



SERVING THE NEEDS OF OUR CLIENTS FROM SHORE TO SHORE

2001 2002

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



ANNUAL REPORT



**EVERY DAY, I RIDE MY BIKE UP THE BRIDGE:
FROM HERE I'M ABLE TO SEE THE WHOLE CITY.
THIS MORNING, I SAW A PEREGRINE FALCON GLIDING ALONGSIDE THE DECK.
MUST BE MY LUCKY DAY.**





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| HONORÉ-MERCIER BRIDGE



June 30, 2002

The Honourable
David Collenette, 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, 2002.

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 of the St. Mary's River Bridge Company.

Yours truly,

Michel Fournier
President and
Chief Executive Officer



MESSAGE FROM THE PRESIDENT



Driven by the needs of its clients, the Federal Bridge Corporation Limited (FBCL) and its subsidiary companies made significant improvements in infrastructure management activities and met extraordinary challenges in 2001. Personnel across the organization have responded together in support of our mandate to provide clients with safe and affordable transportation infrastructure that meets industry leading environmental, maintenance, and efficiency standards.

Operations at our international assets – the Seaway International Bridge, the Thousand Islands International Bridge, and the Sault Ste. Marie International Bridge – were particularly affected by the tragedies of September 11, 2001 and the extraordinary measures that

quickly followed. Border security initiatives imposed by Canada and the United States challenged traffic flow, yet within weeks personnel throughout the organization – and especially at these locations – succeeded in restoring traffic flows to levels acceptable to clients in light of post-September 11 realities.

These events also accelerated security reviews and new risk-management initiatives at all locations, in response to the heightened awareness among our clients for safety – a key element of the FBCL mandate.

The deck replacement of the Jacques Cartier Bridge, a \$125 million project financed by the Government of Canada and due for completion in November 2002, was on schedule after the first year of this two-year project. Our subsidiary The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) was successful in minimizing traffic disruptions because deck re-construction took place at

night, using a prefabricated decking-panel system. Ongoing public information activities, including pro-active media relations and the integration of our Intelligent Transportation System (ITS) technology with Québec's Ministry of Transportation (MTQ) traffic management centre, have contributed to improve client satisfaction with our careful management and progress on this project. In 2002, the FBCL will upgrade the current Closed-Circuit Television (CCTV) system in place at Montréal-area properties to integrate it with the MTQ traffic management centre and further enhance public traffic-flow information. The cost for the upgrade will be paid for by the private sector through commercial signage. The FBCL also participates in the Federal-Québec Steering Committee examining the future of light-rail transit between Montreal and the South Shore.

Planning for the Montréal-area Highway 30 Beltway project moved forward in 2001. The FBCL awarded a contract to prepare a financial model, analysis, and business case for the project. The report is under review by Transport Canada. The FBCL is also participating in an international study into the future crossing needs between upstate New York and Ontario. The joint study (with Transport Canada, the State of New York, the Province of Ontario, and the bridge authorities for the Seaway International Bridge and the Thousand Islands International Bridge) will examine the feasibility of improving traffic flow and reducing crossing times at the two bridge locations. It will also address area road access and all infrastructures in the immediate bridge properties.



A condition survey conducted on the Seaway International Bridge in Cornwall in 2001 revealed a need to replace the roadway deck within a 5-to-10-year horizon, and to anticipate important maintenance costs in the interim. An environmental assessment was initiated in 2002 to determine the best course of action. The cost implications of the option to continue to maintain the North Channel Bridge versus the option to replace it with a less costly low-level span is becoming increasingly attractive.



Reduced traffic volume due to September 11, through the last quarter of 2001 affected toll revenues at the international bridges. In 1999, a Montréal-area initiative proved to be very successful: 29 sites were used for publicity panels to generate some \$60 million of new revenues over a 15-year contract. Revenues are being re-invested in the Montreal area bridges, to improve traffic safety and traffic flow such as, the new ITS and the camera surveillance system upgrade.

Through the first three years of operation, the FBCL and its subsidiary bridge corporations have continued to gain efficiencies in planning, operating, and maintaining the federal bridges for which it is responsible and to improve service delivery to clients. The FBCL is examining

a corporate consolidation of certain operations to reduce costs and improve operational efficiency. Accordingly, the FBCL intends to work with Transport Canada to evaluate options that will both achieve the anticipated efficiencies and maintain operational flexibility for the subsidiaries. As a direct result of its in-house technical and facility-management expertise, opportunities were created for the FCBL to become involved in the management and maintenance of additional structures owned by the Government of Canada.

Together with the Jacques Cartier and Champlain bridges which are the busiest bridges per lane in North America, all the FBCL-controlled bridges now handle annual vehicle transits estimated at more than 180 million in addition to reserved bus lanes which carry more than 8 million passengers per year. Underlying every initiative of the FBCL, its subsidiary companies, and each of our employees, is a commitment to apply the full extent of our expertise in the service of these clients.



| CHAMPLAIN BRIDGE IN MONTRÉAL

REVIEWING 2001 – INTRODUCTION

The FBCL was incorporated in 1998 to assume the non-navigational management responsibilities of the St. Lawrence Seaway Authority (SLSA). The corporate shares of SLSA subsidiaries, the Jacques Cartier and Champlain Bridges Incorporated and the Seaway International Bridge Corporation Ltd., were subsequently transferred to the FBCL along with responsibility for the Canadian properties at the Thousand Islands International Bridge. In 2000, the FBCL acquired the Canadian half of the Sault Ste. Marie International Bridge by obtaining the majority of the shares of the St. Mary's River Bridge Company and is represented on the Joint International Bridge Authority.

In three years, the FBCL has developed select corporate strengths and expertise. It provides critical financial and management advice and support to subsidiary operations and encourages cross-organization sharing of technical, operational, and maintenance skills. The results of this strategy are clearly positive; greater efficiency, reduced operating costs, and a knowledgeable team of specialists skilled in operating bridges, tunnels, highways, and other transportation infrastructure. This Annual Report integrates reviews of the 2001 activities of all elements of the Corporation, measuring the organization's success in meeting its principal objective of applying its expertise to service the needs of its clients.



Transportation has always been a key factor in the development and growth of Canada's economy. Many factors, including population growth, increasing numbers of travellers, additional trade, and the evolution of the trucking industry, have combined to increase the demand for transportation services, with a major impact on the Corporation's activities.

For example, in the greater Montréal region, high population, urban sprawl – especially on the South Shore – and more goods moved by truck have led to a sustained increase in traffic at the Corporation's infrastructures. Since 1993 on the Champlain bridge, we had

an increase of 11% per year and 4.5 million truck crossings were reported in 2001 alone. This increase in traffic, combined with a reduction in capacity resulting from major restoration work that is regularly done on the various bridges and tunnels has challenged the FBCL in its planning and service delivery.



Review of 2001 Maintenance Activities

The Jacques Cartier Bridge spans the St. Lawrence River between the Island of Montréal and the south-shore city of Longueuil and carries approximately 44 million vehicles annually. The deck replacement project is the most significant restoration project ever undertaken on a Canadian bridge and is a challenge with respect to engineering, technology, project coordination, and the impact of the work on users.

The contract covers the complete replacement of the existing reinforced concrete deck, comprising five lanes of traffic over a length of 2.7 km, with a new deck built mainly of pre-fabricated concrete elements joined by tensioned steel cables. The contract also includes major

improvements in the geometry of the traffic lanes at the section of the bridge called the "Craig curve." Construction on the bridge and the installation of pre-fabricated panels began in May 2001 and is scheduled to end in November 2002.

To ensure the safety of users, increase the efficiency of construction work, and provide the best possible service to the public, the bridge is closed at night and reopened between 5:30 A.M. and 8:30 P.M. Despite work slowdowns and a construction workers' strike, the Corporation negotiated acceleration measures with the contractor who took extraordinary measures to ensure completion of the project within the two-

year timeframe. In addition, favourable weather during the construction season allowed the contractor to exceed the minimum contractual requirements for 2001 and to complete certain elements of the project planned for 2002.

The Jacques Cartier Bridge also underwent a major restoration of various piers and abutments in 2001. Work performed on this and the re-decking project on the Jacques Cartier Bridge in 2001 is valued at approximately \$68 million.



| JACQUES CARTIER BRIDGE DECK REPLACEMENT PROJECT



a

At the Champlain Bridge **[a]**, a program to restore several piers and portal cap beams was begun in 2001 at an estimated cost of slightly more than \$1 million and paintwork under the bridge deck was completed at a cost of \$1.5 million.



b

Restoration of roadways linking the Bonaventure Expressway **[b]** with the Decarie Expressway and the approach lanes to Nuns' Island was begun during the year and work during 2001 is estimated at \$2.5 million. As well, the restoration of approach lanes on section 4 of the Champlain Bridge was begun in 2001 at a cost of \$1.8 million.



c



d

The Corporation continued its program of cleaning and painting the steel work on the Honoré-Mercier Bridge **[c]**; \$1.2 million was spent in 2001 to preserve its structure. Restoration of concrete and the electrical system in the north side of the Melocheville Tunnel **[d]** took place at a cost estimated at \$3.2 million. Reconstruction of the lighting system on the Champlain Bridge Ice Control Structure **[e]** was completed in 2001 at a cost of \$0.3 million.



e

The FCBL's Montréal-area properties receive more than 175 million vehicle transits annually; our activities at these – and our other – locations are planned to meet the needs of our users.



f



g

The Seaway International Bridge [f] connects New York State and the Ontario city of Cornwall, passing through the Mohawk community of Akwesasne. The Corporation is conducting annual “hands on” inspections, removing loose material from the underside, and patching the surface. The deck of the South Channel Bridge was re-paved and SIBC crews sandblasted and re-coated the legs of the south main tower.



h

At the Sault Ste. Marie International Bridge [h], the bridge authority maintenance department performed a wide range of regular maintenance tasks through the course of the year, including repairs to the bridge rails, curb rails, and drainage systems. The bridge authority traditionally contracts out major preventative maintenance and capital improvement projects.

Necessary maintenance of the North Channel section of the bridge is ongoing while studies generate information for the Corporation to use in determining whether the span should be repaired or replaced.

In 2001, the FBCL oversaw a \$1.5 million project to improve the alignment of the north approach to the Canadian crossing of the Thousand Islands International Bridge [g] near Gananoque, Ontario. The project met the budget and was completed on time.



| CHAMPLAIN BRIDGE ICE CONTROL STRUCTURE

PROFILE AND HISTORY



The Federal Bridge Corporation Limited (FBCL) is a Crown corporation, which was established in 1998 under the *Canada Business Corporations Act* to operate the bridge and highway assets formerly under the control of The St. Lawrence Seaway Authority. Its articles of incorporation provide that it can take responsibility for other bridges and transportation structures if the Governor in Council so orders, and since 1998, other assets have been added to its responsibilities.

The FBCL controls two categories of assets: those that are financially self-sufficient through the collection of tolls, and those that depend on government funding for their operations.

Self-sufficient assets include the Thousand Islands International Bridge; the Seaway International Bridge in Cornwall, and the Sault Ste. Marie International Bridge. All FBCL assets are operated by its subsidiary companies or through partnership agreements. Our international crossings are the Thousand Islands International Bridge, the Seaway International Bridge located in Cornwall, and the Sault Ste. Marie International Bridge.

Assets requiring government funding include the Jacques Cartier and Champlain bridges, the Champlain Bridge Ice Control Structure, the Bonaventure Expressway and a portion of Highway 15, half of the Honoré-Mercier Bridge and the Melocheville Tunnel, all located in the Montreal region.

**ON MY WAY TO WORK,
I SMILE WHEN I SEE MY BUS GETTING THROUGH TRAFFIC ON THE RESERVED LANE.
EFFICIENT, FAST AND INEXPENSIVE.**

STUDIES



The Sault Ste. Marie International Bridge retains a firm of engineering consultants to conduct an annual inspection of the bridge and its related facilities and approaches, and to make recommendations on maintenance and capital improvements to ensure the structural integrity and safety of the bridge. In April 2000, consulting engineers determined that the overall condition of the bridge was sound and that the structure was well maintained. At the same time, the firm prepared a 30-year list of bridge improvements required to meet management's need to ensure client safety and operational effectiveness.

The FBCL, in collaboration with Transport Canada, the State of New York, the Province of Ontario, the Seaway International Bridge Corporation, and the Thousand Islands Bridge Authority, is participating in a study to determine the feasibility of improving client traffic flow at the Thousand Islands and Seaway International bridges. The study will examine the existing infrastructure and the operational capacity of the two crossings, and determine potential remedial measures for both short-and-long-term options at both locations.

A condition survey carried out in 2001 confirms that the existing high-level North-Channel Span of the Seaway International Bridge will soon require major capital expenditures. Consultants were retained to investigate the cost implications, over a 30-year period, of maintaining the existing span versus replacing it with a low-level span. The study suggests there would be significant financial benefits associated with the low-level bridge. A 15-month environmental assessment is being undertaken by FBCL at a cost of \$500,000 to examine the cost, benefits, and impacts of each option. Regardless of the outcome of the assessment, significant expenses can be anticipated within the next few years to address necessary maintenance requirements.



| BONAVENTURE EXPRESSWAY



The FBCL is represented on the joint Federal-Québec Steering Committee that oversees the Metropolitan Transportation Agency's administration of a \$14 million feasibility study of a light-rail transit (LRT) system. The FBCL injected \$1 million of the \$7 million contribution by the federal government (\$7 million was also contributed by the Province) and clearly has a vested interest in seeing this public transportation initiative succeed. A heavily used bus-only lane on the Champlain Bridge and along Highway 15 results

in major traffic queues in the morning and evening rush hours. The planned LRT corridor would see trains cross the Corporation's Estacade ice retaining bridge and then onto the Bonaventure Expressway toward Montréal's downtown. About half of the corridor's length would be on federal land. A modern, high-speed public transportation system would encourage commuters to leave cars at home, reducing traffic on bridge structures and helping to reduce air pollution. The Committee has approved the award of a number of important studies related to civil engineering, rail infrastructure, and rolling stock (trains) to the consortium SNC-Lavalin / Bombardier / Dessau-Soprin / Roche-Deluc and work has commenced. A contract to carry out environmental studies has been awarded to the consultant Tecscult-Genivar and work in this area has also commenced.

In 2001 the federal government stated that the completion of Highway 30 was one of its main infrastructure priorities for the Québec region because such a beltway would provide numerous benefits to trade and commerce. The Federal Government's participation in the project would see the construction of two important bridge structures and some 14 km of roadway approaches. The FBCL commissioned a consulting firm to develop a financial model, analysis, and business case for a public-private partnership project. This report has been presented to Transport Canada and the data derived from the business case is being used by the federal government to develop different financial scenarios.



When land was expropriated from the Mohawks at Akwesasne in 1950's for the construction of the Seaway International Bridge, a band council resolution passed as a condition for the land transfer insisted that the right of free transit be granted to North American native people. Although First Nations' peoples have not been paying tolls to use the crossing there has been a long-standing concern that the tolls payable by others have had a negative impact on business in the community. A workgroup was established in early 2000,

including representatives from Transport Canada, the Department of Indian Affairs and Northern Development, the FBCL, SIBC, and the Mohawk Council, to deal with toll issues and community relations. This group identified new categories of bridge users supplying and doing business in the community who are no longer subject to bridge tolls. A socio-economic study to measure the impact of tolls on the Cornwall Island businesses and the community is expected in 2002.

In 2001, paying customers represented only 38% of bridge users. The Corporation's toll revenues are only a fraction of those at similar crossings. It has become increasingly evident that the SIBC cannot afford to meet the requirements for major maintenance and capital expenditures from toll revenues. SIBC has implemented a toll increase in 2002, to generate greater financial support for the continued maintenance and operation of the bridge and related structures. The FBCL has begun discussions with the federal government to explore options to allow SIBC to meet its future requirements.



THE ENVIRONMENT

The FBCL recognizes that sound environmental management is an important factor in meeting its clients' needs. In 2001 the FBCL formed an environment committee that includes representatives from the FBCL and its subsidiaries to ensure compliance with the Corporation's newly adopted environmental policy. The objective of the environmental policy is to properly and safely manage and control all aspects of environmental protection and risk within the FBCL's control. Regular meetings are held to address issues such as environmental assessments. Emergency action plans (spills), and property inventories are also reviewed.

In Longueuil, the JCCBI retains the services of expert environmental firms to ensure compliance with environmental regulations and coordination of its environmental policy with municipalities.

The Jacques Cartier Bridge re-decking project has a specific environmental component. Demolition of the old deck includes recycling of the crushed concrete for use as fill or in the manufacture of surfacing. The removed reinforcing steel and structural steel members are also recycled. Painting is done in enclosed spaces, the air is filtered before being re-emitted into the atmosphere, and lead-free products are used. As well, the FBCL works with its contractors to design work methods to recover and





| HONORÉ-MERCIER BRIDGE



eliminate all waste, abrasive debris, and dry material such as concrete, cement, and old paving. The Corporation monitors the quantity of waste produced by sandblasting in paint-scaling operations and sends the wastes to disposal sites or dumps. The Corporation also adheres to the regulations in force concerning the disposal of road snow.

The JCCBI postponed a maintenance project on a pier at the Honoré-Mercier Bridge because of the presence of nesting falcons, an endangered species. JCCBI is working with wildlife protection officers to find a solution that will enable the falcons to nest in their natural habitat without affecting the Corporation's operations.



FALCON NESTING BOX
INSTALLED ON THE MERCIER BRIDGE

The environmental assessment undertaken at the Seaway International Bridge in 2002 will serve as a model and pilot for future FBCL projects.

Beginning in 2002, an environmental activities line has been added to the JCCBI budget. These amounts will be used for projects related to the environment, such as the disposal of debris and waste recovered from road-cleaning operations, the improvement of landscaping on property belonging to the Corporation, and for participation in ecological activities.

JCCBI will begin a surveying project to prepare technical descriptions of its properties. An inventory of the environmental condition of its properties will ensue.

COMMUNITY AND GOVERNMENT RELATIONS

The FBCL is strengthening relations with municipal political leaders and urban planners to coordinate activities and optimize service to its clients. With new municipal political structures in effect in Montréal and on the South Shore in Longueuil, new initiatives aimed at improving services and quality of life can be expected.

The City of Montréal is undertaking a project to improve green spaces in the vicinity of the Jacques Cartier Bridge. The Corporation is collaborating with the city on this project. In Longueuil, a project to establish a new link to the local bicycle path network is under study and will be discussed with city authorities in 2002.

The Corporation must work closely with the Ministère des Transports du Québec (MTQ) to ensure efficient coordination of work and to integrate economic, social, and environmental factors in making decisions about major and regular maintenance work. Replacing the Honoré-Mercier Bridge deck is one of the major projects where collaboration with the MTQ will be essential. The elevated section of this bridge, which spans the St. Lawrence Seaway, is under federal jurisdiction and represents about half the total length of the bridge; the other sections are under provincial

jurisdiction. Although this project is several years away, the experience acquired by the FBCL with the Jacques Cartier Bridge project will help FBCL and MTQ to begin planning the Honoré-Mercier project and mitigate the impact of construction on our clients. The Mohawks in Kanawake will have to play a major role as residents, and as partners in this project.



| SEAWAY INTERNATIONAL BRIDGE

**I DELIVER ALL OVER THE CONTINENT
COVERING GREAT DISTANCES.
I VIEW THE BRIDGE AS A GATEWAY FOR INTERNATIONAL COMMERCE.**

The Mohawks of Akwesasne are FBCL clients whose concerns are important to our decision-making for the Seaway International Bridge. The FBCL and Mohawk Council work together in committee to resolve issues related to tolls and studies concerning the future of the north-channel crossing, thereby, Mohawk Council views are taken into consideration.

As with the partnership agreement at the Seaway International Bridge, the ten-year agreement signed in 2000 with the Thousand Islands Bridge Authority, has been cited as a model for efficient Canada / US partnerships. The international bridge located in Sault Ste. Marie is the only vehicular crossing between Canada and the United States within a 1000-km distance. The Bridge connects Sault Ste.

Marie, Ontario with Sault Ste. Marie, Michigan and plays a vital role in the well-being of both communities. It serves as an essential transportation link for industry, tourism, and the general public. The bridge is operated under the terms of an intergovernmental agreement that establishes the Joint International Bridge Authority (JIBA) and assigns day-to-day operational responsibility for the bridge to the International Bridge Administration (IBA) whose staff is composed of an equal number of Canadian and American residents.



**ON MY MOTORBIKE, I KEEP MY EYES OPEN.
AT THE PEEK OF THE BRIDGE, THE VIEW IS BREATHTAKING
AND PEOPLE ARE MORE CAREFUL.
I GO ACROSS WITH A PEACE OF MIND.**



RISK MANAGEMENT AND SECURITY

The FBCL seeks continuous improvement in its management and operation of the structures under its care. In April, 2001, the FBCL adopted a corporate risk management policy and formed a Risk Management Committee. Reporting directly to the Board of Directors the committee is chaired by a member of the Board of Directors and includes the Vice-President, Engineering, the Vice-President, Communications, the Treasurer, and Counsel in its membership. The Committee meets as often as necessary to identify, assess, and deal with structural and external risks threatening the assets or operations of the Corporation.

As well as risks and associated emergency plans related to structural integrity under normal conditions, security considerations now add new dimensions. With client satisfaction as an overriding concern, the FBCL is working closely with appropriate Canadian and U.S. authorities to optimize traffic flow at international bridge locations while respecting needs to ensure effective customs and immigration functions.

Transport Canada has commissioned a study to examine the risks related to criminal acts to damage bridge assets. The study includes the three bridges in Montreal, the tunnel and the Canadian portion of the Thousand Islands Bridge.

On April 18, 2001, more than 400 people traveled to the Seaway International Bridge to take part in a cross-border demonstration in protest of the Summit of the Americas trade conference in Quebec City. The major impacts were the closure of the bridge for several hours and the re-routing of traffic. SIBC employees worked closely with the team of Customs, Immigration, Police, Emergency Services and the Mohawk Community of Akwesasne in preparing for the demonstration and succeeded in handling the demonstration in an orderly.



| MELOCHEVILLE TUNNEL



The Committee has reorganized insurance policies and premiums to improve financial and administrative management. The FBCL conducted an examination of replacement cost values of its structures, which resulted in a decrease of \$34,500 in the Corporation's annual property insurance premium.

The Risk Management Committee conducts full inquiries into accidents affecting FBCL structures and ensures appropriate remedial actions are undertaken. It also researches accidents at structures not under its control to implement preventive measures at FBCL properties.

Now that the Committee has set its mandate and objectives, the subsidiaries will be fully integrated into its ongoing work.

REVENUES

In 2001, all the international bridges in which the FBCL had an ownership experienced a decline in traffic, which resulted in reduced revenues. Following the September 11 incidents, traffic crossings declined by approximately 25% from the previous year's level at the Seaway International bridge, by 18% at the Thousand Islands Bridge, and by 30% at Sault Ste. Marie. Although some recovery has taken place in commercial traffic, passenger car traffic continues to lag. Revenue forecasts are linked to scenarios for both the timing and strength of economic recovery.



For budget management purposes, it is assumed that traffic will remain below pre-2001 levels throughout 2002 with recovery commencing in 2003. Operations and Management plans and toll policies will be adjusted to manage the operation with available revenue.

The Corporation has adopted a business approach in the management and operation of its bridges and continuously seeks new opportunities to increase revenues and reduce costs. This is reflected in FBCL's tolls policy and in initiatives taken to reduce costs through contracting out service and efficiency measures.

FINE-TUNING OUR MANAGEMENT



Since the corporate reorganization of federal bridge responsibilities in 1998, FBCL has increasingly operated as a family, with the FBCL providing support and services and sharing resources (engineering, legal, financial, communications, human resources and training) where and when needed. This provided significant benefits to the subsidiary corporations, some of which are without such in-house services.

Efforts to adopt better management policies and practices are already setting the course toward a more client-driven, value-added approach to management, optimizing operations and results. This expertise can now be shared and applied to benefit other elements of the Corporation.

FBCL is examining the benefits of increased consolidation of all FBCL operations. Participants at a workshop held to discuss improved management and delivery of services to our clients felt that in the medium to long term, a consolidated corporation, with regional or sectorial offices, could improve efficiency and service levels and stimulate the working relationship.

A more efficient corporate structure could improve our operations; the wholly owned subsidiary companies could concentrate on operations and maintenance, while the FBCL head office could direct its expertise at capital assets management and policy directions.

FBCL intends to work with Transport Canada to explore potential benefits of grouping FBCL activities into one single entity, while maintaining and expanding the flexibility and freedom necessary for all business lines to operate efficiently. Advantages of consolidation could include a substantial reduction in administrative cost, uniform management policies and practices, enhanced federal visibility, and improved corporate identity. Finally, it will rationalize expertise and resources and contribute to the development of a strong team of bridge experts in Canada.



| JACQUES CARTIER BRIDGE



The Jacques Cartier Bridge deck replacement project and other FBCL initiatives have stimulated a strong interest among a variety of outside stakeholders in developing partnerships or business ventures that could lead FBCL to become involved in the management and maintenance of additional structures. Accordingly, FBCL believes it is prudent business practice to be prepared for such opportunities.

Working with its subsidiary corporations, FBCL is developing industry standards and benchmarks for management, operation, and maintenance of structures under its authority. The initiative

seeks to establish guidelines for ongoing operation, maintenance, and construction activities to improve annual budgeting and long-term capital planning. Knowledge of the average costs for activities such as snow removal per lane / kilometre, routine maintenance, the unit cost and life cycles for bridge deck replacements, re-coating of structures, etc., will be used to establish benchmarks to provide an indication of cost efficiency and best practices.

Historically, the Board of Directors of each bridge authority has established the toll policy for that facility. While the primary responsibility for this should remain with the local Board, FBCL corporate plans require a target revenue to offset the maintenance and operation of

structures and current realities suggest some policy direction on matters such as currency equivalency and competition factors. As well, discussions are underway with other bridge authorities to determine what commonality among elements of toll policies might best serve our clients.

Standardized reporting seeks to establish and fully understand the financial requirements of a bridge to allow management to address both capital and operating requirements over a 20-year period. Financial reports are being structured to address requirements for

**DURING SUMMER, I NEVER MISS
THE FIREWORKS OVER LA RONDE.
THE JACQUES CARTIER BRIDGE
IS DEFINITELY THE BEST SEAT IN TOWN.**



normal bridge operation and maintenance activities, as well as major maintenance and capital expenditures. This will be used to identify the bridge revenue targets and reserve fund requirements to meet long-term capital and operational activities.

Relevant performance measurements are under development to allow the Corporation to evaluate its success in meeting various objectives. They will necessarily take into account the mission and vision of the Corporation, customer service, levels and areas of expertise, innovation, environmental concerns, and financial business performance. This performance measurements system will serve to guide the daily management of the business and will become an essential part of the strategic planning process.

Financial reporting from the subsidiary companies offers an insight into the evolution of ownership of the facilities. A variety of accounting policies and principles have applied, including those respecting the capitalization of assets. Sound financial planning for the enterprise demands a uniform capital assets and amortization policy.

The FBCL is examining ways to reduce costs and is identifying new sources of revenues. Leases and licenses on bridge properties is one area where the Corporation is establishing policies to guide subsidiaries in achieving greater revenues. For example, the introduction of a market-driven commercial signage initiative alongside Montreal-area structures owned by the FBCL has been very successful.

The Corporation has also reviewed several administrative matters related to its properties including leases and licenses, payments in lieu of taxes, municipal taxation, surveying, leases for duty-free shops, and our assistance to Canadian Customs and Revenue Agency for customs facilities.



| SAULT STE. MARIE INTERNATIONAL BRIDGE



| CHAMPLAIN BRIDGE



TECHNOLOGY

In June 1999, FBCL began the implementation of a Variable Message Signs program as part of a broader Intelligent Transportation System (ITS) initiative. In the Montréal area, ITS is a sophisticated traffic management tool that uses variable message signs to optimize capacity and ensure safer driving conditions by providing bilingual real-time traffic and road condition information to drivers. The ITS also integrates bridge lane control systems, new camera

surveillance and counting systems that help direct traffic movement and measure traffic volume. All these improvements are being financed with revenues generated by the private sector through commercial signage and don't require any taxpayers money.

In 2001, the FBCL entered into an agreement with the Québec Ministry of Transport to integrate the Corporation's ITS system into the Ministry's Traffic Management Centre, especially for major rehabilitation projects being undertaken by both governments. Real-time messages related to congestion or construction activities have greatly improved traffic flows and client satisfaction.

**THE SIGHT OF THE STEEL FRAME, THE ELECTRONIC BOARDS
AND THE CONSTRUCTION WORKS PLEASURES ME.
I KNOW THAT RENOVATING THE INFRASTRUCTURES
INDICATES ACTION AND ECONOMIC GROWTH.**



FBCL plans to award a contract to modernize the existing (1989) CCTV surveillance system at its bridges in the Montréal region, by upgrading key components of the system. The system allows policing authorities to follow all police incidents including traffic accidents. The system is accessible to the Québec Ministry of Transportation traffic control center. The improved images from the camera system will also be accessible through the JCCBI Web site. Media traffic reports will offer much improved information to users as a result.

The JCCBI Web site, on line since August 20, 2000, was developed to inform the public regarding the Corporation and its structures. In August 2001, the Corporation integrated images from its cameras, thus giving users information on traffic conditions on the Jacques Cartier and Champlain Bridges. The Corporation is also using this technology to provide the public with progress reports and lane closure information during the Jacques Cartier Bridge deck replacement work. From March to November 2001, an average of 6,000 people per month visited the Corporation's Web site. The Corporation will continue to develop the Web site tools to maximize the potential of this communication method. The site can be found at www.pjcci.ca.

Both the Canadian and U.S. government concerns over the impact of heightened border security and resulting increased processing times on trade, tourism, and other commercial activities, have announced special initiatives to smooth the flow of traffic. These include Customs Self Assessment (CSA), CanPass, NEXUS and the application of advanced technology (for detection and clearance) as well as new processes. The primary responsibility for implementing these new initiatives lies with the Canada Customs and Revenue Agency, however they may impact on the design of the plaza area and staffing requirements.



FEDERAL IDENTITY PROGRAM

The FBCL is implementing a series of measures to identify all structures under its authority. All aspects of the Federal Identity Program are applied to our policies for publications, structures, and signage.

HUMAN RESOURCES

An economic impact study of the capital and management expenses for fiscal year 2001-2002, has estimated that the overall economic impact of the Federal Bridge Corporation Limited and its subsidiaries' capital and management expenses for fiscal year 2001-2002 supported the creation and the consolidation of 1,479 person-years, of which more than 95% are salaried positions.



The total economic impact of the capital expenses of Jacques Cartier and Champlain Bridges Incorporated alone, for fiscal year 2001-2002, supported the creation and the consolidation of 836 person / years. For businesses and households in Quebec, the total increase in revenues is \$50.5 million. These same expenses enable the Quebec Government to collect nearly \$12.4 million, and the Canadian Government another \$5.5 million. It is worth noting that 95% of this impact comes from the Jacques Cartier Bridge redecking works.

The Corporation has continued its work to develop its human resources policies and programs as a new Crown Corporation and integrating those in existence at the subsidiary companies.

During 2001, a significant effort was directed to developing a Job Evaluation Plan jointly with representatives of two unions (CUPE and CSN), and representatives of non-unionized employees. The resolution of difficult labour-relations issues at our JCCBI subsidiary resulted in a stronger relationship with the unions and zero grievances in 2001.

The Corporation's approach to its human resources activities focus on improved productivity and harmonious relations as a way to promote the development of skills and improve the quality of services offered our clients.

BRIDGES AND TRANSPORTATION INFRASTRUCTURES

*Under control of the FBCL
and its subsidiaries*



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 in 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 sign 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 hour.

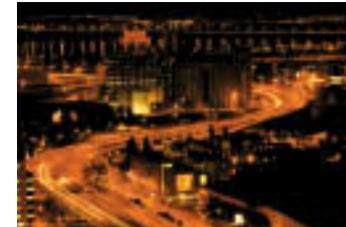
The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath to and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal.

Annual traffic on the Jacques Cartier Bridge is currently estimated at 43 million vehicles.

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 Québec 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 municipalities of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a concrete dividing strip. 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.

It is estimated that 49 million vehicles cross the Champlain Bridge every year, to which must be added 8 million public transit users.



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 Montreal, to the Mohawk reserve of Kahnawake, on the South Shore.

At first, 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 might 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 kilometre long. Its truss spans support a classic asphalt-paved concrete deck.

It is estimated that 27 million vehicles use the Honoré-Mercier Bridge each year.



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.

Approximately 2 million vehicles cross the bridge every year.



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.

Approximately 3 million vehicles use it each year.



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.

Over 2.4 million vehicles cross the bridge each year, much of it truck traffic, making it one of the most important trade links between Canada and the United States.



The Champlain Bridge Ice Control Structure

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 Melocheville Tunnel

The Melocheville Tunnel was built in 1956 as part of the construction of the Beauharnois Canal.

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.

About 4 million vehicles pass through the Melocheville Tunnel annually.

**CORPORATE
INFORMATION**



**THE FEDERAL BRIDGE
CORPORATION LIMITED**

Board of Directors

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

Officers

Norman B. Willans,
*Legal Counsel and
Secretary to the Board*
Glen P. Carlin,
Vice-President, Engineering
André Girard,
Vice-President, Communications
Gérard Lalonde,
*Director,
Administrative Services,
and Treasurer*



THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

Board of Directors and Officers

Pursuant to the *Financial Administration Act*, the Board of Directors is responsible for the management of the businesses, activities and other affairs of the Corporation. The Management Committee, the Audit Committee, the Steering Committee for the Jacques Cartier Bridge Deck Replacement Project and the management team support it.

Board of Directors

Michel Fournier, *Chairman*
Yvon Bourget, *Vice Chairman*
Glen P. Carlin, *Director*
Clément Côté, *Director*
René Therrien, *Director*
Norman B. Willans, *Director*

Management Committee

René Therrien, *Chairperson*
Glen P. Carlin
Clément Côté

Officers and Senior Managers

Michel Fournier, *President*
Yvon Bourget, *Vice-President*
Pierre Beaudoin,
General Manager
Sylvie Lefebvre,
*Counsel and Secretary
of the Corporation*
Nathalie Rhéaume,
*Director, Finance and
Administration*
Jean-Charles Leclerc,
*Director, Engineering
and Construction*
Serge Harvey,
*Director, Operations
and Maintenance*

Steering Committee for the Jacques Cartier Bridge Deck Replacement Project

Glen P. Carlin, *Chairperson*
Clément Côté
René Therrien

Audit Committee

René Therrien, *Chairperson*
Glen P. Carlin
Clément Côté

FINANCIAL SUMMARY

<i>in dollars</i>	2002	2001
• OPERATING RESULTS		
Revenues		
Leases and licenses	801,522	663,150
Interest	125,107	160,926
Other	143,975	182,293
Expenses		
Maintenance	23,791,746	22,501,836
Operation	3,259,266	3,167,292
Administration	3,186,889	3,248,803
Amortization	2,112,153	2,039,138
Net loss before government funding	31,279,450	29,950,700
Parliamentary appropriation for operating expenditures	26,726,437	27,965,992
Amortization of deferred capital funding	214,349	141,334
Net loss	4,338,664	1,843,374
• BALANCE SHEET		
Current assets	22,313,313	12,288,894
Current liabilities	21,476,164	9,097,378
Capital assets	80,713,363	16,691,953
Employee future benefits	645,795	559,302
Deferred capital funding	72,146,489	6,227,275
Shareholder's equity	8,758,228	13,096,892
• FINANCIAL POSITION		
Acquisition of capital assets	66,133,563	5,914,807
Parliamentary appropriation for funding the acquisition of capital assets	66,133,563	5,914,807
Issued current loan from the parent company	3,500,000	—

**THE SEAWAY
INTERNATIONAL BRIDGE
CORPORATION, LTD.**

Board of Directors

Sheila Tremblay, *President*
Albert S. Jacquez, *Vice-President*
Meredith S. Hayes, *Vice-President*
Sal Pisani, *Vice-President*
Roger J. Forgues, *Director*
Edward Margosian, *Director*
John M. Kroon, *Director*
Gerald H. Johnston, *Director*

Officers

Sheila Tremblay, *President*
Albert S. Jacquez, *Vice-President*
Erman J. Cocci, *Vice-President*
Gerard Lalonde, *Treasurer*
Edward Margosian, *Assistant
Treasurer*
Roger J. Forgues, *Assistant Treasurer*
Norman B. Willans, *General Counsel
and Corporate Secretary*
Marc C. Owen,
Deputy General Counsel
Hendrik H. Saaltink,
General Manager

Audit Committee

John M. Kroon, *Chairman*
Edward Margosian
Roger J. Forgues

Management Committee

Sheila Tremblay
Sal Pisani
John M. Kroon

FINANCIAL SUMMARY

<i>in dollars</i>	2001	2000
• OPERATING RESULTS		
Revenues		
Tolls	2,766,972	3,018,592
Rentals	128,214	125,546
Investments	76,759	74,739
Expenses		
Maintenance	1,480,263	1,342,680
Tolls collection	670,801	649,020
Administration	608,480	538,805
Amortization	422,883	339,636
Net income	(234,254)	259,150
• BALANCE SHEET		
Current assets	1,347,252	1,782,470
Current liabilities	475,365	463,492
Capital assets	558,644	447,307
Deferred majors repairs	662,154	567,642
Capital stock	8,000	8,000
Due to venturers	1,785,811	1,993,885
• FINANCIAL POSITION		
Acquisition of capital assets	626,962	80,503
Cash flows from operating activities	83,632	669,708

**THE ST. MARY'S RIVER
BRIDGE COMPANY**

Directors and Officers

James McIntyre, *President*
 Alexander Harry, *Vice-President*
 Robert Collins, *Director*
 Gerry Johnston, *Director*
 Allan Jackson, *Director*
 Don Macgregor, *Director*
 Mary Trbovich, *Director*
 Lorie Bottos, *Secretary-Treasurer*

FINANCIAL SUMMARY

<i>in dollars</i>	2001
• OPERATING RESULTS	
Revenues	
Tolls	3,141,716
Leases and licences	472,044
Investments	92,027
Others	263,810
Expenses	
Maintenance	861,562
Tolls collection	980,256
Administration	432,491
Amortization	236,908
Net income	1,458,379
• BALANCE SHEET	
Current assets	4,669,287
Current liabilities	899,022
Capital assets	4,516,983
Capital stock	1,500
Retained earnings	8,285,747
Reserved funds	2,976,869
• FINANCIAL POSITION	
Acquisition of capital assets	9,260
Cash flows from operating activities	1,551,968



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46	Management Report
47	Auditor's Report
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FINANCIAL REVIEW

OVERVIEW OF THE FINANCIAL ANALYSIS

This analysis supplements the consolidated financial statements presented in the following pages. It concerns the activities of the Federal Bridge Corporation Limited, of its wholly-owned subsidiary The Jacques Cartier and Champlain Bridges Incorporated, of its 91.33%-owned subsidiary St. Mary's River Bridge Company, and includes the proportional interest, i.e., 50% of the accounts of its joint venture, The Seaway International Bridge Corporation, Ltd.

The financial statements are for the third full year of activity of the Federal Bridge Corporation Limited ending March 31, 2002. When making comparisons, the reader should remember that in last year's financial statements, the operations of the subsidiary St. Mary's River Bridge Company covered the period from October 17, 2000, to March 31, 2001.

The activities of the Corporation are divided into two distinct sectors. First, there is the international bridges sector. This sector is self-financing out of toll revenues. The second sector takes in the remaining bridges, structures and activities where there is no toll. This sector depends, in part, on the government for its financing.

Over the year, The Jacques Cartier and Champlain Bridges Incorporated continued to make major repairs to the deck of the Jacques Cartier Bridge in order to address, in the context of its mission, the transportation needs of Canadians and provide safe installations. The Corporation invested a sum of \$66 million in this project during the year 2001-2002.

FINANCIAL REVIEW

A POSITIVE BALANCE

The Federal Bridge Corporation Limited continues to show a sound financial position. The Corporation's total assets virtually doubled over the year, to \$143,466,559 in 2002. This increase is largely in the form of capital assets, which rose \$64,689,037. The repair work to the deck of the Jacques Cartier Bridge is by far the single project responsible for this increase. This design-construction contract was awarded October 12, 2000, and the work done as at March 31, 2002, has been entered under works in progress. The amount receivable from Canada amounts to \$13,735,416 in 2002, compared to \$8,662,192 in 2001. This amount represents the portion of parliamentary appropriations granted to the subsidiary The Jacques Cartier and Champlain Bridges Incorporated, but not yet paid.

SUSTAINED GROWTH

During the year 2002, the consolidated revenues of The Federal Bridge Corporation Limited increased by \$1,791,638 or 17.4%, to \$12,091,041 versus \$10,299,403 the previous fiscal year.

One of the main contributors to this increase was the revenue from leases and licences, which rose 36%, from \$3,655,810 in 2001 to \$4,965,619 in 2002. This increase is attributable largely to the granting of new leases and licences and to the increase in rents and charges from existing leases and licences.

In addition, toll revenues increased \$1,239,480 to \$4,491,072 as at March 31, 2002. The operations of the St. Mary's River Bridge Company for one full year explain this change.

Expenditures were up \$3,359,443 in 2002. This increase of 8.7% is partly attributable to the operations of the St. Mary's River Bridge Company for a period of one full year compared to only 6 months in 2001.

Maintenance expenditures of \$27,694,873 (66% of total expenditures) reflect the importance the Corporation accords the smooth operation of its infrastructures. Of this amount, \$23.8 million was spent on maintenance by the subsidiary The Jacques Cartier and Champlain Bridges Incorporated, which proposed and undertook during the year several major infrastructure maintenance projects. Major maintenance work was carried out with minimal impact on traffic.

SUMMARY TABLE

REVIEW SINCE INCEPTION

For period ending on March 31

• FINANCIAL DATA <i>in thousand of dollars</i>	1999 <i>6 months</i>	2000 <i>12 months</i>	2001 <i>12 months</i>	2002 <i>12 months</i>
Revenues				
Thousand Islands Bridge operating revenue	906	2,252	2,276	1,854
Leases and permits	728	2,110	3,656	4,966
Tolls	627	1,549	3,251	4,491
Interest	339	653	994	691
Other	113	195	122	89
	<u>2,713</u>	<u>6,759</u>	<u>10,299</u>	<u>12,091</u>
Expenses				
Maintenance	7,346	21,825	26,242	27,695
Operation	1,975	3,566	3,175	3,266
Administration	1,799	4,564	6,095	7,347
Amortization	1,260	2,740	3,249	3,658
Cost recovery	(268)	(295)	(264)	(110)
	<u>12,112</u>	<u>32,400</u>	<u>38,497</u>	<u>41,856</u>
Loss before government funding	(9,399)	(25,641)	(28,198)	(29,765)
Parliament appropriation for operating expenses	9,628	25,168	27,966	26,726
Amortization of deferred capital funding	37	88	141	214
Non-controlling interest	-	-	(69)	(79)
Net income (loss)	<u>266</u>	<u>(385)</u>	<u>(160)</u>	<u>2,904</u>

MANAGEMENT REPORT

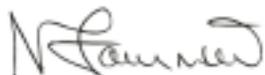
The accompanying consolidated financial statements of The Federal Bridge Corporation Limited and all information in this annual report are the responsibility of management and were approved by its Board of Directors.

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

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

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

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



Michel Fournier
President and Chief Executive Officer

Ottawa, Canada
June 21, 2002

AUDITOR'S REPORT

AUDITOR GENERAL OF CANADA



VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister of Transport

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2002 and the consolidated statements of operations and deficit, contributed capital 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, 2002 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 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.

A handwritten signature in black ink, appearing to read 'R. Flageole'.

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

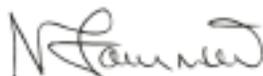
Ottawa, Canada
June 21, 2002

CONSOLIDATED BALANCE SHEET

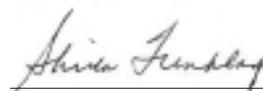
As at March 31

<i>in dollars</i>	2002	2001
• ASSETS		
Current		
Cash and term deposits (note 3)	19,591,676	15,068,173
Accounts receivable	1,957,841	1,678,837
Accrued interest receivable	9,129	209,133
Prepaid expenses	530,423	862,343
Due from Canada	13,735,416	8,662,192
	<u>35,824,485</u>	<u>26,480,678</u>
Long-term		
Long-term investments (note 4)	–	4,147,808
Advance to co-venturer (note 5)	317,046	327,610
	<u>317,046</u>	<u>4,475,418</u>
Capital assets (note 6)	107,325,028	42,635,991
	<u>143,466,559</u>	<u>73,592,087</u>
• LIABILITIES		
Current		
Accounts payable	18,832,761	9,802,657
Deferred revenue	368,418	2,610,844
	<u>19,201,179</u>	<u>12,413,501</u>
Provision for employee future benefits	993,900	959,586
Deferred revenue	393,000	435,000
Deferred capital funding (note 7)	72,146,489	6,227,275
Non-controlling interest	472,171	392,460
	<u>74,005,560</u>	<u>8,014,321</u>
	<u>93,206,739</u>	<u>20,427,822</u>
Commitments and contingencies (notes 12 and 13)		
• SHAREHOLDER'S EQUITY		
Capital stock		
Authorized – unlimited number of shares, without par value		
Issued and fully paid – 1 share	1	1
Contributed capital	53,443,116	53,443,116
Deficit	(3,183,297)	(278,852)
	<u>50,259,820</u>	<u>53,164,265</u>
	<u>143,466,559</u>	<u>73,592,087</u>

Approved by the Board of Directors:



President and Chief Executive Officer



Director

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

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Year ended March 31

<i>in dollars</i>	2002	2001
• REVENUES		
Thousand Islands Bridges operating revenue (note 8)	1,853,803	2,276,174
Leases and permits	4,965,619	3,655,810
Tolls	4,491,072	3,251,592
Interest	691,096	993,819
Other	89,451	122,008
	<u>12,091,041</u>	<u>10,299,403</u>
• EXPENSES		
Maintenance	27,694,873	26,241,851
Operation	3,266,607	3,174,953
Administration	7,346,952	6,095,200
Amortization	3,658,254	3,249,114
Cost recovery (note 9)	(110,125)	(264,000)
	<u>41,856,561</u>	<u>38,497,118</u>
Loss before government funding	(29,765,520)	(28,197,715)
Parliamentary appropriation for operating expenses	26,726,437	27,965,992
Amortization of deferred capital funding (note 7)	214,349	141,334
Non-controlling interest	(79,711)	(69,422)
	<u>(2,904,445)</u>	<u>(159,811)</u>
NET LOSS	(2,904,445)	(159,811)
Deficit, beginning of year	(278,852)	(119,041)
	<u>(3,183,297)</u>	<u>(278,852)</u>
Deficit, end of year	(3,183,297)	(278,852)

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

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL

Year ended March 31

<i>in dollars</i>	2002	2001
Balance, beginning of year	53,443,116	50,041,592
Transfer of the assets from St. Mary's River Bridge Company	–	3,401,524
Balance, end of year	53,443,116	53,443,116

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

<i>in dollars</i>	2002	2001
• CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(2,904,445)	(159,811)
Non-cash items		
Amortization of capital assets	3,658,254	3,249,114
Amortization of deferred capital funding	(214,349)	(141,334)
Increase in provision for employee future benefits	34,314	147,214
Amortization of deferred revenue	(2,284,426)	(768,648)
Non-controlling interest	79,711	69,422
Changes in working capital items (note 10)	4,209,800	(1,501,485)
Cash flows from operating activities	2,578,859	894,472
• CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash acquired from subsidiary	–	675,072
Decrease in advance to co-venturer	10,564	15,517
Long-term investments	4,147,808	821,759
Acquisition of capital assets	(68,347,291)	(6,612,036)
Cash flows used in investment activities	(64,188,919)	(5,099,688)
• CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred revenue	–	3,600,156
Increase in deferred capital funding	66,133,563	5,914,807
Cash flows from financing activities	66,133,563	9,514,963
• NET INCREASE FOR THE YEAR		
Cash and term deposits, beginning of year	4,523,503	5,309,747
	15,068,173	9,758,426
Cash and term deposits, end of year	19,591,676	15,068,173

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited, incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation under Schedule III Part I of the *Financial Administration Act* and is not subject to 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, and its joint venture, The Seaway International Bridge Corporation, Ltd., are self financed by using their own operating income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Basis of consolidation**

The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, 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 2002 year include the results of subsidiaries The Jacques Cartier and Champlain Bridges Incorporated and St. Mary's River Bridge Company and those of the joint venture for the period from April 1, 2001 to March 31, 2002.

b) Parliamentary appropriations

The parliamentary appropriation, which the subsidiary The Jacques Cartier and Champlain Bridges Incorporated uses to offset the excess of its operating expenses over its operating revenues, is shown on the statement of operations and deficit. The amount of the parliamentary appropriation is based primarily on the operating cash flow requirements of the subsidiary.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

c) Capital assets and amortization

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

Capital assets 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.

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

- | | |
|--------------------------|----------|
| • Bridges | 2% - 5% |
| • Remedial works | 5% - 10% |
| • Deferred major repairs | 10% |
| • Vehicles and equipment | 3% - 33% |
| • Buildings | 2% - 20% |

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

d) Deferred revenue

Deferred revenue are comprised of leases, permits and the sale of toll tickets, for which services have not been rendered, are deferred and accounted for as services are provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

e) **Employee future benefits**

Employees 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 are covered by the Public Service Superannuation Plan administered by the Government of Canada. Effective April 1, 2000, the subsidiary The Jacques Cartier and Champlain Bridges Incorporated and the joint venture pay higher contributions and this amount, expressed as a percentage of employees' contributions, will fluctuate from year to year depending on the experience of the Plan.

The Federal Bridge Corporation Limited employees are covered by a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation.

Contributions in respect of current services are expensed when paid 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.

The pension expense for all plans for the year is \$264,902 (2001 - \$228,833).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

3. CASH AND TERM DEPOSITS

The Corporation invests in the short-term money market. The overall portfolio yield as at March 31, 2002 was 2.54% (2001 - 5.9%). The longest term to maturity is 123 days. The fair value of the term deposits approximates the book value due to their impending maturity.

4. LONG-TERM INVESTMENTS

Long-term investments include the following financial instruments:

<i>in dollars</i>	2002	2001
Treasury bill	–	2,500,000
Money market funds	–	1,647,808
	–	4,147,808

5. ADVANCE TO CO-VENTURER

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

The advance bears interest monthly at the average one-year Treasury bill rate and has no repayment terms. As at March 31, 2002, its carrying amount approximated its fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

6. CAPITAL ASSETS

	cost	accumulated amortization	net	net
<i>in dollars</i>		2002		2001
• Land	4,340,944	–	4,340,944	4,340,944
• Bridges	140,801,799	117,045,505	23,756,294	26,675,231
• Vehicles and equipment	7,036,761	3,245,365	3,791,396	3,984,322
• Buildings	5,252,114	2,351,567	2,900,547	1,335,578
• Deferred major repairs	943,207	798,383	144,824	250,340
• Remedial works	48,917	28,444	20,473	24,093
• Projects in progress	72,370,550	–	72,370,550	6,025,483
	230,794,292	123,469,264	107,325,028	42,635,991

The cost of the Bonaventure Autoroute, 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.

Projects in progress as at March 31, 2002 are mostly related to the deck replacement project for Jacques Cartier Bridge (note 14).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

7. DEFERRED CAPITAL FUNDING

<i>in dollars</i>	2002	2001
Balance, beginning of year	6,227,275	453,802
Parliamentary appropriation to finance the acquisition of amortizable capital assets	66,133,563	5,914,807
Amortization	(214,349)	(141,334)
Balance, end of year	72,146,489	6,227,275

8. THOUSAND ISLANDS BRIDGE OPERATING REVENUE

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

9. COST RECOVERY

This recovery represents the reimbursement by Public Works and Government Services Canada of the annual maintenance expenses associated with the Canadian Customs station of the Thousand Islands Bridge, in accordance with a contractual agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

10. INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

<i>in dollars</i>	2002	2001
Accounts receivable	(279,004)	424,933
Accrued interest receivable	200,004	(205,533)
Prepaid expenses	331,920	(615,435)
Due from Canada	(5,073,224)	(4,671,940)
Accounts payable	9,030,104	3,566,490
	4,209,800	(1,501,485)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

11. 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.

12. COMMITMENTS

The Corporation has entered into agreements, principally supply, maintenance, professional services and lease agreements, which call for payments of \$12,971,681 until 2007. Moreover, the Corporation signed a design-construction contract for the deck replacement on the Jacques Cartier Bridge, as well as other contracts for professional services, rental and insurance related to this project for a total amount of \$51,752,576 for the year 2002-2003. Minimum payments for the next years are \$63,267,176 in 2003, \$616,013 in 2004, \$380,171 in 2005, \$374,817 in 2006, \$86,080 for subsequent years. The Corporation is also committed to pay annually a minimum amount of \$3 million pursuant to an agreement for police services which expires on June 30, 2005.

13. 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. No provision has been taken in this regard.

b) It may be necessary to decontaminate some of the Corporation's properties. To date, the Corporation has been unable to determine the related costs as it has not assessed the extent of contamination on all of its properties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

14. MAJOR REHABILITATION WORK

In its endeavour to fulfill its mission, the Corporation must undertake major rehabilitation works on the roadway deck of Jacques Cartier Bridge. On October 12, 2000, the Corporation awarded a design-construction contract for the deck replacement on the bridge. Construction on the bridge is planned to be completed in November 2002. The total cost of the project, including direct and indirect costs, is estimated at \$125 million, of which \$72 million was recorded as at March 31, 2002.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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