



Ponts  
JACQUES CARTIER +  
CHAMPLAIN  
Bridges  
Canada



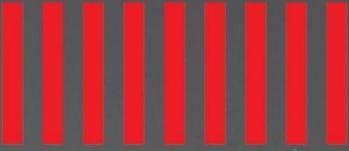
QUARTERLY  
FINANCIAL REPORT

**3<sup>rd</sup> QUARTER (Q3)**

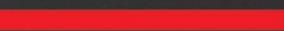
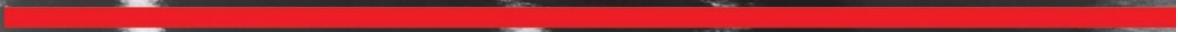
For nine months ended December 31, 2017

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**+ SECTION 1**  
STATUS



# 1. STATUS

JCCBI was incorporated on November 3, 1978, under the *Canada Business Corporations Act*. JCCBI was, until September 30, 1998, a Crown Corporation wholly owned by the St. Lawrence Seaway Authority (SLSA).

On October 1, 1998, it became a wholly owned subsidiary of The Federal Bridge Corporation Limited (FBCL), a parent agent Crown Corporation listed under Part I of Schedule III of the Financial Administration Act (FAA).

On February 13, 2014, JCCBI became a parent Crown Corporation listed under Part I of Schedule III of the FAA. As a Crown Corporation, JCCBI is subject to Part X of the FAA.

Furthermore, JCCBI is an agent Crown Corporation of Her Majesty under The Jacques Cartier and Champlain Bridges Inc. Regulations (SOR/98-568).

## 1.1 MANDATE

JCCBI manages all bridges and tunnels under federal jurisdiction located in the Greater Montreal metropolitan Area, namely the Champlain Bridge, the Jacques Cartier Bridge, The Île des Soeurs Bypass Bridge, the federal portion of the Honoré Mercier Bridge as well as their approaches, the Melocheville Tunnel and two related infrastructures, namely the federal portion of the Bonaventure Expressway and the Champlain Bridge Ice Control Structure.

For each of these infrastructures, JCCBI assumes responsibility for:

- + operations;
- + inspections;
- + maintenance;
- + repairs and/or rehabilitation;
- + safety;
- + coordination with municipal and provincial stakeholders;
- + Management of contaminated sites.

## 1.2 MISSION, VISION AND VALUES

### **Our mission**

Use systemic management and a sustainable development approach to ensure the safety and longevity of the major infrastructure under its responsibility.

### **Our vision**

Become a leader in major infrastructure management as an innovative expert, a mobility leader and a social and urban contributor.

### **Our values**

Teamwork, transparency, thoroughness, innovation, and commitment are the values JCCBI has adopted to accomplish its mission.

## 1.3 ADMINISTRATIVE PROFILE AND FUNDING

JCCBI's main activities are divided into two (2) specific areas, namely the operations and the administrative departments. The operations include planning, engineering, inspection and expertise, environment, the Champlain Project Office, construction, and operations and maintenance. These groups are supported by a project management expert and by an occupational health and safety advisor. The Champlain Project Office is responsible for carrying out the major maintenance program for the existing Champlain Bridge, and provides INFC with support as part of the NCBC project. Administrative departments such as Legal Affairs, Procurement, Finance, Information Technology, Human Resources and Communications support these sectors.

The Planning, Environment, Engineering, Expertise, Projects and Construction departments plan and manage the activities pertaining to asset management and major construction, rehabilitation and repair projects related to the components of civil and road engineering structures, such as piers, girders, decks, steel structures, tunnel, foundations, paving and painting as well as the mechanical and electrical components associated with these structures.

The Operations and Maintenance department oversees and manages contracts for snow removal and spreading of abrasives, road cleaning and maintenance, landscaping, replacement of guardrails, sealing cracks and lubricating bearings, repairing potholes in the pavement and bridge decks, as well as maintenance and operations of lane control signal systems and surveillance cameras, electrical distribution and road lighting.

The specialized professionals on JCCBI's team have extensive know-how and experience in bridge and highway infrastructure management as well as in engineering. The strong partnerships JCCBI has established over the years play a key role in the management of its infrastructures and in the execution of its projects.

JCCBI must ensure the safety of its infrastructures at all times. The Corporation has implemented inspection programs combined with detailed surveys and additional investigations, thus ensuring the availability of relevant and up-to-date information for informed decision-making on short, medium and long-term maintenance and rehabilitation programs.

JCCBI operates in a complex environment where many external factors can affect its planning. On the financial front, JCCBI continues to be vigilant with regard to the use of public funds.

JCCBI is entirely funded through parliamentary appropriations from the Government of Canada. Revenue from other sources, namely leases and permits, also contributes very minimally to its funding. JCCBI must optimize the maintenance and rehabilitation of ageing infrastructures in order to maximize their lifespan and safety.

## 1.4 CENTRE FOR INFRASTRUCTURE INNOVATION

Since its creation in August 2015, the Centre for Infrastructure Innovation (CII) has been working with JCCBI's various departments as well as in partnership with the academic research groups to develop tools that will enable JCCBI to develop and promote its expertise to ensure the sustainability of its structures.

As a matter of fact, the CII assists JCCBI develop and integrate innovative solutions in terms of innovative construction materials and techniques, building on strong expertise and comprehensive and sustainable strategies related to the management and maintenance of major infrastructures, with the objective to extend their useful life.

## The Work

During the third quarter of the current fiscal year, CII's activities have continued to progress. Thus, the projects currently under way are divided into three parts:

### 1. Research Projects

During this quarter, the CII has completed two (2) research projects; one relating to the reinforcement of bridge girders by fibre-reinforced polymer (FRP) bonding and the other relating to the use of ultra-high-performance concretes (UHPC) for the reinforcement of bridge girders. Thus, in collaboration with École Polytechnique de Montréal, a project to develop new techniques to reinforce bridge girders with UHPC as well as a preliminary analysis of specific elements of the Jacques Cartier Bridge's main span have been completed.

In addition, in collaboration with Université Laval, a research project on the environmental monitoring of the lighting of the Jacques Cartier Bridge is under way and the study report of Phase 2 has been issued as planned.

In collaboration McGill University, a new research project to develop an experimental method for the assessment of the behavior of bridge pier caps is under way.

### 2. Technical Development Projects

The Jacques Cartier Bridge and Clement Bridge seismic performance evaluation studies and the earthquake-resistant retrofit preliminary design study have progressed according to schedule.

The contract for a wind tunnel study of the load capacity of the Jacques Cartier Bridge's main span is completed.

Three (3) internal studies are underway on the opportunities of service life extension for the Jacques Cartier Bridge, on the improvement of the structural protection systems and on alternatives to de-icing salts. The preliminary results of the study on alternatives to de-icing salts are in the process of being compiled.

### 3. Technology Transfer

The first results of the research projects on the UHPC carried out by the CII are in the process of being integrated into pilot projects that will, in collaboration with various internal and industry stakeholders, be carried out during the next work season. As part of a pilot project to open the Jacques Cartier Bridge bike path during the winter season, the CII team is actively involved in studying innovative solutions for the eventual heating of the bike path.

Meetings to promote the integration of the CII are under way with the various departments of JCCBI, including asset management. The collaboration tools and mechanisms that foster innovation have been identified and will gradually be put in place.



## + SECTION 2

Q3 OF 2017-2018 IN REVIEW

## 2. Q3 OF 2017-2018 IN REVIEW

This quarterly financial report has been prepared in accordance with the requirements of the FAA and with the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat. It provides an assessment of JCCBI's operations and financial position for the quarter ended December 31, 2017 (Q3). It must be read in conjunction with the unaudited Interim Financial Statements and accompanying notes contained in this document, as well as with the audited Annual Financial Statements and supporting notes contained in JCCBI's Annual Report for 2016-2017.

All amounts are in Canadian dollars and are mainly derived from the Corporation's unaudited Interim Financial Statements, which were prepared in accordance with the Canadian Public Sector Accounting Standards (CPSAS).

On July 16, 2015, by Order in Council P.C. 2015-1112, His Excellency the Governor General in Council instructed JCCBI, under section 89 of the FAA:

- a) to harmonize its travel, hospitality, conference and event expense policies, guidelines and practices with the Treasury Board's related travel, hospitality, conference and event expense policies, guidelines and tools in a manner that complies with its legal obligations;
- b) to report on the implementation of these instructions in its next business plan.

The following table shows the travel, hospitality and conference expenses for the third quarter of fiscal year 2017-2018:

<i>(In thousands of dollars)</i>	3 months Quarter 3	9 months Ended December 31, 2017
Travel	11.4	31.3
Hospitality	3.0	9.5
Conferences	23.7	55.0
TOTAL	38.1	95.8

On October 1, 2016, Revenu Québec changed JCCBI's status with respect to the sales tax partial recovery. JCCBI was thus granted the status of "Non-Profit Organization" ("NPO"), which resulted in a reduction in the recovery rate of the GST paid by JCCBI from 100% (prior to October 1, 2016), to 50%. The treatment of the QST remains unchanged, the Corporation continues to claim a refund of 50% of the amounts paid.

### 2.1 SUMMARY

JCCBI declares a surplus of \$34.1 M for the nine (9) months ended December 31, 2017 (\$41.7 M in 2016). The deficit before public funding was \$101 M as at December 31, 2017 (\$180.5 M in 2016).

For the current fiscal year, the combined total revenue was \$1.1 M (\$1 M in 2016). Revenue remained stable overall.

During this same period, the net debt decreased by \$16.8 M for a total of \$27.9 M. Financial assets decreased by \$30.3 M. The change in the amounts received and those due from the federal government is mainly responsible for this change.

Capital asset acquisitions in the third quarter of the current fiscal year totalled \$39.8 M (\$56.2 M in 2016). They principally consist of expenses of \$6.8 M for the Honoré Mercier Bridge, \$29.2 M for the Jacques Cartier Bridge and \$3.8 M for the Champlain Bridge Ice Control Structure.

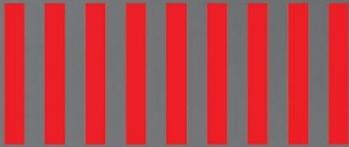
## 2.2 OUTLOOK

The expenses to maintain the bridges and related infrastructures remain high. Repairs to the Champlain Bridge continue to mobilize significant expenditures with a view to addressing the conclusions of the latest inspection reports, load capacity studies and monitoring results. Other government-funded projects are ongoing, including the rehabilitation work currently underway at the Honoré Mercier Bridge, the Bonaventure Expressway, the Champlain Bridge Ice Control Structure and the Jacques Cartier Bridge.

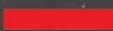
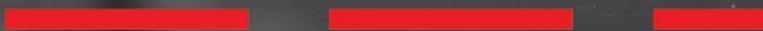
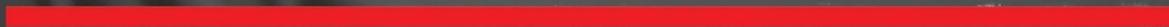
Future maintenance and rehabilitation work is still considered major with the ongoing rehabilitation or construction of major projects:

1. In order to maintain the Jacques Cartier Bridge over the long term, JCCBI has developed a major rehabilitation plan that covers the various components of the structure, its urban integration, traffic optimization at the approaches and development of the Île Sainte-Hélène pavilion;
2. For the Champlain Bridge, the repairs planned until it is decommissioned will continue to be required. To date, all edge girders have been reinforced to mitigate the risks associated with their condition. With regard to the piers, joints and pier caps, the work will continue in 2018-2019;
3. Work, both required and necessary to maintain the assets, is planned on the Bonaventure Expressway structures, the Honoré Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure;
4. In collaboration with the City of Montreal, the reconstruction of the non-elevated lanes of a section of the Bonaventure Expressway into an urban boulevard is being planned.

JCCBI is proud of its workforce, whose strength lies in its absolute commitment to the achievement of its strategic outcome. The funding, provided by the government until 2018-2019 makes it possible to maintain the infrastructures that play a vital role for the population and the economy.



**+ SECTION 3**  
ANALYSIS OF FINANCIAL RESULTS



## 3. ANALYSIS OF FINANCIAL RESULTS

### 3.1 RESULTS OF OPERATIONS

#### 3.1.1 Statement of Financial Position

##### **Financial Assets**

During the nine (9) months ended December 31, 2017, the total financial assets decreased by \$30.3 M, to amount to \$70.8 M, compared to \$101.1 M as at March 31, 2017. As in previous fiscal years, a determining factor in the variation in financial assets is the date on which the federal appropriations, which include the funding for the major capital projects and the operating expenses, are received.

JCCBI's net cash position has increased by \$14.6 M during Q3, to amount to \$55 M as at December 31, 2017 (\$40.4 M as at March 31, 2017). This increase during the quarter is notably due to the collection of accounts receivable.

##### **Liability**

Accounts payable and accrued liabilities decreased by \$24.9 M, from \$79.2 M as at March 31, 2017 to \$54.3 M as at December 31, 2017. This decrease is largely due to the variation of activities of the various ongoing construction projects.

To carry out its major projects, JCCBI entered into construction contracts which provide for the withholding of a portion of the payment until the completion of certain work and the contractual warranties have expired in compliance with the performance requirements. These contractual holdbacks have decreased by \$5.7 M, to amount to \$13.4 M as at December 31, 2017 (\$19.1 M as at March 31, 2017). These amounts will become payable when the work is completed, and the warranties have expired.

In the past quarter, JCCBI reviewed the assumptions underlying environmental obligations. A \$1.6 M increase in liability related to the review of assumptions was recognized. In addition, the work planned in the West and East Sectors of the Bonaventure Expressway has generated expenditures in the order of \$18.2 M, reducing the environmental liability by the same amount. As a result of these charges and reviews, the environmental obligations decreased by \$16.6 M amounting to \$30.1 M as at December 31, 2017 (\$46.7 M as at March 31, 2017).

##### **Non-Financial Assets**

Tangible capital assets increased by \$17.6 M to total \$579.4 M relative to the March 31, 2017 financial statements (\$561.8 M). This total includes \$39.8 M of gross purchases of capital assets, less charges for amortization of \$22.2 M. The major works concerned by these acquisitions include those of the Honoré Mercier Bridge (\$6.8 M), the Jacques Cartier Bridge (\$29.2 M) and the Champlain Bridge Ice Control Structure (\$3.8 M).

Prepaid expenses during the period decreased by \$0.3 M. This decrease is notably due to the materialization of expenses paid during the previous period.

## Government Funding

The following table summarizes the public funding for the third quarter of the current fiscal year:

(in thousands of dollars)	Third quarter		Cumulative (9 months)	
	2017-18	2016-17	2017-18	2016-17
Public funding for operating expenses	31,606	59,661	95,277	166,007
Public funding for tangible capital assets	6,664	16,347	39,826	56,164
<b>TOTAL</b>	<b>38,270</b>	<b>76,008</b>	<b>135,103</b>	<b>222,171</b>

Section 3.4 presents the results of the use of parliamentary appropriations.

### 3.1.2 Expenses

#### Maintenance

Maintenance costs during the third quarter represent 83.8% (91.7% in Q3 2017) of the total expenses for the quarter.

For the nine (9) months ended December 31, 2017, the maintenance costs, which include amortization, totalled \$87.8 M and are mainly distributed as follows:

- + \$5.3 M for the Île des Sœurs Bypass Bridge;
- + \$7.2 M for the Honoré Mercier Bridge;
- + \$29.8 M for the Champlain Bridge;
- + \$13.2 M for the Jacques Cartier Bridge;
- + \$2.3 M for the Bonaventure Expressway;
- + \$2.4 M for the Melocheville Tunnel;
- + \$16.1 M for the Champlain Bridge Ice Control Structure;
- + \$8.8 M for salaries and employee benefits; and;
- + \$2.7 M for various other projects and for equipment.

#### Operations

Operating expenses during the last nine (9) months totalled \$2.3 M (\$2.2 M in Q3 2017). These figures represent 2.2% of total expenses (1.2% in Q3 2017).

## Administration

The administrative expenses for the first nine (9) months total \$10.2 M and represent a \$0.4 M decrease compared to the same period in the previous fiscal year (\$10.6 M in Q3 2017). During the first three (3) quarters, administrative expenses represented 7.2% of total expenses (including capital asset acquisitions). The Corporation's objective is a maximum of 6%. It should be noted that the administrative expenses are relatively stable. The variation of its percentage with respect to the total expenses is directly related to the decrease in major maintenance expenses.

## 3.2 CASH-FLOW

Compared to March 31, 2017, the cash balance increased by \$14.6 M, amounting to \$55 M (\$40.4 M as at March 31, 2017).

## 3.3 STRATEGIC ISSUES AND RISKS

As a parent Crown Corporation, JCCBI must meet the requirements of and comply with the obligations set out in the various legislations applicable to Crown Corporations.

### 3.3.1. Bridge Safety

JCCBI's priority is to ensure, at all times, the safety and sustainability of all its structures. JCCBI judiciously administers its programs for bridges in order to extend their useful life as much as possible. To this end, a comprehensive inspection program is in place to monitor the condition of its infrastructures on a continuous basis and establish the intervention priorities. In recent years, load capacity studies have been undertaken to identify the structural elements that require special attention, whether or not they show visible degradation during inspections.

The bridges and other structures managed by the Corporation are old and have been subjected to years of heavy traffic, harsh climatic conditions and the abundant use of road salt. These structures will require major work over the next few years, in addition to the rehabilitation work that is either completed or underway. Traffic congestion on all Montreal South Shore bridges does not make it possible for major work to be carried out during increasingly long peak periods, which has a direct impact on the planning, execution and cost of repairs. Major rehabilitation work is planned or underway on all structures so that they remain in acceptable condition and to ensure their sustainability as well as user safety. Inspections, load capacity studies and long-term planning, as well as communication and sharing of information on the issues, continue on an ongoing basis in order to mitigate the risks related to the infrastructures.

### 3.3.2. Sustainable Funding

In its decision making, JCCBI must constantly consider how best to use available resources in order to protect the assets under its management and fulfil its mission to ensure safe passage on its structures.

In its 2014 Budget, the Government of Canada approved funding to JCCBI for the following five (5) years, or from 2014-2015 to 2018-2019. JCCBI prioritizes work always bearing in mind, first, the safety of users and, second, the implementation of risk mitigation measures.

For the projects relating to the Bonaventure Expressway contaminated groundwater (East and West Sectors), JCCBI has received funding from the 2014 Budget for the following five

(5) years. JCCBI also received funding from the Federal Contaminated Sites Action Plan (FCSAP), which was renewed in February 2016 for a four-year period with FCSAP3. FCSAP only allows projects that last a maximum of four (4) years, covering the period up to 2019-2020. This poses a real challenge, as the projects concerning the contaminated groundwater require a long-term action plan. Despite the funding received for years 2014-2015 to 2018-2019 and the FCSAP funding, the need for long-term funding over a 14-year period, starting in 2017-2018, is therefore imperative.

### 3.3.3. Human Resources Management

JCCBI works in partnership with all employees and managers to improve its performance. The realization of several initiatives related to project-based management, asset management, risk management and standardized process management is ongoing to optimize the organizational performance in order to develop both an increased capacity and rigorous management to achieve its strategic objectives.

With the assistance of a firm specializing in organizational development management, PJCCI has, for the third consecutive year, identified action learning strategies that make it possible to develop and support the teams in the execution of their operational plan.

To mitigate the vulnerabilities of expertise caused by the actual or announced departure of a key individual in the organization, PJCCI updates both its contingency plan and succession plan to develop the learning activities as well as performance support.

In the fall of 2015, JCCBI carried out an organizational diagnosis through a global employee commitment survey. During the last quarter, in order to continue these efforts, the Corporation conducted a second survey to measure the indicators since October 2015. The results of this survey are currently under analysis.

Mental health in the workplace is becoming increasingly important within the Corporation. The 2017-2020 health and wellness three-year program is currently under development and, for a second consecutive year, activities have been developed throughout the year.

JCCBI has also initiated the development of a workplace diversity program for which an implementation plan will be deployed over several years.

### 3.3.4. Information Technologies (IT)

In the spring of 2017, JCCBI awarded a contract for the provision of professional services by an integrator to assist JCCBI in the implementation of electronic document management (EDM). The implementation began in late August 2017 and is expected to continue over a two-year period, to be completed in the fall of 2019. The project is proceeding on time and on budget, the software tools have been acquired and the configuration is in progress.

The IT department has also completed the implementation of the Microsoft Office365 suite with respect to email storage and synchronization, which now run from the cloud computing suite. Work continues with the deployment of a new Intranet, OneDrive storage spaces and, progressively, of SharePoint spaces for the collaboration and sharing of corporate documents. As for computer security, the award of a computer security (intrusion tests) audit contract is planned for January 2018.

In addition, the reporting and dashboard management tool, namely the *Tableau* software, is in the process of being gradually deployed, which will enable better centralized data management with the implementation of a corporate data warehouse during the course of 2018-2019.

### 3.3.5. Health and Safety (OHS)

In line with the strategic orientations for occupational health and safety, the OHS team continues the deployment of its master program in order to pursue the evolution of the Corporation's OHS culture. An improved version of the OHS performance indicators to monitor the performances and the evolution of the prevention activities has been deployed during the last quarter.

Furthermore, the main achievements over the last quarter are, among others:

- + The development of a key performance indicator for contractors, which makes it possible to determine the risk index during the performance of the work;
- + The deployment of the revised OHS event reporting forms for work supervisors, to facilitate the update and improve the quality of the data compiled for all accidents and incidents that occurred in the course of active contracts;
- + The beginning of the implementation of a prevention approach for musculoskeletal disorders that will continue over the coming months and will allow the development of a specific ergonomics prevention program as well as the analysis of all employees' workstations.

The collaboration of the stakeholders of the different services facilitates the adherence to the ultimate goal of "Zero Injury by Choice". This philosophy logically and naturally integrates into the corporation's sustainable development approach.

JCCBI is continuing its efforts to maintain and enhance the contractual requirements applicable to the resources devoted to health and safety in the work supervision contracts and in the overall health and safety management contract. The OSH team is also working at clarifying the specific expectations associated with managing major risks for these types of contracts.

Through their involvement, the members of the Local Health and Safety committee exert a positive and constructive influence in the Corporation. Their efforts and those of the employees contribute to the improvement of prevention mechanisms and, ultimately, to the performances.

### 3.3.6. Environmental Obligations

JCCBI participates in the FCSAP, administered by Environment and Climate Change of Canada, for the implementation of the mitigation measures to contain and treat the contaminated groundwater on lands in the Bonaventure Expressway sector (East and West Sectors) in Montreal along the St. Lawrence River. Hence, it has launched the Solution Bonaventure Project aimed at ensuring environmental groundwater management in the summer of 2016. JCCBI is also working with owners and stakeholders to share the acquired knowledge.

With respect to the East Sector of the project, the construction of the hydrocarbon containment wall was completed in the fall of 2017. A professional services contract has been awarded to design the operating program that will begin in the first quarter of 2018-2019. For its part, the operation of the West Sector containment and treatment system continues and is the subject of a partnership with the Government of Quebec (*ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques* (MDELCC)). JCCBI is responsible for the management thereof.

### 3.3.7. Asset Management

In the third quarter, the focus was on finalizing the strategic planning and developing the 2018-2023 Corporate Plan. To carry out these activities, detailed project fact sheets have been finalized and integrated into the strategic plan in order to provide a common understanding of both the projects and the planning of the future work throughout the organization. Through these fact sheets, a level of complexity has been assessed in order to give an appreciation of the effort and risks related to these projects. Information such as the project needs, scope of work, context, inputs, stakeholders and known risks are integrated into the fact sheets in order to provide a clear definition of the deliverables expected from the project team that takes charge of the project realization.

An exercise to identify the risks associated to a structure has also started. The objective is to refine the process and to put in place a method that will make it possible to assess the risks for each structure and to determine the priorities for each project to be carried out, with a view to facilitating the choice of investments. Although these activities are being carried out today, standardizing and documenting them will help JCCBI to have a common and aligned understanding across the organization. This exercise should be completed for the next strategic planning.

Finally, a vision was developed for each structure, making it possible to align the actions of all departments towards a common goal. These visions, included in the strategic plan and in the 2018-2023 Corporate Plan, support the proposed level of investment.

### 3.3.8. Major Projects

JCCBI is currently carrying out major work on the bridges and related structures under its responsibility. Below is a description of the main achievements during the third quarter:

#### **Jacques Cartier Bridge**

In order to maintain the Jacques Cartier Bridge in long-term perspective, an upgrading plan has been developed, including the following work for the current fiscal year:

- + The award of two (2) new contracts, one on the Montreal side and one on the Longueuil side, for the rehabilitation of the steel towers and reinforcement of the steel structure. The execution of work of similar nature in the past helped to better understand and to mitigate the difficulties related to work carried out in an urban environment with residences nearby. Innovative measures have been put in place to reduce the noise generated by work on steel, including rivet removal and bolting, in order to reduce the work-related inconveniences to a minimum.
- + The project to light the Jacques Cartier Bridge, carried out in collaboration with the Society for the Celebration of Montreal's 375<sup>th</sup> Anniversary and the Canada 150 Federal Secretariat, is currently in the process of administrative closure of the contracts, preparation of the documentation and progressive transfer to the Corporation's Operations and Maintenance department. Such process will continue until the fourth quarter.
- + Work to stabilize the bank at the southeast approach to the Jacques Cartier Bridge has been completed ahead of schedule and only certain deficiencies are planned to be corrected in the first quarter of 2018-2019. This work will make it possible to maintain a long-term functional capacity of the south approach to the Jacques Cartier Bridge and have also allowed the reconstruction of the sidewalk above the bank and the



modification of the staircase at the abutment in order to improve the situation for pedestrians, all in coordination with the City of Longueuil. Special attention was paid to the landscaping of the bank and the architecture of the staircase adjacent to the parking lot operated by the City of Longueuil.

- + JCCBI completed the rehabilitation of Viaducts C and D, allowing access to the bridge via the City of Longueuil. This concrete rehabilitation work required that three (3) work blitzes be carried out in order to minimize the impact on citizens and users. This work was completed one (1) month ahead of the date initially scheduled.
- + The project to segregate the pedestrians and the cyclists was launched during the first quarter of 2017-2018. The work, which was scheduled to begin on the bridge in the fall of 2017 to be completed in the spring of 2018, could not start due to the cancellation of the call for tenders because of the tendered prices, which were too high. In addition, considering the coordination issues with the other projects on the Jacques Cartier Bridge, the file is currently under study to determine the optimal time for implementing such measures.
- + Considering the demand to keep the bike path operational during the winter, a preliminary design was launched during the second quarter of 2017-2018 to study the safety measures to be implemented to respond to such a request. During the last quarter, the Corporation retained the services of a consultant to document and analyze a pilot project for the winter maintenance of the bike path through conventional methods and heating systems. The preliminary findings will be known in the beginning of the first quarter of 2018-2019.
- + A new project was launched in the second quarter of 2017-2018, which will cover two (2) components, namely the milling and paving of the entire bridge and approaches in 2019-2020, as well as the management of the drained water and the development of the lands underneath section 8 in 2020-2021. This work will ensure the integrity of the existing deck waterproofing membrane. The work will also make it possible to bring the management of the drained water under the bridge up to environmental standards in addition to enhancing the lands by developing a linear park underneath and in the vicinity of the bridge on the Montreal side. As the project is in the start-up phase, the award of a contract for professional design services is scheduled in the beginning of the first quarter of 2018-2019.
- + Another project consists in the construction of a new building combining the administrative and garage spaces for the Corporation's Operations and Maintenance team, as well as the improvement of the adjacent yard. Considering the studies that showed the poor condition of the existing buildings, a preliminary design study was conducted to analyze the different scenarios. The optimal solution adopted consists in constructing a new building that will combine the garages and the offices. Given the nature of the project, the Corporation intends to hire, in the beginning of the first quarter of 2018-2019, the services of a firm specializing in architecture to design the building.
- + A project confirming the Corporation's position as a leader in mobility management is in the start-up phase. The project includes the construction of a fibre optic loop to ensure the redundancy of the existing network, the creation and integration of an intelligent traffic management system (ITMS), and an enhancement of the vehicle counting systems throughout JCCBI's network. The design continued in the last quarter of 2017-2018 for the ITMS and fibre optic components. The next significant milestone in the project will be the launch of a call for tenders in the first quarter of 2018-2019 for the construction contract relating to the fibre optic network.

- + A feasibility study was launched during the third quarter to address the development of the Île Sainte-Hélène pavilion and surrounding grounds. The project focuses on ensuring the pavilion's long-term durability and reviewing its vocation in order to highlight its importance and value. A request for proposals is planned in the first quarter of 2018-2019 to retain the services of a consultant to complete the detailed feasibility study.

### **Honoré Mercier Bridge**

During the second quarter of 2016-2017, the major project to reinforce and replace the bridge deck was completed on the federal portion of the bridge. The completion of the remaining work should be completed in the last quarter of 2017-2018. The work was carried out by a Mohawk contractor and by Mohawk workers from the community of Kahnawà:ke.

Pier rehabilitation work has begun and will continue over several years. During 2017-2018, the rehabilitation of two (2) piers was completed while three (3) other piers are in the process of being rehabilitated. During the third quarter of 2017-2018, mobilization for painting work on the steel structure began and a new contract was awarded for the replacement of the inspection catwalk.

### **Champlain Bridge**

The Champlain Bridge is at the end of its service life. In order to establish an overall maintenance strategy for the bridge until decommissioning thereof, JCCBI carries out, on an ongoing basis, inspections and performs real-time monitoring of the critical components and monitoring of the entire structure's load capacity. This strategy must ensure that the crossing between the South Shore and the Island of Montreal remains safe and efficient until the opening of the new bridge. Major work to the structure on components such as the girders, slab, pier caps, pier shafts and pier footings is undertaken as part of a ten-year overall strategy. In addition, repairs to the steel components of the main span structure and other major repairs, such as the replacement of the expansion joints, must be carried out on an ongoing basis to ensure the availability of traffic lanes and the safety of road users.

In 2017-2018, the ten-year major bridge maintenance program is about to complete its ninth year, and, not surprisingly, signs of deterioration continue to appear, as the deterioration of an end-of-life structure tends to follow an exponential curve. The announced schedule for the replacement of the bridge by the end of 2018 also calls for the major maintenance program to continue as well as putting in place mitigation measures that make it possible to adequately manage risks related to, among other things, the wear of a structure at the end of its useful life.

The ageing structure requires a detailed inspection program, and the frequency of inspections greatly exceeds the minimum standards recognized in the industry for this type of structure. In addition, as part of the risk mitigation strategy, sophisticated measuring instruments and analysis tools are in place to monitor, in real time, the behaviour of certain major components of the bridge. These measuring instruments consist of more than 340 high-precision sensors which are installed to monitor the deformation of certain girders. The data from the readings of these instruments are stored in a database whose first readings date from January 2014. This history, available for each one of the 100 edge girders, makes it possible to assess any changes in the behavior of a girder and to quickly implement the planned mitigation measures in order to keep the bridge open and safe.

In order to more effectively manage all activities related to the Champlain Bridge, the Champlain Bridge Project Office was set up in early 2015. The main objective was to regroup



all activities related to the maintenance of the Champlain Bridge: engineering, inspection, monitoring of the structural behaviour and management of the construction contracts. The Champlain Bridge Project Office regroups:

- + JCCBI's resources responsible for contract management;
- + A firm responsible for the structural integrity of the bridge;
- + A consortium of consulting engineering firms responsible for supervising construction work;
- + A consortium of consulting engineering firms responsible for inspecting the bridge.

In 2013, an engineering consulting firm reported that additional investments in the order of \$389 M would be required during the period extending from 2014-2015 to 2017-2018 in order to maintain the structure in acceptable condition. In an effort to manage risk and make efficient use of funds, all recommendations are reviewed by the second consultant as well as by a committee of experts of which two (2) structural experts are members.

The work carried out in recent years has, among other things, made it possible to secure 100% of the 100 edge girders of the bridge by means of various reinforcement systems. The edge girder reinforcement program was completed in March 2017.

Although the edge girders are now fully supported by reinforcement systems, JCCBI continues its efforts to keep the Champlain Bridge safe. Since the beginning of 2017, inspections have shown that the structure continues to deteriorate. The pier caps are one of the components whose monitoring has been strengthened; they are now inspected four (4) times a year. JCCBI continues its risk management by developing reinforcement concepts for the most at risk components (pier caps, inner girders and diaphragms).

In October 2011, the federal government announced the New Bridge for the St. Lawrence Corridor Project and entrusted the management thereof to Infrastructure Canada. On December 1, 2013, the federal government announced that the new bridge would be in place in 2018. Proactive measures are being considered for the existing Champlain Bridge to address contingencies related to the delay in the delivery of the new bridge.

In February 2017, a consultant retained by JCCBI issued its final report on the preliminary design on the deconstruction of the existing Champlain Bridge according to sustainable development principles (e.g. deconstruction work, transportation of materials, recovery of materials and site rehabilitation, etc.).

The purpose of this preliminary design study is to develop various scenarios and recommend the optimum scenario for the deconstruction of the Champlain Bridge. The scenarios developed shall facilitate and help define a final direction, and ensure a smooth transition for the carrying out of the project.

The deconstruction project is now in the design phase, and to achieve this, JCCBI has issued a public request for proposals for the services of an "Owner's Engineer". This mandate comprises several components including the environmental assessment, definition of the scope and constraints of the project, assistance for both the request for qualification and request for proposals for the selection of the contractor responsible for the deconstruction and, finally, monitoring of the deconstruction work. JCCBI has been given the green light to begin the environmental study as well as the technical studies to substantiate it. The proposals were received in December 2017 and analyzed by the Evaluation Committee. The contract award is scheduled for February 2018.

## Ice Control Structure

Following completion of the work to reinforce the Ice Control Structure deck and to relocate the bike path, a detailed inspection and a load capacity study were conducted in the summer of 2016 in order to determine the condition of the structure and establish a comprehensive program for the rehabilitation of the structure, some elements of which had already been identified for repairs. A pilot project for the repair of the piers (footings and shafts), girders and bearings began in the fall of 2016 in order for work to be carried out in the summer of 2018.

In January 2017, the preliminary results of a load capacity analysis have demonstrated, on the basis of the assumptions made by the consultant, the fragility of the footings. Following this finding, a program for the temporary reinforcement of all footings of this infrastructure began in February 2017 in order to ensure the safety of this link, of importance to both the maintenance of the existing Champlain Bridge and the construction of the new one. The temporary reinforcement of all footings has been completed in the fall of 2017.

This structure, originally designed to stop the ice, is now used as a bridge, and it is therefore essential to intervene to reinforce the structure pier footings that support the whole structure. A few years ago, a study showed that the pier footings needed rehabilitation, but the criticality was not estimated at the same level as it is at present.

In conjunction with the footing reinforcement work, a coring investigation program is underway to determine the actual condition of the concrete at the center of the footings and to determine their load capacity with more precision. These results, together with the work carried out as part of the summer of 2018 pilot project, will be used to develop a master plan for the rehabilitation of the structure of the Champlain Bridge Ice Control Structure.

JCCBI extensively coordinates and closely monitors the use of the Ice Control Structure given the increased use of this structure for the execution of both the NCBC and the existing bridge work. Construction work on the approaches and access controls was completed in May 2017.

## Bonaventure Expressway

In addition to the work on the Bonaventure Expressway structures and roadways, two (2) major construction projects related to the containment of contaminated groundwater are under way in this sector. The two (2) projects are known as the "Solution Bonaventure". The construction phase of the West Sector project has been completed through the installation of 39 pumping wells and the construction of a water treatment plant. The plant was commissioned in December 2016 and the running-in period of the treatment system, which was expected to last six (6) months, was completed in September 2017. It should be noted that the site of this work is located in the heart of the NCBC construction site, below the northern end of the new Île des Soeurs Bridge. Major co-ordination has therefore been necessary to avoid delaying the construction of the new bridge, while carrying out the construction work of this major environmental project.

The construction of a containment wall for the retention of contaminated water, located along the Bonaventure Expressway in the East Sector, which started in the summer of 2016, was completed during the last quarter.

These two (2) innovative and unique construction projects represent a major challenge for the organization. Although the East Sector construction project fell behind due to the complexity of its execution, the overall progress of these two (2) strategic projects constitutes a significant accomplishment for our project teams, but also for all the partners directly or indirectly involved in this project.

During the last quarter, engineering work was completed to allow the performance of the future maintenance work on the Bonaventure Expressway planned for the summer of 2018.

### Melocheville Tunnel

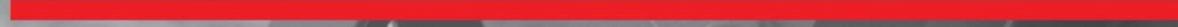
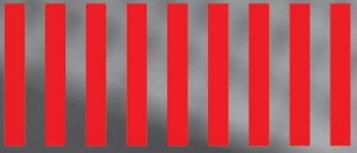
A project to improve the configuration of the electrical distribution systems and of the electromechanical and automation equipment is under way at the tunnel. In addition to ensuring the reliability of the network, these improvements will result in substantial savings in terms of power consumption. The design work began in the last quarter with a view to begin construction work at the end of the first quarter of 2018-2019.

## 3.4 REPORT ON THE USE OF APPROPRIATIONS

According to planning, appropriations available for the current fiscal year are \$325 M.

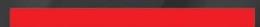
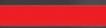
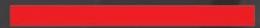
(in thousands of dollars)	As at the December 31, 2017 Quarter			As at the December 31, 2016 Quarter		
	Operations	Capital	Total	Operations	Capital	Total
Main Estimates	213,476	111,483	324,959	227,253	110,745	337,998
<b>Available Funding</b>	<b>213,476</b>	<b>111,483</b>	<b>324,959</b>	<b>227,253</b>	<b>110,745</b>	<b>337,998</b>
Parliamentary Appropriations (1)						
+ Used	95,277	39,826	135,103	166,007	56,164	222,171
+ Required	118,199	71,657	189,856	61,246	54,581	115,827
<b>Total Parliamentary Appropriations</b>	<b>213,476</b>	<b>111,483</b>	<b>324,959</b>	<b>227,253</b>	<b>110,745</b>	<b>337,998</b>

(1) Generally, JCCBI receives its funding only once the expenses have been incurred.



# + SECTION 4

JCCBI'S UNAUDITED INTERIM  
FINANCIAL STATEMENTS



## 4. JCCBI'S UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine (9) months ended December 31, 2017, JCCBI's unaudited Interim Financial Statements have been prepared by management, reviewed by the Audit Committee, and approved by JCCBI's Board of Directors. JCCBI's external auditors have not audited or reviewed these unaudited Interim Financial Statements.

### 4.1 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management of The Jacques Cartier and Champlain Bridges Incorporated ("the Corporation") is responsible for preparing the Financial Statements, in accordance with the Canadian Public Sector Accounting Standards. This responsibility requires the selection of appropriate accounting principles and the ability to exercise judgment in establishing reasonable estimates.

Management maintains appropriate financial systems and internal controls. These systems and practices are designed to provide reasonable assurance as to the reliability of financial information and to ensure that (a) the Corporation's assets are adequately safeguarded; (b) its resources are managed economically and efficiently; and (c) its transactions are conducted efficiently. These systems and practices are also designed to provide reasonable assurance that the Corporation's transactions are duly authorized and conducted in accordance with the directions issued under section 89 of Part X of the FAA and its regulations, the Canada Business Corporations Act, The Jacques Cartier and Champlain Bridges Inc. Regulations, the Canada Marine Act, as well as the Corporation's articles and bylaws.

The Board of Directors is made up of six (6) Directors, and the Chief Executive Officer of the Corporation. Through the Audit Committee, the Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets with management and the auditors to review the manner in which these groups are fulfilling their responsibilities as well as to discuss the audit, internal controls and other relevant financial issues. The Financial Statements are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.



Glen P. Carlin, ing., FICl, FSCGC  
Chief Executive Officer



Claude Lachance, CPA-CMA, MBA, ASC  
Senior Director, Administration

February 18, 2018

## 4.2 STATEMENT OF FINANCIAL POSITION

(Unaudited – in Canadian dollars)

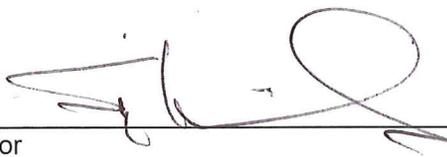
	December 31, 2017	March 31, 2017
<b>Financial Assets</b>		
+ Cash Flow	54,982,710	40,360,557
+ Accounts Receivable	15,788,269	60,729,006
<b>Total Financial Assets</b>	<b>70,770,979</b>	<b>101,089,563</b>
<b>Liability</b>		
+ Accounts payable and Accrued Liabilities	54,286,232	79,156,586
+ Employee Future Benefits	525,671	666,898
+ Contractual Holdbacks	13,393,912	19,097,776
+ Deferred Revenue	327,075	229,813
+ Environmental Obligations (Note 4.6.3)	30,143,658	46,675,271
<b>Total Liabilities</b>	<b>98,676,548</b>	<b>145,826,344</b>
<b>Net Debt</b>	<b>(27,905,569)</b>	<b>(44,736,781)</b>
<b>Non-Financial Assets</b>		
+ Tangible Capital Assets (Note 4.6.4)	579,392,342	561,811,621
+ Prepaid Expenses	202,689	498,049
<b>Total Non-Financial Assets</b>	<b>579,595,031</b>	<b>562,309,670</b>
<b>Accumulated Surplus</b>	<b>551,689,462</b>	<b>517,572,889</b>

**CONTINGENCIES AND CONTINGENT LIABILITIES RELATING TO TANGIBLE CAPITAL ASSETS**  
(NOTES 4.6.6 and 4.6.7).

*The accompanying notes form an integral part of the unaudited Interim Financial Statements*

Approved by the Board of Directors:

  
Director

  
Director

## 4.3 STATEMENT OF OPERATIONS FOR THE NINE (9) MONTHS ENDED DECEMBER 31, 2017

(Unaudited - in Canadian dollars)

	Twelve Months ended	Nine Months Ended			
	March 31, 2018	December 31, 2017		December 31, 2016	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	\$	\$	\$	\$	\$
<b>Revenues</b>					
+ Leases and Permits	599,000	150,354	445,009	137,102	432,473
+ Interest	500,000	255,204	589,777	145,527	471,297
+ Other Sources		29,742	34,566	7,271	14,232
<b>Total Revenue</b>	<b>1,099,000</b>	<b>435,300</b>	<b>1,069,352</b>	<b>289,900</b>	<b>918,002</b>
<b>Expenses (note 4.6.9)</b>					
+ Maintenance	232,197,000	27,585,782	87,814,034	58,612,145	163,691,199
+ Operations	3,520,000	756,440	2,267,549	760,809	2,245,437
+ Administration	15,891,000	3,604,177	10,242,586	3,672,383	10,639,674
+ Environmental Obligations	(1,793,000)	966,645	1,731,818	861,958	4,848,277
<b>Total Expenses</b>	<b>249,815,000</b>	<b>32,913,044</b>	<b>102,055,987</b>	<b>63,907,295</b>	<b>181,424,587</b>
<b>Deficit before Government of Canada Funding</b>	<b>(248,716,000)</b>	<b>(32,477,744)</b>	<b>(100,986,635)</b>	<b>(63,617,395)</b>	<b>(180,506,585)</b>
Transfer Payments (note 4.6.10)	324,959,000	38,269,879	135,103,208	76,008,713	222,171,001
<b>Annual Operating Surplus</b>	<b>76,243,000</b>	<b>5,792,135</b>	<b>34,116,573</b>	<b>12,391,318</b>	<b>41,664,416</b>
<b>Accumulated Operating Surplus, Beginning of the Fiscal Year</b>	<b>544,851,000</b>		<b>517,572,889</b>		<b>461,419,341</b>
<b>Accumulated Operating Surplus, End of the Fiscal Year</b>	<b>621,094,000</b>		<b>551,689,462</b>		<b>503,083,757</b>

The accompanying notes form an integral part of the unaudited Interim Financial Statements.

#### 4.4 STATEMENT OF CHANGE IN NET DEBT FOR THE NINE (9) MONTHS ENDED DECEMBER 31, 2017

	Twelve Months Ended	Nine Months Ended			
	March 31, 2018	December 31, 2017		December 31, 2016	
	Budget	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	\$	\$	\$	\$	\$
<b>Annual Operating Surplus</b>	<b>76,243,000</b>	<b>5,792,135</b>	<b>34,116,573</b>	<b>12,391,318</b>	<b>41,664,416</b>
+ Acquisition of Tangible Capital Assets (note 4.6.4)	(111,482,000)	(6,663,984)	(39,826,028)	(16,347,291)	(56,164,404)
+ Amortization of Tangible Capital Assets (note 4.6.4)	36,889,000	4,825,146	22,245,307	8,383,999	24,058,929
<b>Total Variation due to Total Tangible Capital Assets</b>	<b>(74,593,000)</b>	<b>(1,838,838)</b>	<b>(17,580,721)</b>	<b>(7,963,292)</b>	<b>(32,105,475)</b>
+ Acquisition of Prepaid Expenses	-	(122,350)	(566,454)	(31,903)	(2,897,668)
+ Use of Prepaid Expenses	-	293,875	861,814	1,966,656	3,281,912
<b>Total Variation due to Prepaid Expenses</b>	<b>-</b>	<b>171,526</b>	<b>295,360</b>	<b>1,934,753</b>	<b>384,244</b>
<b>Decrease in Net Debt</b>	<b>1,650,000</b>	<b>4,124,823</b>	<b>16,831,212</b>	<b>6,362,779</b>	<b>9,943,185</b>
<b>Net Debt, Beginning of the Fiscal Year</b>	<b>(25,008,000)</b>		<b>(44,736,781)</b>		<b>(41,433,881)</b>
<b>Net Debt, End of the Fiscal Year</b>	<b>(23,358,000)</b>		<b>(27,905,569)</b>		<b>(31,490,696)</b>

*The accompanying notes form an integral part of the unaudited Interim Financial Statements.*

## 4.5 STATEMENT OF CASH-FLOW FOR THE NINE (9) MONTHS ENDED DECEMBER 31, 2017

	Nine Months ended			
	December 31, 2017		December 31, 2016	
	Actual Quarter	Actual Cumulative	Actual Quarter	Actual Cumulative
	\$	\$	\$	\$
<b>Operating Transactions</b>				
Annual Operating Surplus	5,792,135	34,116,573	12,391,318	41,664,416
Items not affecting Cash				
+ Amortization of Tangible Capital Assets (Note 4.6.4)	4,825,146	22,245,307	8,383,999	24,058,929
+ Increase in Employee Future Benefits	(127,653)	(141,227)	(28,256)	97,249
+ Decrease in Environmental Obligations	(3,978,752)	(16,531,613)	(4,347,320)	(9,496,545)
Changes in Non-Cash Working Capital Items				
+ (Increase) Decrease in Accounts Receivable	14,567,962	44,940,737	10,118,407	(42,465,837)
+ (Decrease) Increase in Accounts Payable and Accrued Liabilities	(17,595,617)	(39,149,703)	2,486,432	8,636,414
+ Increase in Contractual Holdbacks	341,877	(5,703,864)	1,348,539	3,936,528
+ (Decrease) Increase in Deferred Revenue	163,738	97,262	104,509	(1,574)
+ Decrease (Increase) in Prepaid Expenses	171,525	295,360	1,934,752	384,244
Cash Flow provided by Operating Transactions	4,160,361	40,168,832	32,392,380	26,813,824
<b>Tangible Capital Investment Activities</b>				
+ Proceeds from Disposal of Tangible Capital Assets	(3,839,243)	(25,546,679)	(21,396,765)	(52,134,698)
Cash Flow used in Tangible Capital Investment Activities	(3,839,243)	(25,546,679)	(21,396,765)	(52,134,698)
<b>(Decrease) increase in Cash</b>	<b>321,118</b>	<b>14,622,153</b>	<b>10,995,615</b>	<b>(25,320,874)</b>
<b>Cash, Beginning of the fiscal Year</b>		<b>40,360,557</b>		<b>73,996,315</b>
<b>Cash, End of the fiscal Year</b>		<b>54,982,710</b>		<b>48,675,441</b>

*The accompanying notes form an integral part of the unaudited Interim Financial Statements.*

## 4.6. NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

### 4.6.1. Authority and Activity

The Jacques Cartier and Champlain Bridges Incorporated (the “Corporation”) was incorporated on November 3, 1978 under the Canada Business Corporations Act as a wholly owned subsidiary of the SLSA. On October 1, 1998, it became a wholly owned subsidiary of FBCL. On February 13, 2014, pursuant to an Order in Council from the Governor in Council, FBCL transferred all its shares in The Jacques Cartier and Champlain Bridges Incorporated to the Minister of Infrastructure, Communities and Intergovernmental Affairs on behalf of Her Majesty in right of Canada. After this transfer, the Corporation became a parent Crown corporation listed under Part I of Schedule III of the *Financial Administration Act*.

Since December 1, 1978, the Corporation has been responsible for the management, maintenance and control of the Jacques Cartier and Champlain Bridges and of a portion of the Bonaventure Expressway. On October 1, 1998, in accordance with a directive issued by the Minister of Transport under the Canada Marine Act, the Corporation became responsible for managing the federal portion of the Honoré Mercier Bridge and the Melocheville Tunnel. The management of the Champlain Bridge Ice Control Structure was transferred to the Corporation from the Minister of Transport on December 2, 1999. Since April 1, 2015, an order in council respecting the transfer of the south and north approaches to the Champlain Bridge makes it so that the Corporation is no longer responsible for the management and maintenance of the lands and structures constituting the transferred assets.

In July 2015, the Corporation received a directive (P.C. 2015-1112) under section 89 of the FAA to harmonize its travel, hospitality, conference and event expense policies, guidelines and practices with the Treasury Board’s related travel, hospitality, conference and event expense policies, guidelines and tools in a manner that complies with its legal obligations and to report on the implementation of this directive in its next corporate plan. The Corporation has compared and reviewed its travel, hospitality, conference and event expense policy with the Treasury Board’s related directives and tools on travel, hospitality, conference and event expenses. Following this exercise in December 2015, the Corporation confirms that it has met the requirements of the directive.

The Corporation is not subject to income tax under the provisions of the Income Tax Act.

The Corporation is dependent on the Government of Canada for its funding.

### 4.6.2. Significant Accounting Policies

These Financial Statements have been prepared by management in accordance with the CPSAS. The main accounting policies followed by the Corporation are the following:

#### **Government Transfers**

Government transfer payments are recognized as revenue when the transfer is authorized and eligibility criteria are met, except to the extent that the stipulations give rise to an obligation that meets the definition of a liability. The transfers are recognized as deferred revenue when stipulations lead to the creation of a liability. The revenue is recognized in the Statement of Operations as the stipulations are met. Any portion of government transfers to which the Corporation is entitled, but has not yet received, is recognized under Due from the Government of Canada.

## Tangible Capital Assets

Tangible capital assets are recognized at cost. Replacements and major improvements that extend the service life of existing assets are capitalized. Repair and maintenance costs are charged to operations when they are incurred. Costs that increase their service capacity, safety or effectiveness are capitalized.

Amounts related to projects in progress are transferred to the appropriate tangible capital assets category when the project is completed and are amortized in accordance with the Corporation's policy.

Capital assets received as contributions from departments, agencies and Crown Corporations within the jurisdiction of the Government of Canada are recognized at their fair market value at the date of transfer.

Tangible capital assets are amortized based on the estimated useful life of the components, on a straight-line basis, over the following periods:

- + Bridges and roads: between 5 and 48 years
- + Vehicles and equipment: between 3 and 10 years

When the conditions indicate that a tangible capital asset no longer contributes to the ability of the Corporation to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net carrying value, the cost of the tangible capital asset is reduced to reflect the impairment. Net write-downs on tangible capital assets are recorded as expenses in the Statement of Operations.

## Revenue Recognition

Revenue from leases and permits, interest and other sources are recognized in the fiscal year in which they are earned. Revenue from leases and permits collected in advance are recorded as "Deferred Revenue" in the Statement of Financial Position.

## Employee Future Benefits

### *Pension Plan*

All employees of the Corporation are covered by the Public Service Pension Plan (the Plan). This is a contributory defined benefit plan established by law and sponsored by the Government of Canada. The employees and the Corporation must contribute to the Plan to cover the cost of services rendered during the fiscal year. Under current legislation, the Corporation has no legal or constructive obligation to pay additional contributions to cover past services or to fund deficiencies of the Plan. Consequently, contributions are charged to expenses in the fiscal year during which the employees render the services and these contributions represent the total pension obligation of the Corporation. The Corporation is not required by law to make up for the actuarial deficiencies of the Plan.

### *Post-Employment Benefits and Compensated Absences*

Employees are entitled to days of sick leave and compensation for work injuries, as provided for under their conditions of employment. The employees of the Corporation are subject to the *Government Employees Compensation Act*. Every year, they are paid the unused portion

of their days of sick leave. These annual payments are recognized directly in current costs for the fiscal year. Before December 9, 2016, the unionized employees accumulated the unused days of sick leave, which were redeemable at the end of their employment with the Corporation. Following the renewal of their collective agreement in December 2016, the unionized employees no longer have the possibility of accumulating the unused days of sick leave that were redeemable at the end of their employment with the Corporation. Employees with banked balances of unused leaves were offered to keep them until the end of their employment with the Corporation or to cash them. In addition, the Corporation recognizes the cost of employee future benefits for sick leave as they are earned by the employees. Moreover, the Corporation recognizes the cost of compensation for work injuries payable at the time the event obligating the Corporation occurs. The liability that these benefits represent is determined based on management's best assumptions in terms of salary increases, age of employees, years of service, probability of employees leaving and average life expectancy. These assumptions are reviewed annually. Post-employment benefits and compensated absences are recognized at present value.

### Environmental Obligations

Whenever the Corporation accepts responsibility for sites where contamination exceeds environmental standards, when it plans to abandon future economic benefits to that effect and when the amount involved can be reasonably estimated, an obligation for the clean-up of the contaminated sites is recognized as a liability in the Statement of Financial Position. The estimated future costs are recognized as a liability and are based on the present value of the estimated cash flows of costs that are most likely to be incurred. If it proves impossible to make a reasonable estimate of the amount, the situation will be disclosed through a note to the Financial Statements. Other expenses related to environmental measures are recognized as expenditures as they are incurred.

### Financial Instruments

The Corporation identifies, assesses, and manages the financial risks in order to minimize the impact thereof on its results and financial position. The Corporation does not engage in speculative transactions nor does it use derivatives.

The accounting of financial instruments depends on their classification as presented in the following table:

CATÉGORIES	FINANCIAL INSTRUMENTS	MEASUREMENT
Financial Assets	<ul style="list-style-type: none"> <li>▪ Cash</li> <li>▪ Accounts Receivable (other than Taxes Receivable)</li> </ul>	Cost or Amortized Cost
Financial Liabilities	<ul style="list-style-type: none"> <li>▪ Accounts Payable and Accrued Liabilities</li> <li>▪ Contractual Holdbacks</li> </ul>	Cos or Amortized Cost

## Contingencies

Contingent liabilities are potential liabilities which could become actual liabilities if one or more future events occur. If it is likely that an event could occur, and a reasonable estimate of the liability can be made, a provision is recognized and an expense is recorded. If the likelihood of the event cannot be determined or if the amount involved cannot be reasonably estimated, a contingency is disclosed in the notes to the Financial Statements.

## Measurement Uncertainty

In preparing the Financial Statements in accordance with the CPSAS, management must use estimates and assumptions that affect the reported amounts of assets and liabilities and the presentation of assets and contingent liabilities at the date of the Financial Statements, as well as the amounts of the revenue and expenses recorded during the period covered by the Financial Statements. Actual results could differ significantly from these estimates.

The most significant estimates used in the preparation of these Financial Statements relate, in particular, to the useful life of tangible capital assets, accrued liabilities for major rehabilitation work and claims received from suppliers, liability for employee future benefits, expected costs for liabilities arising from environmental obligations as well as contingencies.

## Budgetary Data

Budgetary data included in the Financial Statements were provided for comparison and were approved by the Board of Directors.

### 4.6.3. Environmental Obligations

Periodically, the Corporation carries out an inventory of all its properties in order to classify their environmental condition for the purposes of prioritizing any required interventions. The Corporation counts a number of properties whose soils are contaminated beyond the acceptable criteria. The properties concerned are located under the Jacques Cartier Bridge and along the Bonaventure Expressway. With respect to the lands under the Jacques Cartier Bridge, water and/or soil contaminations were identified in the course of this classification exercise, but additional environmental monitoring work and analyses are required in order to determine whether the water table may be affected and whether a decontamination exercise would be required. To this end, work undertaken during fiscal year 2015-2016 indicates that the level of contamination, impact and actions to be taken could not be determined at this stage, but that the risk of contaminants migrating to nearby sites was weak. Currently, this observation remains unchanged and no environmental liability has been recognized.

As at December 31, 2017, the priority environmental issue for the Corporation remains that of the lands located in the Bonaventure Expressway sector in Montreal. These lands, managed by the Corporation since 1978, are located on a portion of and close to a former landfill site operated by the City of Montreal between 1866 and 1966. This former landfill site covers several lands belonging to different owners. Since 2003, the Corporation has conducted studies and toxicity tests on the land groundwater in that location. The tests revealed levels of toxicity in the groundwater beyond acceptable criteria. Given the complexity of the issue, the involvement of numerous owners and the significant costs involved, the federal government has opted for integrated solutions to the environmental problems at that site. That site may be divided in two sectors: the East Sector and the West Sector.

## East Sector

The estimate of this liability is based on a detailed design resulting from the awarding of the monitoring and construction contracts for the performance of the work relating to the containment system. With respect to the operation of the system, the calls for tenders will follow the work. The main characteristics and assumptions relating to the project are the following:

- + Work began in June 2016 and was completed in late fall of 2017;
- + The installation of the pumping and treatment system has begun in 2017;
- + The containment and pumping operations will begin in 2018 and extend over an estimated 15-year period. The duration of the project will extend beyond fifteen (15) years, but it is impossible, at the moment, to determine the costs beyond fifteen (15) years;
- + There is no residual value to the project.

## West Sector

The Corporation has awarded a contract for the construction of a hydraulic barrier and of a treatment plant. The assessment of the obligation related to the West Sector is therefore based on the financial terms of that contract:

- + The construction of a hydraulic barrier and of the treatment plant, begun in June 2016, is completed;
- + The running-in period of the containment operations ended in September 2017. The operation is planned for an estimated 15-year period. The duration of the project will extend beyond fifteen (15) years, but it is impossible, at the moment, to determine the costs beyond fifteen (15) years;
- + For the West Sector project, the portion of the costs borne by the Corporation is 50% of the total costs to be incurred;
- + There is no residual value to the project.

The Corporation manages that project.

<b>Main Assumptions</b>		<b>East Sector</b>	<b>West Sector</b>
<b>As at December 31, 2017 (March 31, 2017)</b>			
<b>Discount rate (note1):</b>			
i) Fiscal years 2018 and 2019	March 31, 2017	0.72%	0.72%
	December 31, 2017	1.66%	1.66%
ii) Long term	March 31, 2017	2.28%	2.28%
	December 31, 2017	2.20%	2.20%
<hr/>			
<b>Inflation rate - NRBCPI (note 2):</b>	March 31, 2017	3.05%	3.05%
<b>Non-residential buildings</b>	December 31, 2017	3.27%	3.27%
<hr/>			
<b>Accuracy factor</b>		+/-10%	-
<hr/>			
<b>Undiscounted range to which the inflation rate was applied:</b>			
As at March 31, 2017	Minimum	\$42,158,000	\$10,607,000
	Maximum	\$51,526,000	\$10,607,000
As at December 31, 2017	Minimum	\$26,441,000	\$9,930,000
	Maximum	\$32,317,000	\$9,930,000
<hr/>			
<b>Discounted range to which the inflation rate was applied:</b>			
As at March 31, 2017	Minimum	\$37,704,000	\$8,971,271
	Maximum	\$46,083,000	\$8,971,271
As at December 31, 2017	Minimum	\$21,841,820	\$8,301,838
	Maximum	\$24,026,002	\$8,301,838
<hr/>			
<b>Provision for the environmental liability</b>		\$21,841,820	\$8,301,838

Since 2016, no range is to be considered for the obligation relating to the West Sector, as it is based on the financial terms contained in the contract awarded for the implementation of the decontamination solution. For the East Sector, the Corporation considers it reasonable to set its assessment of the obligation at the lower end of the range of the estimated discounted total costs.

As of December 31, 2017, the Corporation estimates an amount of \$30,143,658 (\$46,675,271 in 2017) for the East and West Sectors. This amount is recorded as Environmental Obligations in the Statement of Financial Position as at December 31, 2017.

Note 1: Long-Term Government of Canada Bonds

Note 2: Non-Residential Building Construction Price Index

#### 4.6.4. Tangible Capital Assets

(Unaudited – in Canadian dollars)

	Lands	Bridges and Roads	Vehicles and Equipment	Projects underway	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
April 1, 2016	5,250,117	517,495,453	4,653,085	154,011,374	681,410,029
+ Acquisition	-	65,389,895	328,552	28,627,521	94,345,968
+ Disposals	-	(2,350,573)	(552,747)	-	(2,903,320)
+ Transfers	-	118,404,603	-	(118,404,603)	-
March 31, 2017	5,250,117	<b>698,939,378</b>	<b>4,428,890</b>	<b>64,234,292</b>	<b>772,852,677</b>
+ Acquisition	-	19,870,156	972,865	18,983,007	39,826,028
+ Transfers	-	26,290,354	-	(26,290,354)	-
<b>December 31, 2017</b>	<b>5,250,117</b>	<b>745,099,888</b>	<b>5,401,755</b>	<b>56,926,945</b>	<b>812,678,705</b>
<b>Accumulated Amortization</b>					
April 1, 2016	-	175,487,969	3,740,481	-	179,228,450
+ Amortization	-	33,098,555	345,628	-	33,444,183
+ Disposals	-	(1,078,830)	(552,747)	-	(1,631,577)
March 31, 2017	-	<b>207,507,694</b>	<b>3,533,362</b>	-	<b>211,041,056</b>
+ Amortization	-	22,020,604	224,703	-	22,245,307
<b>December 31, 2017</b>	-	<b>229,528,298</b>	<b>3,758,065</b>	-	<b>233,286,363</b>
<b>Net Book Value</b>					
March 31, 2017	5,250,117	491,431,684	895,528	64,234,292	561,811,621
<b>December 31, 2017</b>	<b>5,250,117</b>	<b>515,571,590</b>	<b>1,643,690</b>	<b>56,926,945</b>	<b>579,392,342</b>

#### 4.6.5. Share Capital

The authorized share capital is 50 shares without par value and the Corporation has issued and fully paid for one (1) share in the amount of \$100.

#### 4.6.6. Contingencies

In the normal course of its operations, the Corporation is subject to claims or lawsuits, the outcome of which cannot be predicted with certainty. Management has made, in the affected accounts, provisions which it deems sufficient, and believes that the resolution of such contingencies should not have any material adverse effect on the Corporation's financial position.

In a project for work that the Corporation had carried out on its behalf and that of a partner and for which expenses are shared with said partner, the Corporation filed a claim against its partner on November 23, 2012, for additional costs incurred or to be incurred by the Corporation and resulting from said partner's decisions. At present, management considers it impossible to estimate the financial impact of this claim.

#### 4.6.7. Contingent Liabilities Related to Tangible Capital Assets

- a) The Corporation was granted a permit to install, maintain and use a cable for closed circuit television signals on lands that it does not own. This permit, whose term is listed as "during pleasure," contains a termination clause under which either the owner or the Corporation may, by written notification to the other, terminate the permit at any time. The permit provides that, upon cancellation, the Corporation must, at its own expense, immediately remove its facilities from the lands and properties of the owner, failing which the owner may, at its option, either remove the facilities and return the property to a good condition at the Corporation's expense, or keep the facilities with no compensation to the Corporation. As of December 31, 2017, neither the owner of the lands nor the Corporation has indicated their intention to terminate the permit. As the date of eventual termination of the permit cannot be determined, no contingent liability related to this capital asset has been recognized for the current fiscal year.
- b) The Corporation holds structures erected on land whose owner has transferred the management and administration thereof to the Government of Canada. The legal transfer documents provide that, in the event of a change in the use of these structures in relation to the use that was made thereof at the time of the transfer, the owner will regain control of this land, without any indemnity for the structures erected, provided they are in satisfactory condition, at the convenience of the owner. At present, the Corporation has no intention of changing the current use of these structures. Therefore, no liability related to these capital assets has been recognized in the Financial Statements.

#### 4.6.8. Contractual Holdbacks

Contractual holdbacks (including performance holdbacks and warranty holdbacks) represent the total amount that the Corporation temporarily retains on amounts due to contractors during the performance of the work, to guarantee that the latter fulfil their obligations pertaining to the warranties of rectification and correction of defects and poor workmanship in the work performed. The warranty periods applicable to each contract begin following the issuance of the Interim Certificate of Completion for the work concerned. The Corporation then pays the 5% contractual holdback (designated as "performance holdback") and retains a new amount equal to 2.5% as contractual holdback (designated as "warranty holdback"). The contracts provide that the Corporation will pay the second portion of 2.5% of the

performance holdback less, where applicable, any amount owed by the contractor under the terms of the contract once the warranty period has expired.

#### 4.6.9. Expenses by Type

<i>In thousands of dollars</i>	December 31	
	2017	2016
	\$	\$
Regular and major maintenance	53,551,713	128,504,660
Environmental Obligations	1,731,818	4,848,276
Amortization of tangible capital assets	22,245,307	24,058,928
Salaries and employee benefits	13,745,072	13,046,543
Professional services	6,514,803	5,685,748
Goods and services	4,267,274	5,280,432
<b>Total expenses</b>	<b>102,055,987</b>	<b>181,424,587</b>

#### 4.6.10. Parliamentary Appropriations

<i>In thousands of dollars</i>	December 31	
	2017	2016
	\$	\$
Parliamentary appropriations requested	139,778,642	218,614,532
Change in long-term contractual holdbacks	(4,675,434)	3,556,469
<b>Total parliamentary appropriations recognized as revenue</b>	<b>135,103,208</b>	<b>222,171,001</b>
<b>Distribution</b>		
Transfer payment for operating expenses	95,277,180	166,006,598
Transfer payment for tangible capital assets	39,826,028	56,164,403
	<b>135,103,208</b>	<b>222,171,001</b>



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