

ANNUAL REPORT 2004 2005

THE FEDERAL BRIDGE CORPORATION LIMITED | THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED | THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD | THE ST. MARY'S RIVER BRIDGE COMPANY



The Federal Bridge
Corporation Limited



La Société des ponts
fédéraux Limitée

Canada

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LETTER TO THE MINISTER

Ottawa, June 30, 2005

The Honourable
Jean Lapierre, P.C., M.P.
Minister of Transport
29th floor
330 Sparks Street
Tower C, Place de Ville
Ottawa, Ontario
K1A 0N5

Dear Minister,

In accordance with the provisions of Section 150 of the *Financial Administration Act*, I am pleased to submit the Annual Report of The Federal Bridge Corporation Limited for the fiscal year ending March 31, 2005.

This Report also contains the financial statements of the Corporation, which have been audited by the Auditor General of Canada. In the interests of economy, this Report also incorporates the Annual Reports of our subsidiary organizations, The Seaway International Bridge Corporation, Ltd., The Jacques Cartier and Champlain Bridges Incorporated, and the St. Mary's River Bridge Company.

Yours truly,

Michel Fournier
President and Chief Executive Officer

Canada

MESSAGE FROM THE PRESIDENT

In 2004-2005, FBCL and its subsidiary operations have continued to take steps forward in fulfilling the key objectives we established in our Corporate Plan. FBCL has been active in supporting Transport Canada in preparing an outline of current and potential policy approaches towards the funding of bridges and all related assets under the control and responsibility of the Minister of Transport. Key strategic policy issues such as funding and governance regimes for bridges and tunnels under the responsibility of Transport Canada-owned are more than ever at the heart of our business and corporate initiatives.

The decisions the government will take in this regard could have a significant impact on the future of the Corporation and the operation of its subsidiaries.

The safety and security of clients using FBCL-managed structures are key priorities. The FBCL Risk Management Committee has identified the major external, environmental, and physical risks to the assets; emergency preparedness plans are reviewed and updated regularly by the operating companies to ensure that the interests of Canada and our clients are adequately protected. Security equipment and enhancements to address security issues are continually reviewed.

Traffic flow and border security are inextricably linked at the international bridges. Close co-operation among FBCL and its subsidiary companies, Transport Canada, the Canada Customs and Revenue Agency, the Canadian Border Service Agency, and provincial and US authorities has become the norm in our quest to meet the imperatives of national security and efficient movement of commercial and passenger traffic through border crossings. A public announcement has been made on a new truck route at Sault Ste. Marie that will be financed by Canada, Ontario, and the City of Sault Ste. Marie, Ontario. A new toll collection system using touch screens and smart card technology (IQ cards) has been put in place and, in 2005, new security equipment and measures will be implemented at the Sault Ste. Marie crossing.

Fibre-optic cable and high-definition cameras with colour monitors have significantly improved pedestrian and motor traffic safety on the Jacques Cartier Bridge in Montréal. As well, some eight kilometres of guardrails were raised to enhance pedestrian safety.

Given the diversity of the assets under FBCL's control, environmental impacts associated with existing and new structures are always a significant factor in the Corporation's operations and plans. The two most pressing issues are the environmental assessment of the proposal to repair the North Channel crossing or to construct a new low-level crossing to link Cornwall-to-Cornwall Island (SIBC) and the control of groundwater migration on properties situated on the former municipal landfill site in Montréal.

A major capital project for the Honoré Mercier Bridge in Montréal is in late planning stages. FBCL expects to be in a position to tender the re-decking of the Honoré Mercier Bridge in 2006.

Among the strategies to manage the impact of growing traffic on our structures are the study of alternate routes and types of transport. Because of its expertise in the transportation sector, FBCL is involved, with a number of federal and provincial agencies, in ongoing studies for a Light Rail Transit (LRT) system to replace the reserved bus lane on the Champlain Bridge, and for the completion of the Autoroute 30 by-pass around the Island of Montréal. Both will have a positive impact on existing FBCL-managed structures by easing traffic flow.

Subsequent to the Special Examination Report from the Auditor General presented to the Board of Directors in 2003, an action plan was prepared in 2004, to address specific recommendations of the Auditor General. This led to the formation of "sector specific" committees reporting directly to the Board of Directors to help FBCL better meet the requirements. The majority of the recommendations have now been addressed to the satisfaction of the Committee and follow-up is ongoing.

In 2004, in its *Review of Corporate Governance Instruments*, a private sector firm noted that FBCL was on the right track and that initiatives taken to date had significantly improved the Corporation's governance practices. The firm also identified additional supporting measures of similar nature to

MESSAGE FROM THE PRESIDENT

further enhance the effectiveness of FBCL's governance. FBCL's governance committee has been mandated to provide oversight for the current implementation of these measures. FBCL is also developing an explicit governance framework to strengthen the relationships between FBCL and its subsidiaries. These multiple initiatives led to the refinement of the FBCL governance framework and the development of effective management and governance instruments.

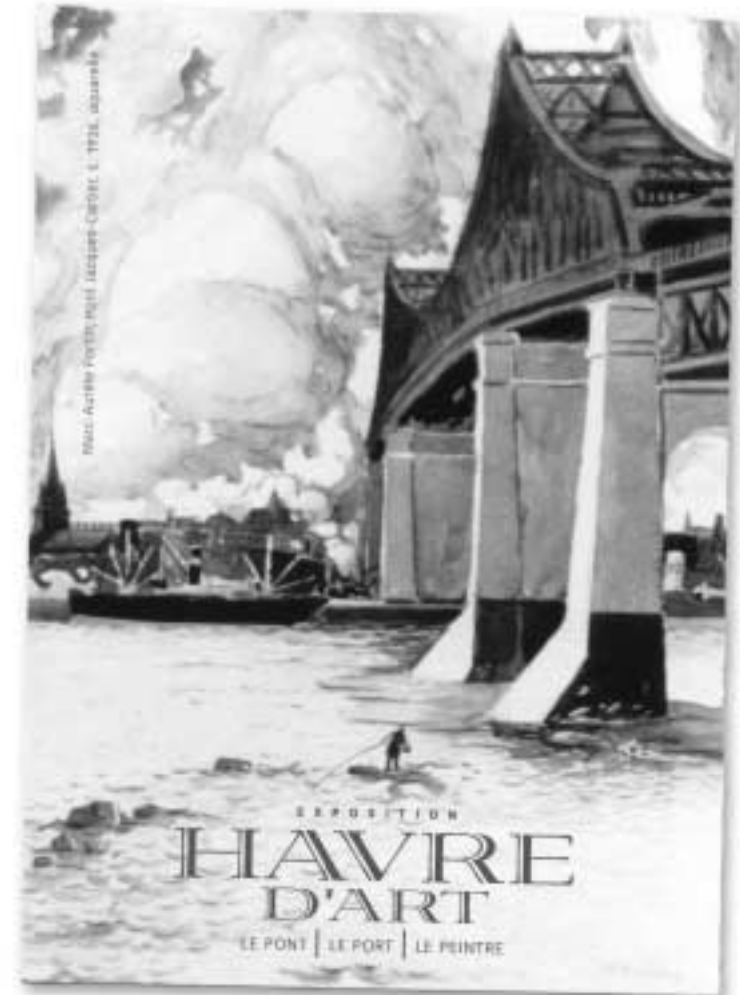
FBCL has earned international recognition for the quality of its work, application of environmental best practices and expertise. We intend to become an essential and value-added partner in the management, construction and operation of bridges and highway infrastructures in Canada.

The 2004-2005 Annual Report is printed in Canada on recycled paper.

Michel Fournier
President and Chief Executive Officer



For the 75th Anniversary of the Jacques Cartier Bridge, the *Musée Marc-Aurèle Fortin* is presenting with the support of FBCL and its partners, a special art exhibit on the Bridge and the Port of Montréal.



MANDATE

The Federal Bridge Corporation Limited (FBCL) was incorporated in 1998 to assume the non-navigational management responsibilities of The St. Lawrence Seaway Authority. FBCL is the parent company managing several assets in Québec and Ontario. FBCL directly controls three subsidiary companies: The Jacques Cartier and Champlain Bridges Incorporated (JCCBI), The Seaway International Bridge Corporation, Ltd (SIBC) and The St. Mary's River Bridge Company (SMRBC). In addition to these responsibilities, FBCL is also accountable for the oversight and management of the Canadian portion of the Thousand Islands Bridge.

In its portfolio, FBCL is responsible for both domestic and international structures. Domestic structures operate through parliamentary appropriations while the international structures are expected to operate on a self-sufficiency basis.

FBCL is not directly involved in the day-to-day operations of these infrastructures but relies on the management teams of its subsidiary operations.

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED (JCCBI) – JCCBI is financed mainly through appropriations, as well as through revenues from other sources such as leases and licenses. JCCBI's main activities fall into two specific sectors, namely Engineering and Construction, Operations, and Maintenance. Administrative departments, such as Legal Affairs, Procurement, Finance and Human Resources, support these sectors.

The Engineering and Construction department manages the activities related to major construction, renovation and repair projects that specifically target the components of civil and road engineering structures, such as piers, beams, decks, steel structures, foundations, pavement and painting.

The Operations and Maintenance department specifically oversees and manages contracts for snow removal, the spreading of abrasives, road cleaning and maintenance, landscaping, replacement of guardrails, sealing cracks and lubricating bearings, maintenance and operation of systems controlling lane signals, surveillance cameras, electrical distribution and road lighting.

The Sûreté du Québec polices the Jacques Cartier and Champlain Bridges, the Bonaventure Expressway and the Champlain Bridge ice control structure (Estacade) under the terms of a contractual agreement.

Since 1982, a reserved bus lane has been operational at rush hours on the Champlain Bridge. A provincial government agency responsible for public transit operates the reserved lane.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD. (SIBC) – SIBC is mandated to be financially self-sufficient through the collection of tolls. Any operating surpluses are returned to the Owners, the Federal Bridge Corporation Limited, and its US partner, the Saint Lawrence Seaway Development Corporation.

The SIBC operates and maintains an international toll bridge on the Highway 138 corridor between Cornwall and New York Highway 37. The crossing comprises two high level bridges that span the north and south branches of the St. Lawrence River, and an inter-connecting road on Cornwall Island. The island forms part of the Akwesasne Mohawk Reservation. Traffic between Canada and the USA on the Seaway International Bridge is primarily local and regional. There are more transits on the Seaway International Bridge than on the international toll crossings at Ogdensburg, the Thousand Islands and Sault Ste. Marie.

1





OPERATIONS	INFASTRUCTURES	CORPORATION	STATUS	MANAGEMENT
Greater Montreal Area	Jacques Cartier Bridge	The Jacques Cartier and Champlain Bridges Incorporated JCCBI <i>Canada Business Corporations Act</i> CBCA	Fully-owned Subsidiary 100% of shares owned by FBCL	JCCBI
	Champlain Bridge			
	Champlain Bridge Ice Control Structure (Estacade)			
	Federal portion of the Honoré Mercier Bridge			
	Bonaventure Expressway			
	Melocheville Tunnel			
Cornwall	Seaway International Bridge	Seaway International Bridge Corporation SIBC – CBCA	Fully-owned Subsidiary 100% of shares owned by FBCL	SIBC on behalf of Canadian and US owners
Sault Ste. Marie	Sault Ste. Marie International Bridge	Saint Mary's River Bridge Company SRBC	Partly-owned Subsidiary 91.3% of shares owned by FBCL	International Bridge Authority
		Parliament Act	Remaining shares belonging to directors and City of Sault Ste. Marie	Joint International Bridge Authority
Thousand Islands	Thousand Islands International Bridge		Not a Subsidiary FBCL administers the Canadian portion of the bridge, based on a mandate awarded by the Government of Canada Operating agreement to TIBA	TIBA (US Corporation) BOARD: 7 directors appointed by Jefferson County of Legislators – 4 US and 3 CDN on recommendation by FBCL

MISSION, VISION, VALUES

OUR MISSION

As an integral component of Canada's economic activity, it is the Federal Bridge Corporation Limited and its subsidiaries' mission to manage, operate and maintain the bridges and highway infrastructure under their jurisdiction so as to provide users with safe, reliable and efficient transit. To meet this goal, the Corporation and its subsidiaries enforce sound management practices and environmentally friendly policies.

OUR VISION

The Federal Bridge Corporation Limited (FBCL) aims at maintaining its recognition as an essential and value-added partner in the management, construction and operation of bridges and highway infrastructures in Canada.

The FBCL will continue its efficient and quality work to reinforce the fact that the Corporation is an essential partner among infrastructure owners in Canada.

OUR VALUES

In order to fulfill the FBCL mission, Corporation management and personnel base their decisions and actions on seven principal values:

- Sound management practices;
- Good planning;
- Strategic alliances and communications;
- Customer satisfaction through efficiencies;
- Safety and security for customers and facilities;
- Preserving the environment;
- Respect and value the contributions of all.

One of FBCL's main challenges is keeping its professionals at the leading edge in terms of expertise and continuing its work to harmonize its human resources policies and programs across the organization. The Corporation's approach to its human resources activities focuses on improved productivity and harmonious relations as a way to promote the development of skills and improve the quality of services offered to its clients.



1 For its 75th anniversary, banners have been installed on the Jacques Cartier Bridge

2 View of the Jacques Cartier Bridge cycling path and of the new anti-suicide barrier



DAILY TRAFFIC ON THE JACQUES CARTIER BRIDGE



OPERATIONAL REVIEW

The Federal Bridge Corporation Limited (FBCL) and its subsidiary companies are together responsible for the management and maintenance of three international bridge crossings in Ontario and five domestic infrastructures in the Greater Montreal area. Our 2004-2005 activities involved major and ongoing maintenance projects, management improvement initiatives, and forward planning. Over 145.2* million vehicle transits were recorded this year on our structures in Montréal, Sault Ste. Marie, Cornwall and the Thousand Islands. Our international bridges play an essential role in the movement of

people and goods between Canada and the U.S. The role and contribution of our infrastructure to the North American economy and on commercial and commuter transportation is significant.

Bridges, roads and tunnels are an integral component of people's daily lives: commuters, tourists, travellers and pedestrians alike use them on a regular basis. Yet, there is little awareness as to the crucial role they play in our international trade, economy, and emergency systems, as well as the security of the nation.

Our activities include both major and ongoing bridge maintenance, management improvement, and a wide range of forward planning initiatives. FBCL operates in a dynamic and complex environment, where economic conditions, security concerns, environmental factors, and the requirements of government have a significant impact on plans and operations. The Corporation's management and personnel fulfill the FBCL mission through decisions and actions based on our core values: good planning and sound management practices; development of key strategic alliances; timely and effective communications; achievement of customer satisfaction through efficiency, safety, and security; and application of environmental best practices.

* See table and sources on page 11

NUMBER OF EMPLOYEES INVOLVED IN THE MANAGEMENT AND OPERATION OF ALL ASSETS UNDER FBCL

(as of March 31, 2005)

	FBCL OTTAWA	JCCBI LONGUEUIL	SIBC CORNWALL	TIBA THOUSAND ISLANDS	JIBA SAULT STE. MARIE
Full-time	11	44	21	43	34
Seasonal ¹	1	2	14	29	12
Students	1	2	7	n/a	1
FTE (contracts) ²	1	245	2	11 ³	n/a
FTE (special projects)	n/a	n/a	n/a	2	n/a

¹ Includes part-time and students

² Full-time equivalents for contracts to private sector

³ Part-time

OVERVIEW OF THE 2004-2005 FISCAL YEAR

(thousands of dollars)

	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005
Revenues	10,299	12,091	13,219	13,075	12,538
Expenses	38,497	41,857	33,805	46,309	41,386
Portion of expenses covered by revenue	26.8%	28.9%	39.1%	28.2%	30.3%
Parliamentary credit for operating expenses	27,966	26,726	23,345	30,622	25,944
Capital asset acquisitions	6,612	68,347	61,646	3,247	9,140
Amortization of capital assets	3,249	3,658	4,122	5,843	6,002

REVENUE ANALYSIS

The principal sources of revenue are tolls, income from advertising, revenues from leases and licences and the operating revenues from the Thousand Islands International Bridge.

Revenues from tolls have increased by 3% this year when compared to the same period last year. This increase is attributable to the gain in the Canadian dollar conversion. Leases and permits have kept up with inflation. The operating income from the Thousand Islands Bridge is down by 19% from last year due mainly to higher operating costs. The decrease in interest income is a consequence of lower rates and money available.

The FBCL plans to optimize the revenue earned from its structures.

Since the toll bridge must be self-financing, it is crucial that it earns sufficient revenue to cover expenses, including capital asset expenses. In this respect, the following factors exert a significant amount of pressure on the generation of revenue:

- The fact that 66% of the bridge users of the Seaway International bridge do not pay tolls because a government decision at the time of the construction of the bridge exempted residents of Akwesasne from the payment of bridge tolls;
- The increase in customs controls following the events of September 11, 2001;

■ 95% of the traffic using the Sault Ste. Marie International Bridge is not commercial traffic, but rather optional trips, causing prices to be very elastic.

The Sault Ste. Marie International Bridge has experienced declining traffic in the past several years; although commercial traffic is staying fairly stable, it represents only 5% of the total traffic. Scenarios are being developed to identify appropriate toll adjustments and/or capital project deferrals needed to achieve self-sufficiency.

OPERATIONAL REVIEW

PARTNERSHIPS

The FBCL has developed a strong network with colleagues in the Federal Government as well as with American stakeholders (Michigan Department of Transportation, State Legislature, New York State Department of Transportation etc...). Given the nature of the assets under its authority, FBCL has developed partnerships that had to go beyond these two types of stakeholders. For example, FBCL has been successful in engaging relationships with other critical players such as provincial, municipal and aboriginal authorities.

LONGUEUIL – JCCBI is working with the City of Montréal and the federal and provincial environment ministries towards technical solutions to the environmental issues relating to the properties situated on the former municipal landfill site in Montréal.

JCCBI collaborates with the Ministère des Transports du Québec and the Mohawk Council of Kahnawake to ensure efficient work coordination and to take into consideration economic, social and environmental factors in the planning of the Honoré Mercier Bridge deck replacement project.

FBCL is involved in discussions with provincial and federal authorities responsible for the completion of the Autoroute 30 bypass in Montréal.

FBCL is represented on a Joint Steering Committee with representatives from the Canadian and Québec governments to investigate the feasibility for a Light Rail Transit system on the Champlain Bridge Ice Control Structure between Montréal and the South Shore.

JCCBI has a long-term agreement with the Sûreté du Québec (SQ) for patrolling its Montréal road network. SQ also monitors all surveillance cameras and provides the public with real time information, using the FBCL variable message signs.

FBCL and JCCBI have formed a partner roundtable including Canada Post, Celebrations Canada and *Le Musée Marc-Aurèle Fortin* to oversee a series of initiatives to mark the 75th anniversary of the Jacques Cartier Bridge in 2005.

JCCBI collaborates with the Société du Havre de Montréal, whose mandate is to submit a strategic development plan for the Montréal harbour area properties, including improving public access to the St. Lawrence River.

CORNWALL, THOUSAND ISLANDS AND SAULT STE. MARIE – In Cornwall, SIBC has formed a Management Committee (a committee of its Board of Directors composed of Canadian directors U.S. directors representing the Saint Lawrence Seaway Development Corporation) whose role is to support The Seaway International Bridge Corporation, Ltd. in fulfilling its mandate.

Short and long-term requirements of the Thousand Islands Bridge and the Seaway International Bridge are being identified through a binational study involving the New York State Department of Transportation, Transport Canada, the Ontario Ministry of Transportation, FBCL, TIBA and SIBC. This study involves the forecasting of traffic demands and an assessment of the infrastructure and operational improvements needed to accommodate the forecasted demand. The report examines options for short and long-term improvements that will feed directly into the planning process at each crossing.

As recommended in the special examination of the Auditor General of Canada, FBCL has established a special committee to provide additional managerial oversight of the TIBA activities over the Canadian portion of the Thousand Islands Bridge. Participants in the Committee are the three Canadian directors of TIBA as well as representatives from FBCL.

At the Thousand Islands Bridge, FBCL and TIBA have been involved with CBSA and PCO representative in assessing the benefits associated with the development of joint Canada and US customs and immigration facility on the US side of the border. Thousand Island bridge has been selected as a prime candidate for the second pilot into joint facilities. The Peace Bridge was selected for the first pilot project and is in the early stage of implementation.

Also at the Thousand Island Bridge the planning for the implementation for a Trade corridor strategy has been completed. The planning involved many structures and will be known as the "Capital Corridor" connecting the two nation's capital.

At Sault Ste. Marie an announcement has been made on a new commercial access road to the international bridge. The funding of this \$17 million project will

come from the federal, provincial and municipal Governments. It will be fully integrated into the new Customs facility that is in the master planning stage.

The Intergovernmental Agreement that was signed by the Michigan Department of Transportation (MDOT) and the Saint Mary's River Bridge Company

is undergoing a review by TC, FBCL, and MDOT to address problems that have been identified over the past three years.

As an essential player in bridge management, the FBCL and its subsidiaries are constantly consolidating existing partnerships and remain alert to new opportunities for cooperation.

VEHICLE TRANSITS STRUCTURES

	2004-2005
Champlain Bridge	56,000,000 ¹
Bonaventure Expressway	15,968,000 ³
Jacques Cartier Bridge	34,000,000 ¹
Melocheville Tunnel	4,386,000 ²
Honoré Mercier Bridge	28,343,000 ²
Seaway International Bridge	2,542,531 ⁴
Thousand Islands International Bridge	2,114,193 ⁵
Sault Ste. Marie International Bridge	1,863,476 ⁶
Total	145,217,200

¹ 2004 Traffic Counts and *Étude des ponts de la Rive-Sud – Solutions globales: transport de personnes et de marchandises*, by Roche-Deluc, August 2000

² *Étude des ponts de la Rive-Sud – Solutions globales: transport de personnes et de marchandises*, by Roche-Deluc, August 2000

³ Estimate based on Champlain Bridge traffic

⁴ Traffic counts – Seaway International Bridge Corporation, Ltd

⁵ Traffic counts – Thousand Islands Bridge Authority

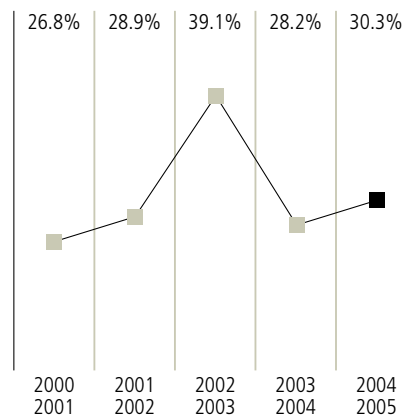
⁶ Joint International Bridge Authority – Final Audit Report for the International Bridge / Basic Financial Statements

OPERATIONAL REVIEW

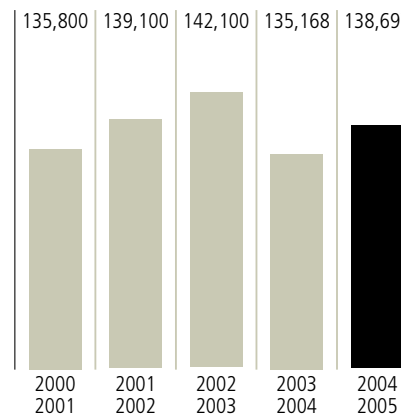
HIGHLIGHTS

The structures under the jurisdiction of FBCL play a decisive role in the regional and provincial economy, as well as for international trade. Together, they handled more than 145 million vehicle transits in 2004-2005.

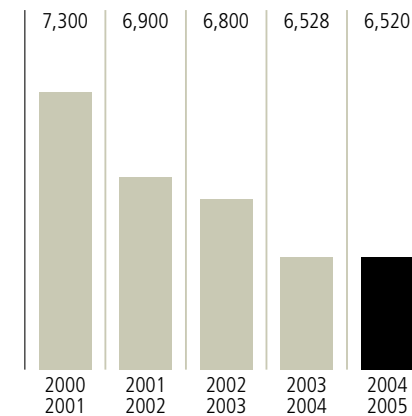
PORTION OF EXPENSES COVERED BY REVENUE FOR ALL OF OUR STRUCTURES
(in percentage)



NUMBER OF TRANSITS INFRASTRUCTURES IN THE MONTRÉAL AREA¹
(thousands)



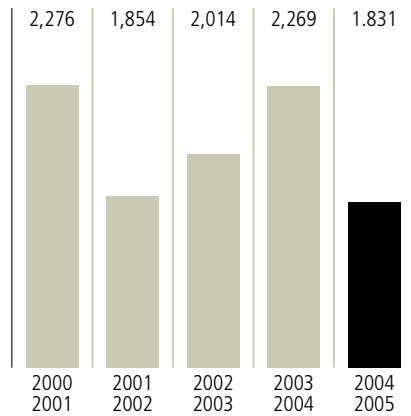
NUMBER OF TRANSITS INTERNATIONAL BRIDGES²
(thousands)



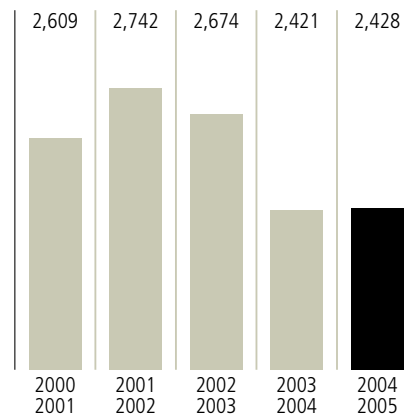
¹ 2004 Traffic Counts and
Étude des ponts de la Rive-Sud – Solutions globales: transport de personnes et de marchandises, by Roche-Deluc, August 2000

² Sources:
– Traffic counts, Thousand Islands Bridge Authority
– Traffic counts, Seaway International Bridge Corporation, Ltd, Joint International Bridge Authority
– Final Audit Report for the International Bridge, Basic Financial Statements

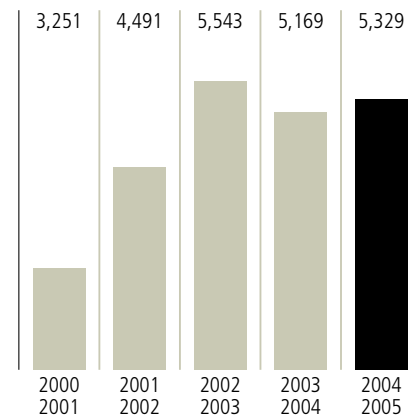
OPERATING REVENUE FROM THE THOUSAND ISLANDS INTERNATIONAL BRIDGE
(thousands of dollars)



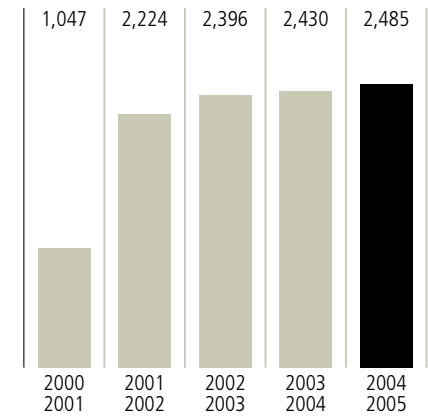
LEASES AND LICENSES
(thousands of dollars)



TOLLS
(thousands of dollars)



ADVERTISING REVENUE
(thousands of dollars)



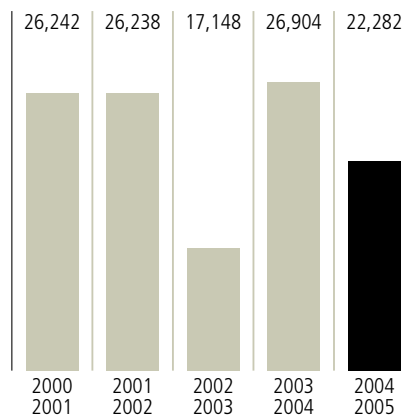
Revenue from tolls have increased by 3% when compared to last year. This increase is attributable to the gain on the Canadian dollar conversion. Nevertheless, more than 60% of users – members of the Mohawk community and those providing services to it – are exempt from tolls.

Revenue generated by advertising continue to be an major source of revenue for the Corporation. The amount of \$2.5 million for the year represents almost 20% of all revenues.

OPERATIONAL REVIEW

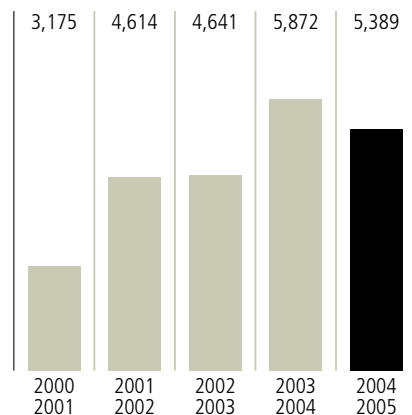
HIGHLIGHTS (CONT'D)

MAINTENANCE
(thousands of dollars)



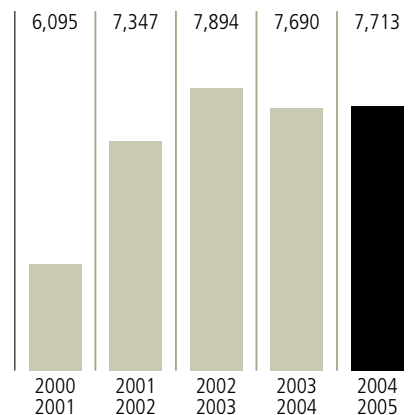
Maintenance costs have decrease by \$4.6 million from last year. This decrease can be attributed to an reduction in the number of projects incurred for the bridges in the Montréal area, where maintenance costs were \$4.3 million less than the previous year. The maintenance costs should remain high considering the age of the structures, the fact that they are over-used with respect to forecasts made when they were built and the use of corrosive abrasives in the winter.

OPERATIONS
(thousands of dollars)



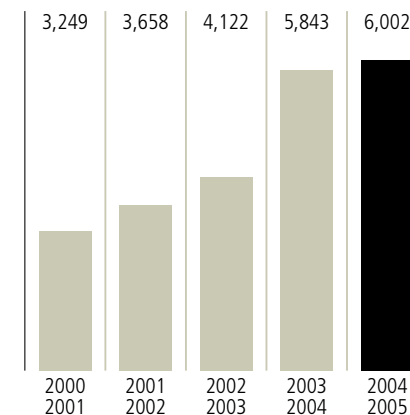
Operating costs concern the structures in the Montréal area and the toll collection at international bridges. In Montréal a contract worth \$3.1 million annually is signed with the Sûreté du Québec for police surveillance of the bridges.

ADMINISTRATION COSTS
(thousands of dollars)



Administration costs have have been stable since the integration of the last subsidiary, which was acquired in October 2000. The FBCL plans to continue to control its overhead.

AMORTIZATION
(thousands of dollars)



The small increase in amortization costs can be attributed to the normal acquisition of capital assets necessary to maintain our structures in good condition.



CORPORATE PERFORMANCE AGAINST OBJECTIVES

THE EAST SIDE OF THE CHAMPLAIN BRIDGE, IN MONTRÉAL

CORPORATE PERFORMANCE AGAINST OBJECTIVES

As a Crown corporation, the Federal Bridge Corporation has to comply to the *Financial Administration Act* and the Treasury Board Secretariat guidelines in the preparation of its consolidated corporate plans and annual reports. Objectives identified in the 2004-2005 FBCL (and subsidiary) Corporate Plan and performance results are summarized below.

CONTINUE TO IMPROVE MANAGEMENT AND OPERATIONAL ISSUES AT FBCL AND ITS SUBSIDIARIES – With significant progress made in this area over the past few years, FBCL remained committed to continue improvement in its management and operations.

FBCL is developing a business enterprise model across the Corporation, to strengthen its corporate support, functions and processes.

A study prepared in 2004 by a private firm, entitled *Review of Corporate Governance Instruments*, highlighted that FBCL is on the right track and that initiatives taken to date have significantly improved the corporation's governance practices. Additional supporting measures of similar nature have been identified to further enhance the effectiveness of FBCL's governance.

A governance committee has been mandated to provide oversight for the current implementation of these measures. FBCL is developing an explicit governance framework to strengthen the relationships between FBCL and its subsidiaries.

A policy on Performance Management has been developed by the FBCL Human Resources in 2004. This plan will soon be approved and implemented by the Board of Directors. The policy applies to all FBCL employees and clearly links employee performance objectives to corporate goals and business plans.

FBCL is working very closely with Transport Canada to quickly and efficiently respond to Government requests on financial and governance related issues.

Through its representation on the various boards, FBCL ensures proper action is taken with regards to all management and operation activities, so that the interests of the Government of Canada are adequately protected.

ADDRESS OUTSTANDING FINANCIAL ISSUES – Financial forecast have identified problems in meeting requirement for funding capital project at the SIBC and SSM under current operating arrangements.

FBCL in conjunction with TC retained the services of KPMG to identify options for the future and prepare recommendations on future course of act of SIBC and SSM. The study looking into toll rates, revenue generation opportunities, cost reductions and policy changes. These studies have been completed and tabled with FBCL and TC for future considerations.

IMPLEMENT THE SAFETY AND SECURITY INITIATIVES

POLICY – A long-term security assessment of the Sault Ste. Marie International Bridge was initiated in 2002 by the Management that oversees FBCL interests in the Sault Ste. Marie Bridge. The assessment will result in the installation in 2005 of security equipment and enhancements to address issues of national security.

Video surveillance cameras were installed to further protect vulnerable components of the south channel span of the Seaway International Bridge.

IMPLEMENT THE ENVIRONMENTAL POLICY UNIFORMLY – An FBCL committee meets quarterly to ensure that its environment policy is being applied.

FBCL has produced a contaminated sites registry for all of its properties including those of its subsidiaries and the Canadian properties managed by partner corporations such as TIBA and SSM.

The committee deals with a large range of issues such as environmental audits, environmental management of road salts, sewage treatment plants and holding tanks, petroleum products storage tank systems, to name but a few.

SIBC completed the environmental assessment to repair the existing North Channel Bridge high-level span or construct a new low-level bridge as a replacement solution.

FURTHER ENHANCE BUSINESS EXPANSION OPPORTUNITIES

ACROSS THE ORGANIZATION – Opportunities to increase market share and revenue at existing facilities and assume responsibilities at other Federal Infrastructures is ongoing.

FBCL is involved in discussions on the development of a Trade Corridor Strategy for implementation between Ottawa and Washington.

FBCL has maintained its support to explore a Light Rail Transit feasibility in Montréal.

RAISING OF THE GUARDRAILS ON THE JACQUES CARTIER

BRIDGE TO DISSUADE SUICIDE ATTEMPTS – The raising of some 8 km of guardrails on the bridge was completed in 2004-05.

This solution proved to be cost effective representing economies of several million dollars as compared to installing a new anti-suicide barrier.

TO REPLACE THE DECK OF THE HONORÉ MERCIER BRIDGE – Feasibility studies for the project have been completed.

Engineering and project planning were initiated. JCCBI plans to have the work undertaken in 2007 and 2008.

IMPROVE SERVICE TO USERS OF THE STRUCTURES BY MINIMIZING TRAFFIC-FLOW DISRUPTIONS RESULTING FROM MAJOR AND REGULAR MAINTENANCE ACTIVITIES – The

installation of the anti-suicide barrier has decreased the number of closures of the Jacques Cartier Bridge resulting from suicide attempts. Most of these closures had a sizeable negative impact on all bridges and tunnel between the Island of Montréal and the South Shore.



JCCBI PERFORMANCE AGAINST OBJECTIVES

Priority is given to user interests in the planning process and when projects are undertaken.

Intelligent Transportation System equipment is in place to provide real time messages related to congestion, construction and safety.

Plan and coordinate major and regular maintenance work respecting traffic-flow constraints and optimize measures taken to mitigate the impact on traffic flow.

Maintain JCCBI structures to recognized standards that reflect high levels of safety.

1 Bust of Jacques Cartier located on the bridge and which was presented by France in 1934, to commemorate the 400th anniversary of the discovery of Canada

JCCBI PERFORMANCE AGAINST OBJECTIVES (CONT'D)

BUILD PUBLIC AWARENESS OF JCCBI – Ongoing communication activities are organized to provide corporate visibility and to stage the 75th anniversary of the Jacques Cartier Bridge.

JCCBI staff are active participants in a large number of business, professional, public and private committees and organizations (*Réseau Informations Circulation* in Montréal, the Canadian Civil Engineering Society, etc.) linked directly with the nature of its business.

Over the last two to three years, JCCBI has built a solid reputation with local, provincial and national media. Major maintenance projects such as the upcoming deck replacement of the Honoré Mercier Bridge in Montréal will benefit from this relationship.

JCCBI and FBCL are assisting in organizing the 2006 *International Conference on Short and Medium Span Bridges* scheduled in Montréal in August 2006 (www.bridgeconference2006.com) in collaboration with the Canadian Society for Civil Engineering (CSCE).

Ongoing pro-active communication interactions with the public and the media are playing a key role in clarifying JCCBI corporate identity concerns raised in the 2004-2005 Corporate Plan.

CONTINUE IMPROVEMENTS TO PRODUCTIVITY AT JCCBI – JCCBI ensures appropriate and efficient human resources services are in place.

The organizational structure of the Engineering and Construction Service has been modified to re-integrate the construction management function. This initiative provides better control over projects by JCCBI personnel and ensures retention of acquired expertise in construction management, human resources and improvements in effectiveness of project management.

A new three year collective Agreement with the Canadian Union of Public Employees (CUPE) was concluded. Contract tendering is planned during winter months when bridge and road construction work is at a low level often resulting in a better competitive environment.

Issuing of tenders are managed to ensure efficient timeliness and take advantage of best pricing opportunities in a competitive construction sector.

ENVIRONMENT – JCCBI has undertaken a feasibility study to determine cost effective solutions to contain the migration of contaminated groundwater from properties situated on a former landfill site, along the Bonaventure Expressway in Montréal.



- 1 Men at work on the top of Jacques Cartier Bridge
- 2 Three photographs of men at work on Champlain Bridge
- 3 Sandblasting on the structure of Champlain Bridge

SIBC PERFORMANCE AGAINST OBJECTIVES

FINANCIAL SELF-SUFFICIENCY – Treasury Board directives require all international toll bridges to be self-sufficient.

Due to an imbalance between the required infrastructure investments and the Corporation's ability to generate funds (free transits to the Mohawk community represent 66% of the total bridge transits), Transport Canada and the Federal Bridge Corporation commissioned a KPMG study to analyze the situation and to make recommendations.

SIBC management has reviewed the *Self-Sustainability Study* and is in general agreement with its recommendations.

RISK MANAGEMENT – A risk management committee was formed, risks identified, and management strategies implemented. Three of the key risk areas were:

- liabilities incurred while doing work for third parties – contract terms were revised and Indemnification for liability was obtained;
- employee health and safety – a workplace health and safety manual was prepared;
- revenue loss – audit process was reviewed.

CUSTOMER SATISFACTION – Customers are clearly segmented and receiving quality services and value.

PROCESS – SIBC is organized and managed around its core processes.

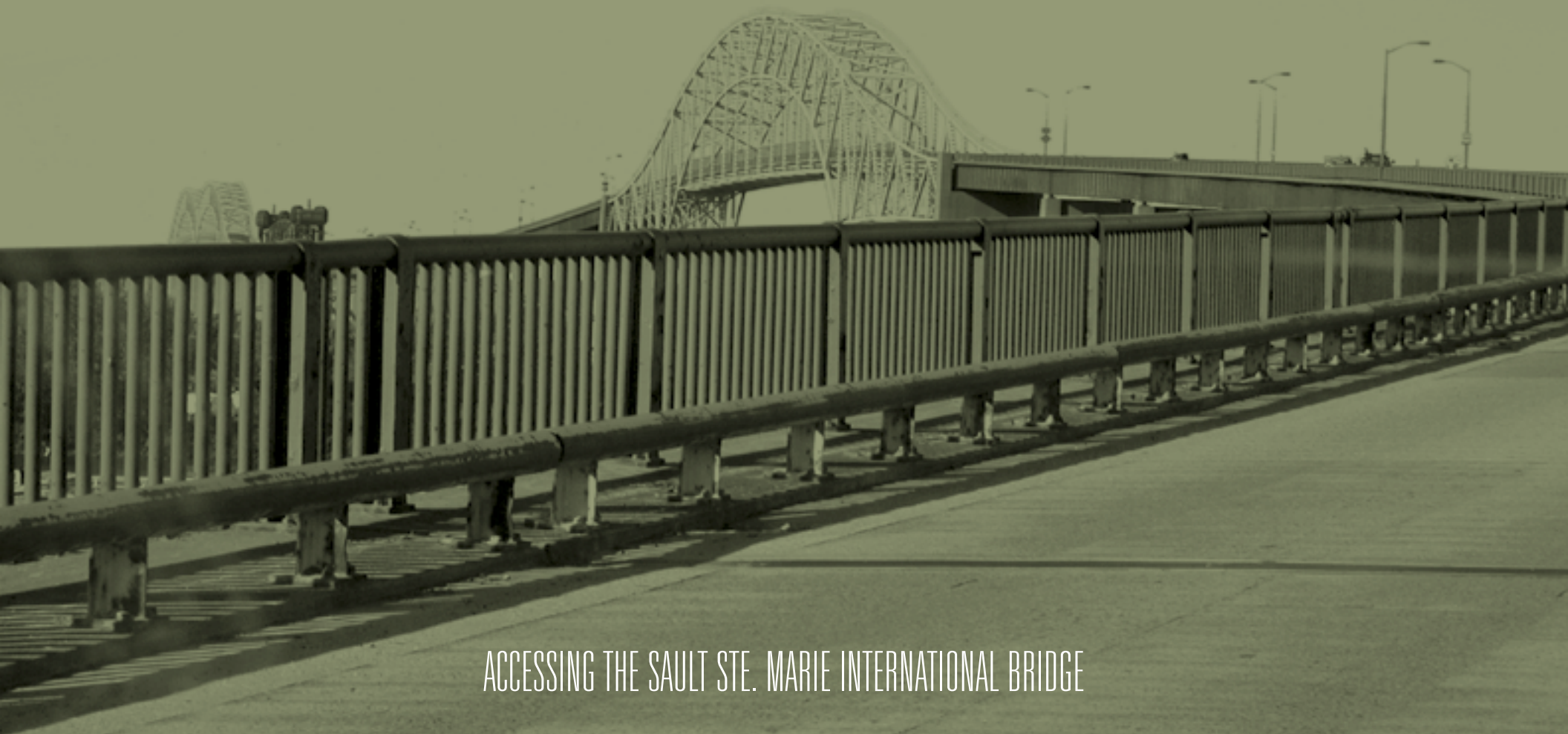
HUMAN RESOURCES – The Corporation's small size and modest revenues place severe operating constraints on management. SIBC has adapted to these conditions by running a lean and efficient operation, as recognized in the benchmark comparisons with other crossing operators in a KPMG report (toll collection and maintenance costs is lower than the other international crossings, and second lowest in administration costs).

SIBC is fortunate to receive services and support from FBCL. For example, significant savings are achieved through the pooling of insurance and employee benefits. Another strategy is the use of contracted expertise such as electrical services, accounting and occupational health and safety support.

Corporate reorganization was completed with the merging of the Operations and the Finance and Administration manager positions. This has simplified communications and coordination of administrative functions.



MANAGEMENT DISCUSSION AND ANALYSIS FACTORS AND CHALLENGES THAT HAVE AN IMPACT ON OPERATIONS



ACCESSING THE SAULT STE. MARIE INTERNATIONAL BRIDGE

MANAGEMENT DISCUSSION AND ANALYSIS

1. ECONOMIC CONDITIONS

CORPORATE – FBCL operates in a dynamic and complex environment, where economic conditions, security concerns, environmental factors, and the requirements of government have a significant impact on the Corporation’s plans and operations.

DOMESTIC STRUCTURES – There are a number of economic factors that create significant challenges for FBCL’s operations. An extreme example of this is the impact of free trade on the traffic conditions on the Montréal bridges. The Champlain Bridge alone has experienced a doubling of truck traffic tied to international commerce as a result of NAFTA, between 1993 and 2002, and has accommodated 4.5 million trucks in 2003.

Construction costs – JCCBI foresees continued increases in costs beyond the annual rate of inflation, due to the heavy demand on construction labour and materials in the Montréal region. Competition for qualified contractors remains intense and will influence bid prices.

Aging of the structures and increasing activities at JCCBI – Most of the bridge and roadway structures in the Montréal region are approaching 45 years in age with the exception of the Jacques Cartier Bridge, which is 75 years of age. The aging structures continue to degrade exponentially from heavy traffic volumes, especially trucks, and from the corrosion

effects of road salt. In addition, the importance that JCCBI attributes to providing quality service to its users, together with new challenges with the upcoming re-decking projects and environmental control measures, require that JCCBI maintain a competent workforce.

INTERNATIONAL STRUCTURES – One of the major determinants of truck traffic volumes at the Canada/US border is the dollar value of trade between the two countries. Exports from Canada to the US increased from \$270 billion in 1998 to \$345 billion in 2002, which represents 87% of the total exports from Canada to all countries. However, it should be noted that the distribution of the exports has changed significantly. Over the past five years, exports from Ontario to New York State declined by 34% while exports to California increased by 41%. The economic slowdown in New York State coupled with the redistribution of Ontario/US trade has affected truck traffic at FBCL’s international bridges.

Moreover, the delays at international bridges caused by more intense screening by customs and immigration officials have affected discretionary travel for tourism, shopping and other activities. Over the past year, traffic at the Sault Ste. Marie International Bridge has declined by over 10% and at the Thousand Islands Bridge by 5%. Only at the Seaway International Bridge was there an increase of 2% in traffic, however, this increase was the result of a growth in travel by native groups that use free transits passes.

At the same time, rising petroleum prices and other infrastructure challenges make the smooth and timely transit across major bridges even more important.

2. SECURITY FACTORS

In light of the events of the past few years and the much greater focus on security issues, particularly at international crossings, all bridges and related assets have had to enhance security measures, as well as monitoring and reporting. For the FBCL, the safety and security of the people using its structures are key priorities. The FBCL Risk Management Committee has identified the major risks to the operation of its assets (i.e. terrorism and ensuring necessary financial resources to meet medium and long-term maintenance and operational needs). Emergency preparedness plans are reviewed and updated regularly by the subsidiaries.

Through its representation on the boards of its subsidiaries, FBCL ensures proper action is taken concerning risk assessment, terrorism and environmental matters so that the interests of Canada are adequately protected.

SIBC management is actively attempting to engage local law-enforcement agencies to reduce the number of toll evasions and “no bridge-pass” transits through the toll plaza.

MANAGEMENT DISCUSSION AND ANALYSIS

3. ENVIRONMENTAL FACTORS

CORPORATE – Given the magnitude of the assets under FBCL’s control, environmental impacts associated with existing and new structures are always a significant factor in the Corporation’s operations and plans.

To address environmental issues, FBCL has formed a committee that meets quarterly to ensure that its environment policy is being applied. The Corporation has produced a contaminated sites registry for all of its properties including those of its subsidiaries and the Canadian properties managed by partner corporations such as TIBA and SSM.

The committee has studied all federal environmental legislation and will now focus on the explicit implementation of federal environmental regulations.

DOMESTIC STRUCTURES – The most pressing environmental issue facing JCCBI relates to its properties situated in Montréal, on a former landfill site. In 2004-2005, JCCBI, in collaboration with Environment Canada, undertook further investigations and testing into the toxicity of the groundwater of properties managed by JCCBI since 1978, adjacent to the St. Lawrence River and situated on a portion of a former waste fill site operated by the City of Montréal from 1866 to 1966. This old landfill site covers several properties belonging to various owners, including the City of Montréal, the Government of Québec, and C.N. The results of the preliminary environmental investigation undertaken by JCCBI conclude to the potential toxicity of the groundwater on the aquatic species analysed, which groundwater migrates into the St. Lawrence River.

A disturbing issue is the resurgence of visible hydrocarbons in the St. Lawrence River, adjacent to the Bonaventure Expressway. In collaboration with Environment Canada, Environnement Québec and the City of Montréal, JCCBI has undertaken a feasibility study into methods to contain the groundwater migrating from the landfill site.

INTERNATIONAL STRUCTURES – FBCL is managing risks over the deterioration of the North Channel span of the Seaway International Bridge in Cornwall, by intensively inspecting the underside of the bridge deck each year to remove any loose or spalled concrete and by performing localized repairs to the top surface. In 2004, several test sections of screening were installed to collect any loose concrete from the underside of the deck.

The Federal Bridge Corporation has been funding the environmental assessment (EA) for the repair or replacement of the North Channel bridge in Cornwall. The EA process has taken over two years to complete in compliance with federal, provincial and Mohawk requirements. The EA recommends the construction of a new low-level bridge.

As a standard practice in 2003, SIBC fully enclosed the South Channel bridge cable bent towers for sandblasting work zones, collected dust and sandblast material, monitored lead levels in the air and properly disposed of all materials. In addition, the effectiveness of the Corporation’s sewage treatment facilities was monitored, sources of groundwater infiltration were identified, and construction specifications for sewer line repairs were prepared.

4. GOVERNMENT REQUIREMENTS

CORPORATE – As a Crown corporation, FBCL has a responsibility to provide additional support to the Government of Canada where requested. Given the Corporation's extensive capabilities and proven record of expertise in its field, this can create opportunities for FBCL to contribute in varied ways. Overall government expectations in terms of self-sufficiency and governance will put pressure on Crown Corporations such as FBCL. The Corporation is addressing these requirements by creating the proper financial and governance mechanisms.

Customs and Immigration facilities will require improvement or replacement at all three international bridges FBCL has a responsibility for.

At SSM the master plan for the Canadian Customs plaza is under development with a planned implementation date of October 2009.

At SIBC, a statement of requirements has been received from the Canadian Border Services Agency (CBSA) with the next step being to turn the statement of requirements into a design concept.

Similarity at TIBA, the statement of requirements have been received. The future requirement will be incorporated into the current proposal for a joint CAN/US customs facilities that is under active considerations.

At all three locations, the funding of the Canadian Border Services Agency facilities will be a major challenge for FBCL to deal with. At SSM the situation is aggravated by the current MDOT/CAN Intergovernmental Agreement which calls for a partial payment to be made to MDOT which in effect, doubles the cost of the CBSA facilities. This requirement is under review by TC, FBCL and MDOT.

These issues and others will continue to be a factor in FBCL activities and represent opportunities to develop business expansion initiatives for the Corporation.

Over the past year, FBCL has been asked to play a role as one of three federal representatives on the Steering Committee managing the expansion of Autoroute 30 around Montréal. The role played by that committee is of counsel and value-added.

GOING FORWARD

THE HONORÉ MERCIER BRIDGE



PROJECT TO REPLACE THE DECK OF THE HONORÉ MERCIER BRIDGE IN MONTRÉAL – JCCBI will be seeking approval from Treasury Board for the project to replace the existing deteriorated concrete deck of the Honoré Mercier Bridge that spans the St. Lawrence River and the St. Lawrence Seaway, linking the South Shore community at Kahnawake with the Island of Montréal.

The 1.4 km long federally-owned section of the bridge was built in 1959 by The St. Lawrence Seaway Authority (SLSA) and maintained by the SLSA until 1998 when the management of the bridge was transferred to JCCBI.

The experience acquired through the Jacques Cartier Bridge deck replacement project will be beneficial in planning and executing this important project. At this time, JCCBI is planning a hybrid solution of cast-in-place concrete for the three approach ramps and prefabricated high-performance concrete deck

panels on the remaining of the bridge. The latter is a technology that was successfully used on the Jacques Cartier Bridge, to minimize traffic disruptions. Such panels would be installed at night.

The replacement of the deck on the Honoré Mercier Bridge will be accomplished in collaboration with the MTQ. The raised part of the bridge, passing over the St. Lawrence Seaway, which is under federal jurisdiction, represents about one-half of the total length of the bridge, with the other half being under provincial jurisdiction. As well, MTQ is responsible for the traffic management on the entire bridge. As a result, a re-decking of such importance – as much for the scope of the work, the costs, and the impact on traffic – must be planned and coordinated closely with the MTQ.

JCCBI plans to structure the project to maximize the involvement of the local Mohawk labour force into the project.

PROJECTS THAT REQUIRE GOVERNMENT FUNDING AT SIBC – With free transits to the Mohawk community representing 66%, SIBC does not generate sufficient toll revenues to provide the owners (FBCL and SLSDC) with the money required to fund the major capital expenditures that will be needed to ensure efficient operation of the crossing.

SIBC is seeking approval from Treasury Board to replace the existing North Channel Bridge with a new low-level bridge.

A binational study funded by FBCL and Transport Canada identified several other projects that are necessary for the effective operation of the crossing. These projects also address some of the problems identified by the Mohawks of Akwesasne such as the traffic congestion on Cornwall Island resulting from the location of the toll plaza. These projects are in the early planning stages and discussions are underway with Transport Canada and the Mohawks of Akwesasne.



1 Police control on Jacques Cartier Bridge



2

2 Traffic on Jacques Cartier Bridge

GOING FORWARD

LIGHT RAIL TRANSIT SYSTEM – FBCL is represented on a joint Canada-Québec Steering Committee studying the feasibility of operating a Light Rail Transit system in the Montréal region. The partnership between the governments of Québec and Canada seeks to explore the feasibility to develop a public transit system that would link the South Shore to downtown generally by way of Highway 10 – the Estacade Bridge and the Bonaventure Expressway. Such a project would result in abolishing the present reserved bus lane on Champlain Bridge thus freeing up one lane of traffic for users on the Champlain Bridge.

In 2005, decisions will need to be taken regarding whether the project should now proceed to the environmental hearings stage.

SOCIÉTÉ DU HAVRE DE MONTRÉAL – The Société du Havre de Montréal (SHM) was established on October 3, 2002 to propose a strategic development plan for the Montréal Harbour area (lands adjacent to the banks of the St. Lawrence River) that would offer greater public access to the river, create an international tourism destination, and improve accessibility to the harbour. The SHM's report was tabled in the spring of 2004. This plan envisages the relocation of the Bonaventure Expressway onto properties not under JCCBI's jurisdiction.

The SHM is undertaking a feasibility study regarding the said relocation. JCCBI is administering the contract on behalf of SHM.

DEVELOPMENT PLAN BY THE CITY OF MONTRÉAL FOR THE NORTHERN POINT OF NUNS' ISLAND – The City of Montréal plans to undertake urban development of the lands situated on the north side of the Champlain Bridge on Nuns' Island. The planned development will have a significant impact on the network of roads and on certain structures situated on Nuns' Island under JCCBI's care, management and control. JCCBI is collaborating with the City on implementation of this development.



1 Melocheville Tunnel

THOUSAND ISLANDS BRIDGE – In 2000, a ten-year agreement was signed between the Thousand Islands Bridge Authority (TIBA) and the Federal Bridge Corporation Limited (FBCL). Under the agreement, all operating and common costs are paid out of bridge revenues and the remainder is divided equally between the Canadian and U.S. owners to be placed in a reserve fund to address short and long-term capital improvements. This has produced an excellent working relationship between the Canadian and U.S. owners allowing each country to retain its sovereignty while operating the bridge in a commercial manner.

The Thousand Islands Bridge being an international throughway, Canada Border Services Agency must be present at the Lansdowne border point to control commercial and private traffic.

The share in net income generated by the joint operations and the revenue from the duty-free store continues to be the major source of revenue for the Thousand Islands Bridge. Current operating condition indicates that the business unit will continue to operate with its self-generated fund and maintain a positive cash balance during the length of the plan. There are three capital projects underway or planned, namely the *Rift Bridge Rehabilitation*, the security installation and the *Toll Plaza Relocation*.

ST. MARY'S RIVER BRIDGE COMPANY – The St. Mary's River Bridge Company is the owner of the Canadian portion of the International Bridge at Sault Ste. Marie that represents approximately 50% of the operations and assets of the bridge.

The International Bridge faces many challenges in the years to come. The traffic, which is mostly Canadian and local, has continued to decline by approximately 2.6% per year and shows very little sign of recovery. Non controllable costs, such as insurance and property tax, are on the rise and parity payment for the Canada Customs will become a serious issue for the crossing. Several long term scenarios to address the long term self-sufficiency of the bridge have been prepared and difficult decisions on future directions will have to be taken soon.

A new Intergovernmental Agreement was negotiated between Transport Canada and Michigan and signed in July 2000. At that time, the ownership of the Canadian portion of the bridge was placed with the St. Mary's River Bridge Company and the portion in Michigan with the Michigan Department of Transportation (MDOT). The Federal Bridge Corporation Limited (FBCL) owns 91% of the shares of the St. Mary's River Bridge Company (SMRBC).

FBCL provides necessary expertise and support services to ensure Canada's interests in such matters as the environment and financial management are protected.

The management and operations of the bridge are the responsibility of the International Bridge Administration, an administrative unit in MDOT while operational and policy oversight is provided by the Joint International Bridge Authority (JIBA). Each owner appoints three members to JIBA.

A project to widen the east rift bridge was completed in 2004 to accommodate the introduction by the CBSA of the Free and Secure Trade (FAST) pre-clearance program for trucks and ease the traffic flow.

An announcement was made for a new commercial access road to the international bridge which will be fully integrated into the new Customs facility that is in the master planning stage.

RISK MANAGEMENT

The Risk Management Committee has identified the significant risks faced by the Corporation. Risk Management Committees established at the subsidiaries, JCCBI and SIBC have also identified the risk factors with which these corporations must deal. Practical mitigation measures to counter identified risks have been documented.

Having identified measures to mitigate identified risks facing the Corporation, the Risk Management Committee prepared an action plan with an appropriate timetable. The action plan lists the measures to be undertaken, identifies the instance that is to carry out the measures and stipulates the deadline by which the measures are to be completed. For example, among the risk items identified at the Parent Corporation level, were its international agreements with our partners. In 2005, FBCL will finalize the director's profile developed mechanisms, to study the status of its international agreements.

Engineering and construction related risks, which include professional negligence and inadequate cost estimates will be prevented through the establishment of fine-tuned criteria for the selection of professional firms and the creation of a database for cost estimates.

Other examples include legal-related risks tied to the performance of the Board of Directors (FBCL has developed and adopted a new Corporate Code of Conduct). Finance and accounting risks will lead to the establishment in 2005 of new procedures for budget and forecast changes and for department managers to report monthly variances against budget. Finally, risk factors tied to communication activities and human resources will lead to the fine-tuning of the contingency plan to address unexpected negative publicity, the establishment of a succession plan to respond to the unforeseen departure of key personnel and the establishment of a Performance Evaluation Program.

Information Technology and Records Management risks are also in the priority list and measures to deal with potential risks includes a Business Resumption Planning.

These issues will continue to be significant over the planning period. FBCL's Board of Directors and Risk Management Committee have identified this as one of the key issues to continue focusing on over the planning period.



BRIDGES AND TRANSPORTATION INFRASTRUCTURES



THE JACQUES CARTIER BRIDGE



THE CHAMPLAIN BRIDGE



THE BONAVENTURE EXPRESSWAY



THE CHAMPLAIN BRIDGE ICE CONTROL STRUCTURE (ESTACADE)



THE HONORÉ MERCIER BRIDGE



THE MELOCHEVILLE TUNNEL



THE THOUSAND ISLANDS INTERNATIONAL BRIDGE



THE SAULT STE. MARIE INTERNATIONAL BRIDGE



THE SEAWAY INTERNATIONAL BRIDGE

BRIDGES AND TRANSPORTATION INFRASTRUCTURES

THE JACQUES CARTIER BRIDGE

Opened to traffic on May 14, 1930 and officially inaugurated on May 24, 1930, the Harbour Bridge was later renamed the Jacques Cartier Bridge in 1934 as tribute to the famous explorer who discovered Canada in 1534.

This steel bridge features a reinforced-concrete deck and spans the width of five traffic lanes. It stretches almost 3 kilometres in length and runs between Longueuil and Montréal. A lane signaling system makes it possible to reverse the direction of the traffic in the centre lane to better accommodate motorists during the morning or evening rush hours.

The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath to and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal. In 2004-2005, 34 million vehicles crossed the Jacques Cartier Bridge.

THE CHAMPLAIN BRIDGE AND THE BONAVENTURE EXPRESSWAY

Opened on June 28, 1962, the Champlain Bridge is named after the explorer Samuel de Champlain who founded Quebec City in 1608. The Bonaventure Expressway was opened on April 21, 1967 and constitutes one of the bridge's northern approaches.

The bridge links the boroughs of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a median barrier. The main span – also of cantilever type – is built of steel. It supports a steel orthotropic slab deck paved over with asphaltic concrete. There are approximately 49 metres of clearance between the bridge and the Seaway canal. The remaining portions of the bridge are constructed of prestressed concrete beams that form a prestressed concrete deck paved over with asphaltic concrete.

In 2004-2005, 56 million vehicles crossed the Champlain Bridge, to which must be added 8 million public transit users.

THE CHAMPLAIN BRIDGE ICE CONTROL STRUCTURE (ESTACADE)

The Champlain Bridge Ice Control Structure was built in 1965 to control ice flows. This structure runs parallel to, and about 305 metres upstream from the Champlain Bridge. It is about 2,043 metres in length and runs west to east, from Nuns' Island to the northern embankment of the St. Lawrence Seaway. This infrastructure is currently used as a bicycle path.

THE HONORÉ MERCIER BRIDGE

This bridge, inaugurated on July 11, 1934, was named in honour of Honoré Mercier, Premier of Québec from 1887 to 1891. The bridge connects Ville LaSalle, on the island of Montréal, to the Mohawk Reservation of Kahnawake, on the South Shore.

At first, the operation, maintenance and administration of the bridge fell entirely under Québec provincial jurisdiction. Between 1958 and 1959, however, during the construction of the St. Lawrence Seaway, the Seaway's administration supervised the work undertaken to raise the southern part of the bridge, in order that ship traffic could access the Seaway. The raised portion of the bridge thus fell under federal jurisdiction. In 1963, a twin bridge was built riverside in order to meet the ever-increasing demands of traffic.

The section of the bridge for which the Corporation is responsible is approximately 1.4 kilometres long. Its truss spans support a classic asphalt-paved concrete deck. In 2004-2005, 28.34 million vehicles crossed the Honoré Mercier Bridge.

THE MELOCHEVILLE TUNNEL

The Melocheville Tunnel was built in 1956 as part of the construction of the Saint Lawrence Seaway.

The tunnel passes directly under the Beauharnois Canal locks at Melocheville. It measures approximately 230 metres in length and provides access to one lane of traffic in either direction. In 2004-2005, 4.38 million vehicles passed through the Melocheville Tunnel.

THE THOUSAND ISLANDS INTERNATIONAL BRIDGE

Opened in 1938 by Prime Minister MacKenzie King and President Franklin Roosevelt, the Thousand Islands International Bridge stretches 13.7 kilometres across the St. Lawrence River between Ivy Lea in Ontario and Collins Landing in upper New York State. It was built in sixteen months, an impressive accomplishment by any standard! It is operated and maintained jointly by Canada and the United States under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority in the United States. In 2004-2005 2.11 million vehicles crossed the Thousand Islands International Bridge.

THE SAULT STE. MARIE INTERNATIONAL BRIDGE

Opened in 1962, the Sault Ste. Marie International Bridge spans the St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. It is the only fixed link crossing between the two countries within 1,000 kilometres and it is an important trade route between key American and Canadian markets via Interstate 75 and the Trans-Canada Highway. In 2004-2005, 1.86 million vehicles, crossed the Sault Ste. Marie International Bridge.

THE SEAWAY INTERNATIONAL BRIDGE

Spanning the St. Lawrence Seaway from Cornwall, Ontario to the Mohawk Territory of Akwesasne and on to Rooseveltown, New York, the Seaway International Bridge is a high level structure that opened to traffic in 1962. It was built under the terms of an international agreement between Canada and the United States signed in 1957 and is operated as a joint venture by our subsidiary, The Seaway International Bridge Corporation, Ltd. under an agreement between The Federal Bridge Corporation Limited and the Saint Lawrence Seaway Development Corporation. In 2004-2005, 2.54 million vehicles crossed the Seaway International Bridge.

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FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY TABLE — FBCL

UNAUDITED – FOR PERIOD ENDING ON MARCH 31

thousands of dollars	2005	2004	2003	2002	2001
Revenues					
Thousand Islands Bridge operating revenue	1,831	2,269	2,014	1,854	2,276
Leases and permits	4,913	4,851	5,070	4,966	3,656
Tolls	5,329	5,169	5,543	4,491	3,251
Interest	263	639	541	691	994
Other	202	146	51	89	122
	12,538	13,074	13,219	12,091	10,299
Expenses					
Maintenance	22,282	26,904	17,148	26,237	25,978
Operation	5,389	5,872	4,640	4,614	3,175
Administration	7,713	7,690	7,894	7,347	6,095
Amortization	6,002	5,843	4,122	3,658	3,249
	41,386	46,309	33,804	41,856	38,497
Loss before government funding	(28,848)	(33,235)	(20,585)	(29,765)	(28,198)
Parliamentary appropriation for operating expenses	25,944	30,622	23,345	26,726	27,966
Amortization of deferred capital funding	3,397	3,382	972	214	141
Non-controlling interest	(26)	(50)	(97)	(79)	(69)
Net income (loss)	467	719	3,635	(2,904)	(160)

The Federal Bridge
Corporation Limited



La Société des ponts
fédéraux Limitée

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

- 1 Michel Fournier
President and Chief Executive Officer
- 2 Sheila Tremblay
Vice Chairperson/Director
- 3 Carole Workman
Director

OFFICERS AND SENIOR MANAGERS

- Norman B. Willans
Legal Counsel and Corporate Secretary
- André Girard
Vice-President, Communications
- Gérard Lalonde
*Director, Administrative Services
and Treasurer*
- Robin Rensby
Senior Director, Human Resources
- Thye Lee
Director, Engineering and construction

Pursuant to the *Financial Administration Act*, the Board of Directors is responsible for the management of the business activities and other affairs of the Corporation.



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2



3

COMMITTEES OF THE FBCL BOARD OF DIRECTORS

AUDIT COMMITTEE

Carole Workman
Chairperson

Sheila Tremblay
Member

Michel Fournier
Member

**CORPORATE GOVERNANCE
COMMITTEE**

Sheila Tremblay
Vice Chairperson/Director FBCL

Yvon Bourget
Board Member, JCCBI

John M. Kroon
Board Member, SIBC & TIBA

Gerald H. Johnston
Board Member JIBA

Norman. B. Willans
*Corporate Secretary and
Legal Counsel, FBCL,
Board Member JCCBI*

ENVIRONMENT COMMITTEE

Glen P. Carlin
Chairperson

Hendrik H. Saaltink
Member

Ian McPherson
Member

Norman. B. Willans
Member

Sylvie Lefebvre
Member

Raymond Denault
Member

G rard Lalonde
Member

Gerald H. Johnston
Member

Thye Lee
Member

Bill Moulton
Member

HUMAN RESOURCES COMMITTEE

Carole Workman
Chairperson

Norman Willans
Member ex officio

Robin Rensby
Member ex officio

NOMINATING COMMITTEE

Sheila Tremblay
Chairperson

Carole Workman
Member

James Roche
Member

Cl ment Joly
Member

RISK MANAGEMENT COMMITTEE

Norman. B. Willans
President

Yvon Bourget
Board Member, JCCBI

G rard Lalonde
*Director Administrative Services
and Treasurer,
Member*

Charles Crispim
Member, SIBC



Les Ponts Jacques Cartier et Champlain Incorporee
The Jacques Cartier and Champlain Bridges Incorporated

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Michel Fournier
President

Yvon Bourget
Director

Sophie Joncas
Director

Clément Côté
Director

René Therrien
Director

Norman B. Willans
Director

OFFICERS AND SENIOR MANAGERS

Michel Fournier,
President

Glen P. Carlin
General Manager

Sylvie Lefebvre
*Counsel and
Corporate Secretary*

Daniel Dupuis
*Director, Finance and
Administration*

Guy Mailhot
Director, Engineering

Denis Dauphinais
*Director, Construction and
Project Management*

Raymond Denault
*Director, Operations and
Maintenance*

COMMITTEES OF THE JCCBI BOARD OF DIRECTORS

AUDIT COMMITTEE

Sophie Joncas
Chairperson

René Therrien
Member

Clément Côté
Member

MANAGEMENT COMMITTEE

René Therrien
Chairperson

Yvon Bourget
Member

Clément Côté
Member

RISK MANAGEMENT COMMITTEE

Glen P. Carlin
Chairperson

Sylvie Lefebvre
Member

Guy Mailhot
Member

Raymond Denault
Member

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

FINANCIAL SUMMARY

in dollars	2005	2004
• OPERATING RESULTS		
Revenues		
Leases and licenses	740,668	729,064
Interest	92,150	180,433
Other	47,100	73,294
Expenses		
Maintenance	19,777,138	24,514,790
Operation	3,513,074	3,452,367
Administration	3,367,681	3,688,503
Amortization	4,449,489	4,430,628
Reimbursement of interests made on parliamentary received in advance	205,292	—
Net loss before government funding	(30,432,756)	(35,103,497)
Parliamentary appropriation for operating expenditures	25,944,104	30,621,581
Amortization of deferred capital funding	3,393,608	3,382,006
Net income (loss)	(1,095,044)	(1,099,910)
• BALANCE SHEET		
Current assets	6,359,923	10,513,038
Current liabilities	3,168,407	4,525,556
Due from Canada – Long term	2,625,809	—
General and services tax receivable – Long term	170,157	170,157
Fixed assets	136,086,025	133,535,740
Holdback	2,795,966	2,795,966
Employee future benefits	690,679	651,516
Deferred capital funding	128,120,312	125,444,016
Shareholder's equity	10,466,550	10,631,724
• FINANCIAL POSITION		
Operating activities	(2,515,863)	(1,063,408)
Investment activities	(6,999,774)	(2,076,664)
Financing activities	6,999,774	2,076,664
Decrease of cash flow	(2,515,863)	(1,063,408)

The Seaway International
Bridge Corporation,
Ltd.



La Corporation du pont
international de la voie
maritime, Ltée

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Sheila Tremblay
President

Albert S. Jacquez
Vice-President

Guy Berthiaume,
Director

Sal Pisani
Director

Roger J. Forgues
Director

Edward Margosian
Director

John M. Kroon
Director

Denis Thibault
Director

OFFICERS AND SENIOR MANAGERS

Gérard Lalonde
Treasurer

Edward Margosian
Assistant Treasurer

Roger J. Forgues
Assistant Treasurer

Norman B. Willans
*General Counsel and
Corporate Secretary*

Hendrik H. Saaltink
General Manager

COMMITTEES OF THE JCCBI BOARD OF DIRECTORS

AUDIT COMMITTEE

John M. Kroon
Chairperson

Edward Margosian
Member

Roger J. Forgues
Member

MANAGEMENT COMMITTEE

John M. Kroon
Chairperson

Sheila Tremblay
Member

Sal Pisani
Member

RISK MANAGEMENT COMMITTEE

Hendrik H. Saaltink
Chairperson

Charles Crispim
Member

Ian McPherson
Member

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD

FINANCIAL SUMMARY

in dollars	2005	2004
• OPERATING RESULTS		
Revenues		
Tolls	3,774,522	3,748,312
Rentals	134,369	138,728
Investments	58,634	68,839
Others	118,813	113,271
Expenses		
Maintenance	1,353,024	1,412,096
Tolls collection	852,352	783,977
Administration	907,783	861,322
Amortization	150,996	314,306
Net income	822,183	697,449
• BALANCE SHEET		
Current assets	2,646,886	2,904,363
Current liabilities	1,556,244	1,027,231
Capital assets	849,568	565,039
Deferred major repairs	189,917	223,105
Provision for employees future benefits	310,935	278,198
Capital stock and debentures payable	16,000	16,000
Due to venturers	1,803,192	2,371,078
• FINANCIAL POSITION		
Operating activities	1,287,523	964,236
Investing activities	(431,815)	(237,352)
Financing activities	(978,979)	(560,927)
Increase (decrease) of cash and cash equivalents	(123,271)	165,957



THE ST. MARY'S RIVER BRIDGE COMPANY

BOARD OF DIRECTORS AND OFFICERS

James McIntyre
President

Helen Gillespie
Director

Alexander Harry
Vice-President

Gerald H. Johnston
Director

Bob Collins
Director

Lorie Bottos
Secretary-Treasurer

Rick Talvitie
Director

Mary Trbovich
Director

ST. MARY'S RIVER BRIDGE COMPANY

FINANCIAL SUMMARY

in dollars	2004	2003
• OPERATING RESULTS		
Revenues		
Tolls	3,442,072	3,294,875
Leases and licences	333,090	305,055
Investments	21,609	35,528
Others	158,453	77,656
Expenses		
Maintenance	1,558,000	1,357,258
Tolls collection	791,252	803,319
Administration	900,924	753,900
Amortization	404,112	220,042
Net income	300,936	578,595
• BALANCE SHEET		
Current assets	3,557,519	2,522,206
Current liabilities	891,119	691,977
Capital assets	7,643,738	8,120,423
Capital stock	1,500	1,500
Retained earnings	10,207,993	9,907,057
• FINANCIAL POSITION		
Operating activities	1,097,456	798,637
Investing activities	(150,227)	(709,185)
Increase (decrease) of cash and cash equivalents	947,229	(15,719)

GOVERNANCE AT FBCL

FBCL's leadership is keeping abreast of new trends in governance and best practices in order to ensure that, both at the parent and subsidiaries level, effective governance practices, consistent with both the spirit and direction provided by the Department of Finance and Treasury Board guidelines, are established.

FBCL is indeed eager to take a pro-active approach in implementing rigorous governance practices, aligned with FBCL's realities, mandate and effectiveness and efficiency objectives but also in full compliance with leading fiduciary standards and practices.

It is worth noting that throughout 2004, the President and CEO of the Corporation has played an active role with several of his colleagues, Heads of Crown corporations, in leading various meetings and discussion groups aiming at discussing and developing improved governance and management practices.

Among several recent initiatives, the following measures have been implemented by FBCL:

- Update of the comprehensive Corporate Governance Handbooks for use by directors at both the parent and the subsidiaries
- Creation of a Nominating Committee aligned with Treasury Board directives
- Revision of the selection criteria for the President and CEO
- Revision of the roles, responsibilities and competency profile for the Board of Directors
- Strengthening of strategic planning process with appropriate participation by both Board and management
- Revision of the process and practices related to the evaluation of the President and CEO
- Design and implementation of a strengthened Board evaluation process
- Review of Corporate Governance Instruments used by FBCL and the subsidiaries

Clearly, these efforts are bearing fruit. FBCL is a relatively small organization recognized for its solid performance and the effectiveness of its management practices.

In 2003, the Office of the Auditor General of Canada declared that there were no significant deficiencies in the systems and practices assessed during the course of the special examination of the Corporation.

In 2004, in its Review of Corporate Governance Instruments, a private sector consulting firm, noted that FBCL was on the right track and that initiatives taken to date had significantly improved the Corporation's governance practices. The firm also identified additional supporting measures of similar nature to further enhance the effectiveness of FBCL's governance. FBCL's Governance Committee has been mandated to provide oversight for the current implementation of these measures.

In addition to the earlier mentioned steps taken to further strengthen its governance practices, two significant initiatives, have been undertaken.

A) The creation of a Vice-Chair/Lead Director position. This position has been filled by an independent director. The responsibilities for this position include:

- Chairing the Board when the President & CEO is not in attendance
- Advising the President & CEO as to an appropriate schedule for Board meetings
- Providing the President & CEO with input as to the preparation of the agendas for the Board and committee meetings
- Advising and working with the President & CEO and the Corporate Secretary as to the relevance, timeliness, reliability and quantity of the information required to support decision-making
- Reviewing annually, together with the President & CEO, the purpose and mandate of the committees of the Board and to recommend necessary changes

■ Being available to consult with the President & CEO and other Board members on corporate governance practices and policies and assuming the primary leadership role in addressing governance issues if under the circumstances it is inappropriate for the President & CEO to assume such leadership

■ When required, acting as a corporate spokesperson, in the event of the absence or incapacity of the President & CEO

■ Chairing the annual Board meeting which sets the following year's goals and objectives to be attained by the President and CEO

■ Chairing the annual board meeting which assesses the performance of the President and CEO during the previous year (in line with previously established goals and objectives).

■ Considering, together with the President & CEO, questions of possible conflict of interest of Board directors and/or the President & CEO, as such questions arise

It is fundamental to observe that this approach is fully in line with recommendations and guidelines used as a reference in the Canadian governance arena, including the recommendations arising from the Joint Committee on Corporate Governance (a.k.a. the "Saucier Report" (2001), the proposals for amending the *Canada Business Corporation Act* (2004), or the guidelines used by the Toronto Stock Exchange, to name a few.

B) The development of an explicit governance framework to strengthen the relationships between FBCL, the parent company and its subsidiaries.

Historically, the relationships between the Corporation and the subsidiaries have been effective. The respective roles, responsibilities and obligations of each player were not, however, always commonly understood. While far from being uncommon, such a situation required adjustment.

A framework is based on the "Agency Model" and covering dimensions related to governance, strategic planning and evaluation, information management and human resources management is being developed to be implemented in Spring 2005. This framework is balancing the legal reality that subsidiaries are distinct legal entities (as opposed to branches) with the need to ensure compliance and strategic alignment of these entities with corporate objectives and is aligned with leading practices of the private and public sectors.

Tangible instruments (e.g., mandates, letters of expectations, new planning and reporting process) will also be developed to support the implementation of this framework.



Falcon nests such as this one located underneath the Honoré Mercier Bridge, help prevent this protected species from nesting directly on the structures, potentially delaying upcoming maintenance activities.

CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31

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The consolidated financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these consolidated financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations as well as the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of external members. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the consolidated financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the consolidated financial statements and reports to the Minister responsible for the Corporation.

A handwritten signature in black ink, appearing to read 'M. Fournier'.

Michel Fournier
President and Chief Executive Officer

May 27, 2005



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Transport

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

A handwritten signature in black ink, appearing to read 'Sylvain Ricard'.

Sylvain Ricard, CA

Principal

for the Auditor General of Canada

Ottawa, Canada

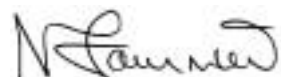
May 27, 2005

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31

in dollars 2005 2004

• ASSETS			
Current			
Cash and short-term deposits (Note 3)	22,308,030	22,510,579	
Accounts receivable	2,000,835	1,920,922	
Advance to co-venturer (Note 4)	455,545	200,000	
Accrued interest receivable	41,673	19,135	
Prepaid expenses	625,603	459,508	
Due from Canada	1,999,539	3,868,611	
	27,431,225	28,978,755	
Long-term			
Due from Canada (Note 5)	2,625,809	—	
Fixed assets (Note 6)	165,161,764	162,318,934	
	195,218,798	191,297,689	
• LIABILITIES			
Current			
Accounts payable	5,718,029	5,817,040	
Deferred revenue	499,698	467,365	
Instalments on obligation under capital lease	11,912	16,150	
	6,229,639	6,300,555	
Due to co-venturer (Note 4)	808,105	191,320	
Obligation under capital lease (Note 7)	29,000	42,095	
Holdback (Note 8)	2,795,966	2,795,966	
Provision for employee future benefits	1,217,205	1,070,099	
Deferred capital funding (Note 9)	128,191,957	125,444,016	
Non-controlling interest	645,356	619,265	
	133,687,589	130,162,761	
	139,917,228	136,463,316	
Commitments and contingencies (Notes 14 and 15)			
• SHAREHOLDER'S EQUITY			
Capital stock			
Authorized			
Unlimited number of shares, without par value			
Issued and fully paid			
1 share	1	1	
Contributed capital	53,664,378	53,664,378	
Retained earnings	1,637,191	1,169,994	
	55,301,570	54,834,373	
	195,218,798	191,297,689	

APPROVED BY THE BOARD OF DIRECTORS:

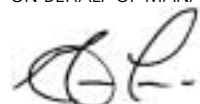


Michel Fournier
President and Chief Executive Officer



Carole Workman
Director

ON BEHALF OF MANAGEMENT:



Gérard Lalonde
Director,
Administrative Services and Treasurer

**CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31**

in dollars	2005	2004
Revenues		
Tolls	5,329,333	5,169,031
Leases and permits	4,912,538	4,851,388
Thousand Islands Bridge operating revenue (Note 10)	1,830,994	2,268,533
Interest	262,900	639,170
Other	202,161	146,467
	12,537,926	13,074,589
Expenses		
Maintenance	22,282,384	26,904,429
Operation	5,389,319	5,871,865
Administration	7,712,507	7,689,852
Amortization	6,001,911	5,843,281
	41,386,121	46,309,427
Loss before government funding	(28,848,195)	(33,234,838)
Parliamentary appropriation for operating expenses	25,944,104	30,621,581
Amortization of deferred capital funding (Note 9)	3,397,379	3,382,006
Non-controlling interest	(26,091)	(50,164)
	467,197	718,585
• NET EARNINGS		
Retained earnings, beginning of year	1,169,994	451,409
Retained earnings, end of year	1,637,191	1,169,994

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

in dollars	2005	2004
• CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	467,197	718,585
Non-cash item		
Amortization of fixed assets	6,001,911	5,843,281
Loss (gain) on disposal of fixed assets	291,021	(4,280)
Amortization of deferred capital funding	(3,397,379)	(3,382,006)
Increase in long-term due from Canada	(2,625,809)	—
Increase in provision for employee future benefits	147,106	173,089
Non-controlling interest	26,091	50,164
Changes in working capital items (Note 12)	1,278,303	(1,106,315)
Cash flows from operating activities	2,188,441	2,292,518
• CASH FLOWS FROM INVESTMENT ACTIVITIES		
Decrease in long-term advance to co-venturer	—	321,995
Acquisition of fixed assets	(9,140,363)	(3,246,783)
Disposal of fixed assets	4,601	4,280
Cash flows used in investment activities	(9,135,762)	(2,920,508)
• CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to co-venturer	616,785	191,320
Increase in deferred capital funding	6,145,320	2,076,664
Repayment of obligation under capital lease	(17,333)	—
Cash flows from financing activities	6,744,772	2,267,984
• NET INCREASE (DECREASE) IN CASH	(202,549)	1,639,994
Cash and term deposits, beginning of year	22,510,579	20,870,585
Cash and term deposits, end of year	22,308,030	22,510,579

The accompanying notes form an integral part of the consolidated financial statements.

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited (the "Corporation"), incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation under Part I Schedule III of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

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

On October 17, 2000, the Federal Bridge Corporation Limited acquired 91.33% of the outstanding voting and participating shares of St. Mary's River Bridge Company from the province of Ontario for \$1,370.

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

The subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, depends on the federal government for its funding. The Federal Bridge Corporation Limited and its subsidiary, St. Mary's River Bridge Company, as well as its joint venture, The Seaway International Bridge Corporation, Ltd., are self financed by using their own operating income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below:

A) BASIS OF CONSOLIDATION – The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, the 91.33% owned subsidiary, St. Mary's River Bridge Company and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Ltd. The consolidated operations for the 2005 year include the results of all companies for the period from April 1, 2004 to March 31, 2005 (from April 1, 2003 to March 31, 2004 in 2004).

B) PARLIAMENTARY APPROPRIATIONS – The parliamentary appropriation, which the subsidiary The Jacques Cartier and Champlain Bridges Incorporated uses to cover the excess of expenses over the revenues for the operations is reflected in the statement of operations and retained earnings. In this regard, operating expenses do not include amortization, any change in the provision for employee future benefits and any gain or loss on disposal of fixed assets.

The portion of the parliamentary appropriation used by the subsidiary to finance the acquisition of amortizable fixed assets is recorded as deferred capital funding on the balance sheet and amortized on the same basis as the related fixed assets. The portion used to finance non depreciable fixed assets is recorded as contributed capital.

Any portion of the parliamentary appropriation that the subsidiary is entitled to but which is not received by year end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the subsidiary's policy to reimburse this amount in the following fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C) FIXED ASSETS – Fixed assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred.

Amounts included in projects in progress are transferred to the appropriate fixed asset classification upon completion and are then amortized according to the Corporation's policy.

Fixed assets acquired from Government of Canada created departments, agencies and Crown corporations are accounted for at the transferor's carrying amount with the consideration shown in contributed capital.

Fixed assets are amortized over their estimated useful service lives using the straight-line method, at the following rates:

Bridges	2% – 7%
Remedial works	5% – 10%
Deferred major repairs	10%
Vehicles, equipment and equipment under capital lease	3% – 33%
Buildings	2% – 20%

D) REVENUE RECOGNITION – Toll collection revenues are recognized when tolls are collected as vehicles pass through toll booths.

Lease and permit revenues are recognized using the accrual method of accounting in accordance with the lease agreements.

Revenues from leases, permits and toll tickets for services that have not been provided are deferred and recognized in income as the services are provided.

Interest income is recognized using the accrual method of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E) EMPLOYEE FUTURE BENEFITS – Employees of the Corporation, its wholly owned subsidiary and its joint venture are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and liability for these benefits is recorded in the accounts as the benefits accrue to employees.

F) PENSION PLAN – All employees of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated and the joint venture, The Seaway International Bridge Corporation, Ltd participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Pension Plan.

The Federal Bridge Corporation Limited employees participate in a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation. The Corporation's contributions are expensed when services are rendered and represent the total pension obligation of the Corporation. The terms of payment of past service contributions are set by the application purchase conditions, generally over the number of years of services remaining prior to retirement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

G) MEASUREMENT UNCERTAINTY – The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimated useful lives of capital assets, accrued liabilities for major maintenance repairs and estimates pertaining to claims received from suppliers and the employee future benefits liability are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

3. CASH AND SHORT-TERM DEPOSITS

The Corporation invests in the short-term money market. The short-term investments are mainly composed of Canadian Treasury bills, guaranteed debentures and term deposits. The overall portfolio yield as at March 31, 2005 was 2.24% (2004 – 2.00%). On average, the term to maturity is 233 days (2004 – 52 days). The fair value of the short-term deposits approximates the book value due to their impending maturity.

4. ADVANCE AND DUE TO CO-VENTURER

Those accounts represents the excess or the insufficiency of the short-term and long-term contribution required by The Federal Bridge Corporation Limited in its joint venture.

The advance and the due bear monthly interest at the average one-year Treasury bill rate and has no repayment terms. As at March 31, 2005, their carrying amount approximated their fair value.

5. DUE FROM CANADA - LONG TERM

During the year, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, reimbursed to the Consolidated Revenue Fund an amount of \$2,625,809 corresponding to parliamentary appropriation cashed within parliamentary approbation requests from 2001 to 2003 and related to a holdback on a contract which will only be paid in October 2007 (see note 8 below).

The subsidiary also reimbursed the interests earned on investments stemming from this amount which totaled \$205,292. This amount is presented as a reduction to interest revenue in the statement of operations and retained earnings.

In 2007, when the holdback will be paid, the subsidiary will make a funding request to the Consolidated Revenue Fund. The request will not affect approved budgets nor the reference level for the 2007-2008 year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31

6. FIXED ASSETS

in dollars	Cost	2005 Accumulated amortization	Accounting Value	2004 Accounting Value
Land	4,572,750	—	4,572,750	4,572,750
Bridges	278,607,837	130,864,906	147,742,931	151,138,008
Vehicles and equipment	6,944,714	4,322,155	2,622,559	3,208,313
Buildings	4,114,008	2,625,641	1,488,367	1,246,306
Deferred major repairs	1,109,142	1,014,183	94,959	111,553
Projects in progress	8,599,286	—	8,599,286	1,983,759
Equipment under capital lease	58,245	17,333	40,912	58,245
	304,005,982	138,844,218	165,161,764	162,318,934

The cost of the Bonaventure Expressway, the initial cost of the Jacques Cartier Bridge and the initial cost of the Canadian portion of the Sault Ste. Marie Bridge are fully amortized.

7. OBLIGATION UNDER CAPITAL LEASE

in dollars	2005
Obligation under capital lease, 4.644%, payable in monthly instalments, maturing in 2009	40,912
Instalments due within one year	11,912
Long-term instalments due	29,000

Future minimum lease payments for the next four years under a capital lease expiring in 2009 and balance of the obligation under this capital lease:

2006	11,912
2007	11,900
2008	11,900
2009	8,950
	44,662
Interest included in minimum lease payments	3,750
Principal portion of capital lease payments	40,912

8. HOLDBACK

The subsidiary The Jacques Cartier and Champlain Bridges Incorporated temporarily retains an amount on the total of the sums due to a contractor to ensure that the later fulfils its obligations pertaining to warranty, rectification and correction of defects in work. The warranty period is five years, ending in October 2007. Interest of 2.00% and 2.73% on the holdback due for phase 1 and phase 2 respectively will be paid to the contractor annually from December 2003. The Corporation will release the holdback (from which will be deducted any amount the contractor might owe to the Corporation pursuant to the contractual warranty clauses) after the expiry of the warranty period.

9. DEFERRED CAPITAL FUNDING

in dollars	2005	2004
Balance, beginning of year	125,444,016	126,749,358
Parliamentary appropriation for funding the acquisition of amortizable fixed assets	6,145,320	2,076,664
Amortization	(3,397,379)	(3,382,006)
Balance, end of year	128,191,957	125,444,016

10. THOUSAND ISLANDS BRIDGE OPERATING REVENUE

These revenues represent the Corporation's share of the operating income from operations of the Canadian portion of the Thousand Islands Bridge in accordance with a management agreement between The Federal Bridge Corporation Limited and the Thousand Islands Bridge Authority.

11. EMPLOYEE FUTURE BENEFITS

A) PENSION PLAN – The Jacques-Cartier and Champlain Bridges Inc. and the co-venturer and all their eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Federal Bridge Corporation Limited and all its eligible employees contribute to a defined contribution plan. The Corporation's and employees' contribution to those plans for the year were as follows:

in dollars	2005	2004
Contribution		
Corporation	440,097	392,406
Employees	206,522	185,192

11. EMPLOYEE FUTURE BENEFITS (CONT'D)

B) SEVERANCE BENEFITS – The Federal Bridge Corporation Limited, its subsidiary and the co-venturer provide severance benefits to their employees based on years of service, final salary and, for the co-venturer, accumulated sick leave days. These benefits are not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Information about the plan, measured as at the balance sheet date, is as follows:

in dollars	2005	2004
Accrued benefit obligation, beginning of year	1,192,529	945,190
Cost of the year	266,870	371,022
Benefits paid during the year	(60,374)	(123,683)
Accrued benefit obligation, end of year	1,399,025	1,192,529
Short-term portion (included in accounts payable)	(181,820)	(122,430)
Long-term portion	1,217,205	1,070,099

12. NET CHANGES IN WORKING CAPITAL ITEMS OTHER THAN CASH AND SHORT-TERM DEPOSITS

in dollars	2005	2004
Increase in accounts receivable	(79,913)	(579,358)
Increase in advance to co-venturer	(255,545)	(200,000)
(Increase) decrease in accrued interest receivable	(22,538)	6,834
(Increase) decrease in prepaid expenses	(166,095)	103,157
Decrease in due from Canada	1,869,072	2,743,862
Decrease in accounts payable	(99,011)	(3,285,935)
Increase in deferred revenue	32,333	105,125
Net changes	1,278,303	(1,106,315)

13. RELATED PARTY TRANSACTIONS

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

14. COMMITMENTS

A) OPERATION – The minimum amount to be paid under an agreement for police services is \$3.1 million on an annual basis. The current agreement is ending on June 30, 2005 and is renewable at term unless notice to the contrary from one party.

B) SUPPLIERS – The Corporation has commitments principally for maintenance, supply contracts, professional services and rental agreements for an amount of \$9,902,161 until 2008. Minimum payments over the next years are as follows:

in dollars	
2006	9,674,265
2007	224,721
2008	3,175

15. CONTINGENCIES

A) In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. It is the opinion of management that these claims or lawsuits will not result in any material liabilities to the Corporation. To the extent that the future event is likely or unlikely to occur and a reasonable estimate of the loss can be made, an estimated liability is recognized and an expense recorded in the Corporation's financial statements.

B) With regards to the environment, the subsidiary The Jacques Cartier and Champlain Bridges Incorporated produced an inventory of its properties in order to determine their environmental condition. The properties considered to be contaminated will require additional investigations in the coming years. Certain of these properties may eventually require decontamination or mitigation measures.

The most pressing environmental issue facing the subsidiary relates to the properties located on a former landfill site described hereafter. In 2003, the subsidiary, in collaboration with Environment Canada, undertook investigations and tests related to the toxicity of the underground water of properties adjacent to the St. Lawrence River. The properties, managed by the subsidiary since 1978, are located on a portion of a former waste fill site operated by the City of Montreal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. In 2004, the subsidiary undertook a feasibility study to identify mitigation measures that could be put in place. The report on this study will be submitted during the 2005-2006 fiscal year. The costs of these measures cannot be estimated presently, and the question as to who assumes these costs will need to be determined between the different property owners. The subsidiary will in due time request special funding from Treasury Board to cover the subsidiary costs relative to the said mitigation measures.

Considering that the budgets requirements are not known, the distribution of costs between the different owners and that the source of funds have not yet been defined, no amounts have been recorded in the financial statements.

16. MAJOR REHABILITATION WORK

In its endeavour to fulfill its mission, the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, must undertake major rehabilitation works on the roadway deck of the Honoré Mercier Bridge. The subsidiary has to obtain the approval of Treasury Board in order to proceed with a call for tenders for a project which will be carried out during three fiscal years. Construction on the bridge is planned to start in March 2007 and to be completed in November 2008. The total cost, including direct and indirect costs, is estimated at 79 million dollars.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term investments, accounts receivable, the advance to the joint venturer, accrued interest receivable, the amount receivable from Canada, the accounts payable, the due to the co-venturer and the short-term portion of the obligation under capital lease approximates the fair value due to their short-term maturity. There is no concentration of accounts receivable; accordingly the credit risk is low.

The fair value of the long-term portion of the obligation under capital lease is not significantly different from its carrying amount.

The fair value of the long-term amount receivable from Canada and the guarantee holdback is estimated to be \$2,453,284 and \$2,612,261 respectively. Since the amounts receivable are due from the Government of Canada, the credit and financing risks are low and the discount rate used was 2.50%.

18. ASSET RETIREMENT OBLIGATIONS

A) The Jacques Cartier and Champlain Bridges Incorporated received a permit to install, maintain and use two cables for closed-circuit television on lands it does not own. This permit, for a "during pleasure" term, contains a cancellation clause under which the owner or the subsidiary may cancel the permit at any time by given written notice to the other party. Upon cancellation, the permit stipulates that the subsidiary must immediately remove at its own expense, its installations from the lands owners's premises. If the subsidiary fails to dismantle its installations, the owner will remove the said installations and will restore the properties at the subsidiary's expense or, at the owner's option, he may keep the said installations without compensation. Neither the owner nor the subsidiary had signified their intention to cancel the permit. Since the cancellation date of the permit is unknown, no liability on asset retirement obligations has been recorded in the Balance Sheet as at March 31, 2005.

B) The Jacques Cartier and Champlain Bridges Incorporated owns certain structures erected on lands it does not own. The property owner has transferred management and administration thereof to the Government of Canada. The legal documents of the transfer provide that, in the event there is a change in the use of these structures from the planned use at the time of the transfer, the owner will resume control of the lands without compensation for the structures erected provided they are in a condition that is satisfactory to the owner. At this time, the subsidiary does not intend to change the current use of these structures. Accordingly, no retirement obligation for these assets has been recognized in the financial statements.

19. COMPARATIVE FIGURES

Certain figures from 2004 have been reclassified to be consistent with the presentation adopted for the current year.



NUNS' ISLAND SEEN FROM BEHIND THE CHAMPLAIN BRIDGE ESTACADE

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 Printed in Canada on recycled paper