategic initiatives

23. During the past year, the Corporation has completed a few strategic projects and instituted several important initiatives.

24. The Jacques Cartier Bridge re-decking project was the main focus of the Corporation's activities during the past two years. This project posed a challenge from the engineering and technology standpoints. The Corporation was the first Canadian bridge operator to institute the "design-build" concept in the context of the re-decking of a bridge in a urban area on a scale such as the Jacques Cartier Bridge.

25. In addition, during the past year, the Corporation has committed to contribute \$1 million to a feasibility study project totalling approximately \$14 million carried out by the *Agence Métropolitaine de Transports de Montréal* involving a Light Rail Transit (LRT). The Corporation sits on the federal-provincial Steering Committee which oversees the management of this study. If the project is approved, the trains would travel over the Champlain Bridge ice control structure, then along the Bonaventure Expressway to downtown Montreal. Approximately half of the train corridor would therefore be located on federal land. With the new LRT, the reserved bus line will be given back to car users.

26. Transport Canada has commissioned a study of the safety and security measures to counter terrorism for the Jacques Cartier Bridge, the Champlain Bridge, the Mercier Bridge, the Melocheville Tunnel, the Thousand Islands International Bridge and the Seaway International Bridge. The Corporation started to implement some recommendations of this study. The Corporation has been informed by Transport Canada that it will not receive additional funding from the Department to implement the safety and security measures recommended by this study.

Opportunities

27. The expertise developed by the Corporation during the re-decking of the Jacques Cartier Bridge enabled the Corporation to increase its visibility, which could create future business opportunities.

28. For instance, in the context of the completion of Highway 30 between Candiac and Vaudreuil-Dorion, the Corporation will be called upon to contribute its expertise to defining the parameters relating to the planning, design, performance and supervision of the construction work on the bridges spanning the St. Lawrence River and St. Lawrence Seaway. By agreement with the prime contractor, the Corporation will be responsible, in particular, for monitoring the work and conducting the associated quality audits for the bridges.

29. In addition, the Corporation is currently in discussions with stakeholders in the National Capital Region concerning the operation, maintenance and repair of the five bridges linking Ottawa and Gatineau.

ASSESSMENT OF THE KEY SECTORS EXAMINED

Strategic planning

30. During the Corporation's last strategic planning workshop, a study and analysis process was undertaken to clarify the respective roles and responsibilities of the parent corporation and its subsidiaries. One of the outcomes of this process was that a potential way to increase the synergies within the Corporation is that the parent corporation could be responsible for developing the Corporation's strategic planning and then assign mandates to the subsidiaries as specialized firms. Management is still working on the segregation of the roles and responsibilities within the Corporation.

31. During the strategic planning session held last year, Board members and senior management conducted together a diagnostic of the Corporation. The Corporation's internal and external environment was identified, taking into account key factors which influence its operations (skills, resources required, etc.) and fundamental factors of success. This diagnostic assessment is being used, among other things, to develop a corporate plan which sets out the mission, objectives, strategies and the allocation of financial resources for the next fiscal period.

The vision and the objectives should be clarified.

32. We observed that, even though senior management and the Board informed us of the nature and scope of the services that the Corporation would like to offer over the long-term, these services are not clearly reflected in the corporate plan. In addition, it seems important that the Corporation share this vision with Transport Canada and then formulate it clearly in its corporate plan.

33. Our discussions with the Board and management revealed a certain lack of consistency in their interpretation of the objectives identified in the context of strategic planning. This situation indicates that the objectives are not explicit enough. For example, the level of safety and security and of service to users, although described respectively as high and optimal in the corporate plan, should be clarified in order to permit an unequivocal interpretation and uniform operational implementation.

Maintenance

34. The Corporation's maintenance systems and practices should ensure that structures are safe and used efficiently, maximize their useful life and provide optimal service to users. These systems and practices must also make it possible to carry out strategic and operational planning of maintenance programs and to entrust their implementation to competent resources, subject to effective control procedures and appropriate reporting.

The planning process for maintenance work is appropriate.

35. In the strategic planning of its maintenance programs, the Corporation can rely on steering committees that have been set up within each entity. These committees are composed of members of the Board and of management. The Corporation uses proven and systematic methodologies and techniques which enable it to identify and address the main elements necessary to planning. In particular, it conducts the annual inspection of its structures, for which it retains the services of consulting engineering firms. These firms prepare detailed evaluation reports which describe, among other things, any damage to structures, the necessary repairs and the respective priorities for completion. The annual inspections take into account the current and future use of the structures. These reports constitute the main basis on which the steering committees, in conjunction with management, rely in drawing up their long-term maintenance programs.

36. We found that the Corporation bases its operational planning of maintenance work on the strategic planning and considers the impact on the service to users. To this end, the operational planning drawn up by management is submitted to the steering committees for analysis and validation. In addition, we observed that, during the re-decking of one of its structures, the Corporation regularly met with user representatives to discuss the planning of the future work and its impact on accessibility.

37. However, the Corporation do not perform financial analysis of various scenarios combined with project selection tools to examine whether it would be less costly to replace a structure after a certain period of use rather than preserving it, which inevitably results in higher maintenance expenses over time.

Maintenance programs are carried out in accordance with industry standards and by competent personnel.

38. Overall, we found that maintenance programs are carried out in accordance with industry standards and by competent personnel. Corporation employees take training courses in order to constantly update their expertise and to keep abreast of new practices in the area of maintenance of structures. For work contracted out, the Corporation specifies the expertise required in the calls for tenders and takes care to engage firms that have this expertise.

39. Control procedures ensure that the maintenance work carried out is in accordance with the operational planning. Periodically, the steering committees and management meet to monitor the planning and performance of the work. Any variances between planned and actual results are analysed, documented and monitored. In addition, the Board is informed of significant variances and regularly receives information on the progress of the work. Furthermore, the Corporation has instituted procedures for the systematic inspection and monitoring of the work which are consistent with sector standards. These procedures concern, among other things, technical quality as well as adherence to the timetable and compliance with commitments by contractors.

Certain management practices associated with maintenance should be improved.

40. We found that in the case of maintenance work performed by Corporation personnel, which is primarily minor maintenance work, the inspection procedures sometimes do not fully cover technical quality and therefore do not ensure that the work is performed efficiently.

41. We also observed that the periods covered by the engineers' annual inspection reports vary from one structure to another. For example, in the case of the Seaway International Bridge, the coverage period of the annual inspection report is 20 years, while for the Jacques Cartier Bridge, this period is 6 years. Although the periods appear to be appropriate, *a priori*, for each of the structures taken separately, in our view, standardizing these periods would facilitate planning and would enable the Corporation to improve the use of resources over the long- term, especially in the context of the search for synergies within the Corporation and its subsidiaries.

Risk management

42. Risk management refers to the systems and practices used to develop an approach for managing risks and to determine a tolerance threshold with respect to these risks. Moreover, these systems and practices make possible the analysis and appropriate response to random elements which may prevent the Corporation from ensuring a high level of safety and security and optimal service to users. Risk management should be practised at both the strategic and operational levels as well as at the project management level.

Risk is managed at the project level.

43. This task was recently delegated by the Board to a risk management committee composed of representatives of the Board and of management. The committee is currently working to define its roles and responsibilities. Quite recently, the committee retained an outside expert to assist it in the process of determining how to carry out this work for the Corporation. In addition, the committee is currently analysing the recommendations of a study of the safety and security measures to counter terrorism for the structures commissioned by Transport Canada.

44. The Corporation has not finalized its formal approach to risk management nor finalized its analysis of all the key risks which could prevent it from ensuring a high level of safety and security and optimal service to users. However, the Corporation is taking steps to minimize the risks and the consequences stemming from bridge maintenance and operation projects. This situation is made possible by the experience of management and staff.

A global approach to risk management should be implemented.

45. We feel that the Corporation has an opportunity to adopt a more global approach to risk management and to obtain consolidated information on all current management practices. This approach could include periodic discussions between Board members and senior management about risk management overall at the Corporation. Board members would thus have reasonable assurance that any significant risks have been identified and that senior managers are properly carrying out their responsibilities.

46. Recently, boards of directors in both the private and the public sectors have been placing high importance on how risks are identified and managed in their organizations. A number of corporations manage risks systematically, ensuring that all areas of significant risk are examined, all main strategic and operational risks are identified and measures are implemented to guarantee that the risks are managed or maintained at an acceptable level.

Environmental management

The key elements of an environmental risk management system are in place.

47. The environmental risks that the Corporation faces arise mainly from its contaminated sites and its maintenance activities.

48. We noted that the Corporation has made efforts to implement systems and practices designed to improve its understanding of serious environmental dangers and minimize them. We observed, among others, the following initiatives:

- the Corporation has adopted an environmental policy which sets out its guiding principles as well as the responsibilities of stakeholders;
- an environmental committee coordinates environmental issues;
- the Corporation has compiled an inventory of the sites it owns, classifying them according to their environmental characteristics;
- the environmental committee will soon analyse the need to draw up an action plan for contaminated sites;
- operations and activities that could pose significant environmental risks are carried out by contractors who have the necessary environmental expertise;
- the Corporation is currently reviewing, with the assistance of a specialized firm, the standard environmental clauses included in contracts in order to clarify the responsibilities of contractors;
- the Corporation is currently developing performance indicators concerning the environment.

Certain aspects of environmental management should be improved.

49. We noted that the Corporation has classified sites according to their environmental characteristics and that, based on their history of use, certain sites have been assigned to the “action not likely required” class. Although the Corporation was able to demonstrate that it had properly classified these sites, we observed in certain cases that the documentation justifying the classification was not always filed.

50. In addition, with respect to work conducted internally, we found that good environmental protection practices are not systematically documented, that the sharing of information from one structure to another is informal and that environmental issues are dealt with on a case-by-case basis, without coordination among the subsidiaries. The risks associated with this situation are offset by the fact that the Corporation can currently rely on very experienced personnel. However, in order to make provision for the loss of this expertise, the Corporation

should issue directives in order to ensure that operational decisions are consistent with the Corporation's environmental policy.

51. Finally, the Corporation has not systematically identified the acts and regulations with which it must comply. Work that entails significant environmental impacts is carried out by contractors and is governed by special environmental protection clauses. In the event that activities entailing significant environmental impacts are carried out internally, the acts and regulations that would govern these activities should be systematically identified.

Communications

Communication systems and practices ensure a safe passage and optimal service to users.

52. The Corporation places strong emphasis on the communication of relevant information concerning the accessibility and use of its structures. Overall, we found that the communication systems and practices in place within the Corporation ensure a safe passage and optimal service to users.

53. At the strategic level, the Corporation has identified over the years the information to be communicated to users, in terms of both foreseeable events, such as maintenance work, and unforeseeable events, such as accidents. At the operational level, it has the required tools, such as surveillance cameras and patrols, and infrastructures used to determine in a timely manner the situations to be communicated. In addition, the Corporation constantly collects and analyses information which enables it to effectively define its target audience. For instance, it gathers statistics on traffic volumes and types of users and has instituted means, for example a website, which enable it to receive feedback from users of some of its infrastructures.

54. We found that within the Corporation, the communication function is organized in such a way as to respond to the particular characteristics of its various structures. At each of the sites visited, we found that there is an individual designated to be responsible for communications. To communicate in a timely manner with its users, the Corporation uses various means, as needed: intelligent transportation systems, the media, user networks and websites. It periodically verifies whether the means used remain appropriate. For example, in the case of the intelligent transportation systems, the Corporation has carried out a pilot project that yielded conclusive results, prompting it to extend the use of this means of communication.

55. However, we noted that for the Seaway International Bridge, the Corporation does not continuously and actively monitor the crossing outside normal office hours. Presently, the Corporation relies on toll attendants to monitor reports from US or Canada Customs, local police agencies, or the travelling public regarding conditions on

the structures. The Corporation should review its systems and practices in order to determine if the current practices can be cost effectively improved to ensure a high level of safety and security and optimal service to users.

Bridge operations

Infrastructure operating systems and practices are adequate.

56. The Corporation operates its infrastructures in such a way as to minimize service disruptions caused by accidents, weather conditions and operational difficulties. Over the years, the Corporation has identified the situations and causes which can lead to service disruptions and is aware of the damage and potential impact on the level of services targeted. At the operational level, the Corporation has instituted a range of tools such as surveillance cameras, towing services, emergency plans and infrastructure patrols.

57. The Corporation gathers data on the use of its infrastructures, in order to obtain reliable data on both user demand and operational capacity of the infrastructures. Based on this information, the Corporation operates its toll facilities in such a way as to meet demand in a cost-effective manner.

An emergency plan has not been finalized.

58. A readily implemented emergency plan allows an organisation to minimize operational risks when services are disrupted due to accident, weather conditions and operational difficulties. Even if we observed that the emergency plan of the Jacques Cartier and Champlain Bridges Incorporated was in a workable draft version, it is important that management finalizes it and communicates the final version adequately to personnel.

Financial management

Managers can count on reliable and relevant financial information.

59. The Corporation has in place appropriate financial management systems and practices to support financial planning, monitoring and reporting. By virtue of the nature of its operations, the Corporation carries out major projects that can cover a period of several months or even several years. In this regard, we noted that there are key financial reports concerning, for example, the planning of maintenance work, the monitoring of actual versus budgeted results and the monitoring of project costs. We found that the Corporation had access to historical data derived from its financial systems, analysis of these data as well as forecasting information.

60. The Corporation's financial reports provide the information necessary for decision-making. These key reports make it possible to allocate effectively available financial resources, to manage project costs and to conduct detailed monitoring of actual results versus the initial budgetary plan.

61. We also noted that the Corporation had instituted effective controls to ensure the reliability of the information contained in the reports. Indeed, the preparation of these documents is the subject of a rigorous and well-established process.

Performance measurement and reporting

62. Since its establishment in October 1998, the Corporation has established performance objectives at various levels: safety and security, maximization of the useful life of structures, environmental protection and optimal service to users.

Performance measurement should be improved.

63. Performance is managed within the Corporation essentially at the level of each maintenance project, by monitoring the technical quality of the work, budgets and timetables. Although this information makes it possible to determine the corrective measures to be taken in the context of each maintenance project individually and to communicate it to the steering committees and to the Board, this information is not consolidated in order to highlight the Corporation's overall performance.

64. In this regard, the Corporation has no performance indicators which measure the attainment of the objectives presented in its corporate plan. Such indicators, used to measure the operational efficiency and overall performance of the organization, are currently being developed as part of a project for which the Corporation has retained the services of an outside expert. This initiative will allow the Corporation to present in its annual report more information on the attainment of the stated objectives.

Governance

65. Governance means the processes, systems, and structures put in place to monitor the direction and management of an organization so that it can fulfill its mandate and meet its objectives.

66. We found that the Board validates and approves the strategic goals and directions of the Corporation. In particular, it is closely involved in drawing up the corporate plan and in planning structure maintenance programs, including the setting of priorities and budgeting.

Certain governance practices must be improved.

67. Overall, the Board receives the information required to evaluate how management is discharging its management responsibility, including for maintenance programs. For example, during Board meetings, management reports on the status of maintenance work in terms of meeting budgets and timetables. The Board receives financial information on each maintenance project and, occasionally, a statement of revenues and expenses, but we noted that a complete set of financial statements is provided only once a year. We feel that this frequency is inadequate to ensure appropriate financial monitoring.

68. With respect to its ability to contribute to the attainment of the Corporation's objectives, the Board conducted an analysis of its strengths and weaknesses and recognized that the expertise required in the area of accounting and finance should be enhanced. The Board of one subsidiary has already reacted to this situation by recruiting a member who has this expertise. At the parent corporation, there have been calls to increase the number of directors with the aim of supplementing the existing expertise by means of new members. Another subsidiary has drawn up a proposed skills profile that will enable the Board to discharge its responsibilities. The final version of this profile will be completed in the near future and subsequently approved by the Board. In our opinion, it would be advisable to draw up such a profile within each of the entities.

69. The Corporation currently has a very experienced management team. However, structure operation and maintenance activities depend on a few key individuals. The Corporation has taken certain steps to reduce its dependency on these few individuals. For example, it has hired additional staff and assigned responsibilities for bridge operations and for engineering to different individuals. However, we found that the Corporation has no succession plan. In our opinion, a succession planning should be prepared.

70. With respect to reporting, it is our view that improvements could be made to the annual report. This report should present more information on the objectives, the strategies for attaining them, the performance indicators and the main results attained. Finally, the Corporation should describe its approach to governance, as recommended in the guidelines published by the Department of Finance and the Treasury Board Secretariat.

71. Governance mechanisms are provided for in the agreements with TIBA and IBA. However, we noted that the Corporation should formalize its expectations concerning the implementation of these mechanisms by its representatives.

Examination Criteria

Maintenance

Strategic and operational maintenance planning, execution/monitoring and reporting of maintenance ensure that structures are safe and that their useful life is maximized.

Maintenance procedures ensure optimal service to users.

Maintenance programs are adequately defined, performed by competent personnel/contractors and subject to adequate inspection/monitoring procedures to ensure efficiency.

Risk Management

Risk management systems and practices ensure a high level of security and optimal service to users.

Environmental risks are identified and properly managed as part of bridge operations and maintenance activities.

Communications (operations related components)

Communication systems and practices ensure a high level of security and optimal service to users.

Bridge operations

Toll facilities and systems maximize service to users in a cost-effective manner.

Bridge's operations ensure that disruption of services due to accident, weather conditions and operational difficulties is minimized.

Financial management

Financial management systems and practices ensure that financial planning, monitoring and reporting are performed in a way to enable the Corporation to meet its obligations under its mandate.

Strategic planning, performance measurement and reporting

FBCL has appropriate objectives and strategies, that take into account its internal and external environment, to enable the Corporation to fulfill its mandate.

FBCL measures and reports periodically its success in meeting objectives set out in its strategic and operational plans.

Corporate governance

FBCL has governance practices that enable/facilitate the ability of the Board of Directors and senior management to be accountable for the responsibilities that are assigned to them in the *Financial Administration Act* or otherwise.

Expected Corporate Results, Key Risks, Key Systems and Practices

Expected Corporate Results	Key Risks	Key Systems and Practices
<p>Ensure that structures are safe and their useful life is maximized.</p>	<ul style="list-style-type: none"> ✓ Failure to define maintenance programs in an appropriate time within the appropriate scope; ✓ Failure to implement maintenance programs on a timely basis and in a cost-effective manner; ✓ Inadequate planning or response in an emergency situation; ✓ Operating safety and security practices do not address relevant risks. 	<p>Strategic and operational planning of maintenance programs;</p> <p>Execution, monitoring and reporting of maintenance programs;</p> <p>Bridge operations;</p> <p>Contracting;</p> <p>Risk management;</p> <p>Corporate governance;</p> <p>Strategic planning, performance measurement and reporting.</p>
<p>Provide optimal service to users.</p>	<ul style="list-style-type: none"> ✓ Failure to implement maintenance projects with due consideration to impact on users; ✓ Failure to minimize disruption of services due to accident, weather conditions and operational difficulties; ✓ Toll facilities and systems do not maximize service to users. 	<p>Strategic and operational planning of maintenance programs;</p> <p>Execution, monitoring and reporting of maintenance programs;</p> <p>Bridge operations;</p> <p>Contracting;</p> <p>Toll operations (except financial controls);</p> <p>Information technology (related to bridge operations);</p> <p>Communications (operations related components).</p>
<p>International bridges are self sufficient.</p>	<ul style="list-style-type: none"> ✓ Revenues level is lower than budgeted revenues; ✓ Expenditures level is above budgeted expenses. 	<p>Financial management.</p>
<p>Preserving the environment.</p>	<ul style="list-style-type: none"> ✓ Environmental risks are not identified and managed; ✓ Maintenance programs are approved without considering negative environmental consequences. 	<p>Risk management;</p> <p>Strategic and operational planning of maintenance programs;</p> <p>Execution, monitoring and reporting of maintenance programs.</p>