



The Blue Water Bridge Authority

Report presented to the
Board of Directors

17 September 2007

Special Examination Report



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

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Blue Water Bridge Authority

Special Examination Report—2007

Main Points

What we examined

The Blue Water Bridge (the Bridge) is an international bridge between Point Edward, Ontario, and Port Huron, Michigan. The Canada–US border bisects the Bridge. The Blue Water Bridge Authority (the Authority) is a Crown corporation whose mandate is to operate, maintain, and repair the Canadian portions of the Bridge, as well as the approaches and structures held in connection with the Bridge. The Authority owns the Canadian portions of the Bridge and the buildings on the adjacent plaza, as well as roads and other structures on 39 hectares (96 acres) of land. The Authority is obliged to provide facilities to Canadian customs and immigration services at no charge; it also rents some buildings and land to other parties. The Authority receives no government funding; all of its activities must be financed by revenues from its own operations. The most important source of those revenues is the collection of tolls from vehicles crossing the Bridge to the United States.

We examined the Authority's corporate governance; its strategic planning; and its practices for maintaining the Canadian portions of the Bridge and the plaza, including those for managing environmental and operational risks, contracting for consulting services, and contracting for goods and other services. We also looked at the planning, execution, monitoring, and reporting of capital projects as well as the management of information technology. These were the systems and practices that we considered essential to providing the Authority with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively.

Why it is important

Around 3.7 million passenger vehicles and 1.7 million commercial vehicles use the Bridge each year, and about 7,000 vehicles cross the Bridge every day from Canada to the US. It serves as a major entry point for commercial traffic to the south-central United States and is the gateway for about 10 percent of Canada's trade with the US. The Authority's ability to ensure that the Bridge and its access roads are maintained in good repair without impeding the flow of traffic is therefore important to the Canadian economy.

What we found During the period we examined, a significant deficiency existed in the Authority's management of a contract for consulting services, as outlined below.

- The Authority paid a US consulting firm about \$7.5 million over the last nine years under a contract to promote its interests to government officials and politicians on both sides of the border and to provide various consulting services. The Authority did not tender the contract for competitive bids, as expected under good business practices, and it did not specify the scope of the work to be done and the amount of service the firm was to provide. There were no supplementary written agreements that clearly defined the specific services required, and as a result, the Authority could not always match the invoices to specific deliverables and demonstrate how the activities for which it was billed had advanced the Authority's interests. The Authority did not formally and regularly evaluate the consulting services it received from this firm and did not assess the results achieved. Moreover, the Board did not approve this major contract, and the consultant's activities in the US were not clearly communicated to the Minister of Transport, Infrastructure and Communities. (In December 2006, the Authority terminated the contract.)

In a number of other areas, we noted that while no significant deficiency existed, the Authority would benefit from improving its practices, as outlined below.

- The Authority lacks contracting policies and procedures to guide staff in determining the appropriate process for selecting suppliers, the circumstances in which sole-source contracts are permitted, and the conditions that call for using a competitive process. Nor does the Authority have policies and procedures for monitoring a contractor's work and guiding specialty firms to which it has outsourced certain parts of the competitive process.
- The Board of Directors needs to demonstrate more responsibility for the stewardship of the Authority. It should formally approve any arrangement involving multi-million-dollar payments to a single firm for strategic services, such as the contract that led us to report a significant deficiency. To play its governance role adequately, the Board should clearly identify its roles and responsibilities, become involved earlier in the planning process, and ensure that effective relationships with the major stakeholders are maintained. The Board should also be involved in setting the Chief Executive Officer's performance objectives

and evaluating his performance. Further, the Board should assess its performance, its collective effectiveness, and any impact that the number of Directors might have on its efficiency.

- While its maintenance of the Canadian portions of the Bridge has kept the structure in good to very good condition, the Authority had not obtained the recent engineering inspection reports about the condition of the American portions of the Bridge. Because of a breach in communication in recent years, both authorities stopped sharing their engineering inspection reports. The Authority and the US operator do not coordinate their maintenance activities. This means that the Authority cannot ascertain whether the major elements of the US part of the Bridge will reach their expected lifespan. To minimize the impact on users and on toll revenues, the Authority may have to change the schedule for its own major maintenance to coincide with the US work. We were told that following recent discussions, both authorities agreed to resume sharing their engineering inspection reports soon. The Authority should take steps to develop a formal memorandum of understanding with the US operator to obtain its inspection reports and to coordinate maintenance activities on both portions of the Bridge.
- The Authority completed a master plan in 2003 for developing the plaza on the Canadian side of the Bridge, which is designed to meet projected needs 20 years into the future—including the needs of plaza users, such as customs and immigration, in carrying out their responsibilities; the security needs of plaza users; and the demands of a projected increase in traffic flows. The master plan has evolved over the years to address new federal initiatives and changes in business assumptions.
- The Authority is managing its major environmental concerns, such as hazardous wastes generated by maintenance activities and those associated with capital projects. However, the Authority has no environmental policy that sets out its goals and the necessary activities that need to be undertaken for environmental management.
- The strategic planning process needs to be improved. Some of the objectives in the Authority's 2007–2011 corporate plan are not objectives as such, but rather are activities designed to arrive at an objective. Nor do the corporate objectives cover all the Authority's significant activities. The Authority has identified some objectives without including any strategy to achieve them.

For other objectives, no one has been assigned responsibility for implementing a strategy.

- Important information about the Authority's performance is missing from its external reports. In its corporate plans, the Authority should provide clear information about its important contracts, consulting activities in the US, and relationships with the US operator of the Bridge.

The Blue Water Bridge Authority has responded. The Authority agrees with all our recommendations and has taken action to implement some of them. Its responses follow the recommendations throughout the report.

Special Examination Opinion

To: The Board of Directors of the Blue Water Bridge Authority

Under Part X of the *Financial Administration Act* (FAA), the Blue Water Bridge Authority is required to maintain financial and management control, and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively. The FAA also requires the Authority to have a special examination of these systems and practices carried out at least once every five years.

Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from September 2006 to March 2007—there were no significant deficiencies in the systems and practices we examined.

We based our examination plan on a survey of the Authority's systems and practices, which included a risk analysis. We submitted the plan to the Audit Committee of the Board of Directors on 11 December 2006. The plan identified the systems and practices that we considered essential to providing the Authority with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination. They are listed in Appendix A, along with the criteria we used.

The plan included criteria that we selected specifically for this special examination in consultation with the Authority. The criteria were based on our experience with performance auditing. Our choice of criteria was also influenced by legislative and regulatory requirements, professional literature and standards, and practices followed by the Authority and other organizations.

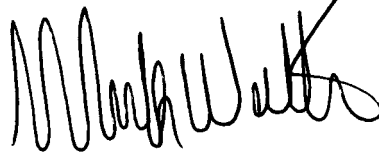
We conducted our examination in accordance with our plan and with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we relied on an internal audit of the treasury function.

We found a significant deficiency in the Authority's management of a contract for consulting services. The Authority paid a US consulting firm about \$7.5 million over the last nine years under a contract to

promote its interests to government officials and politicians on both sides of the border and to provide various consulting services. The Authority did not tender the contract for competitive bids, as expected under good business practices, and it did not specify the scope of the work to be done and the amount of service the firm was to provide. There were no supplementary written agreements that clearly defined the specific services required, and as a result, the Authority could not always match the invoices to specific deliverables and demonstrate how the activities for which it was billed had advanced the Authority's interests. The Authority did not formally and regularly evaluate the consulting services it received from this firm and did not assess the results achieved. Moreover, the Board did not approve this major contract, and the consultant's activities in the US were not clearly communicated to the Minister of Transport, Infrastructure and Communities.

In our opinion, based on the criteria established for the examination, there is reasonable assurance that there are no significant deficiencies in the systems and practices we examined, except for the significant deficiency described in the preceding paragraph.

The rest of this report provides an overview of the Authority and more detailed information on our examination findings and recommendations.



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

Ottawa, Canada
30 March 2007

Overview of the Corporation

The Bridge



The Blue Water Bridge spans the St. Clair River.

1. The Blue Water Bridge (the Bridge) is an international bridge that links Point Edward in Ontario and Port Huron in Michigan. Its structure consists of two spans side by side on the St. Clair River. The first three-lane span was built in 1938, and the second one in 1997. A major rehabilitation of the first bridge was completed in 1999. The first span accommodates westbound traffic to the United States and the second one accommodates eastbound traffic to Canada. The border between the United States and Canada is exactly in the middle of the Bridge. Respective customs facilities are located at each end.
2. The Blue Water Bridge Authority (the Authority) owns and operates the Canadian portions of the Bridge, which consist of the Canadian half of the two spans. The Michigan Department of Transportation (the Michigan Department) owns and operates the US portions of the two spans. The Authority and the Michigan Department were each responsible for the construction cost of their respective portions of the second span of the Bridge. In 1962, the ownership of the Canadian portion of the first span was transferred at no cost to the Authority.
3. The Bridge is the fourth-busiest international border crossing for vehicles and the second-busiest crossing for commercial vehicles, after the privately owned Ambassador Bridge between Windsor, Ontario, and Detroit, Michigan. The Bridge is a major access point for commercial traffic to the south-central United States. It facilitates about 10 percent of Canada's trade with the United States. About 3.7 million passenger vehicles and 1.7 million commercial vehicles use the Bridge each year, and about 7,000 vehicles cross the Bridge every day from Canada to the US. It is also an important crossing for trucks carrying cars and live animals.
4. The Bridge is a toll bridge; the Authority collects a toll payment from vehicles going to the United States, and the State of Michigan collects a toll from vehicles coming to Canada. There are alternatives to the Bridge, such as the CN Rail Tunnel crossing the St. Clair River in Sarnia, Ontario, and the Ambassador Bridge. In 2006, the governments of Canada and Ontario commenced a study investigating possible locations for a new international bridge spanning the Detroit River.

5. In February 2007, the Government of Canada passed the *Act on International Bridges and Tunnels*. The Act gives the federal government exclusive jurisdiction on international bridges and tunnels. As such, it requires Governor in Council approval for the construction or alteration of new and existing bridges and tunnels and for all changes in ownership, operation, and control of international bridges and tunnels. The Act authorizes the government to make regulations for bridge maintenance and repair, safety and security, and operation and use. The government is drafting these regulations.

The Blue Water Bridge Authority

6. In 1964, Parliament passed the *Blue Water Bridge Authority Act*, creating a federal authority operated by a Board of Directors, which was appointed by Governor in Council. The Board reported to the then Minister of Transport. The Authority's only reporting requirement was to submit annual audited financial reports to the Minister.

7. The Act envisioned a joint international authority with equal numbers of Canadian and American members to oversee the operations of both portions of the Bridge. However, the United States did not give its consent to the joint operation of the Bridge. The Authority cannot exercise any powers on portions of the Bridge situated in the United States.

8. In addition to its portions of the Bridge, the Authority owns buildings located on an adjacent plaza, as well as roads and other structures on 39 hectares (96 acres) of land in the Village of Point Edward. These assets are referred to as "the Facility."

9. As the Bridge is an international crossing, the Authority is required by the *Customs Act* to provide adequate facilities for Canadian customs and immigration, free of charge. The Authority also rents some buildings and land on its Facility to 16 organizations, such as customs brokers and a duty-free store. The Authority operates a currency exchange office that generates about \$1 million in annual revenues.

10. The Authority's mandate, as described in the *Blue Water Bridge Act*, is to operate, maintain, and repair the Canadian portions of the Bridge, as well as the approaches and structures held in connection with the Bridge. The Authority may fix and charge tolls for the use of its portion of the Blue Water Bridge. The tolls provide current revenues in an amount sufficient to pay current costs, to provide

reserve funds, and to pay any other expenses for the performance of the Authority's duties. The Authority has the powers to acquire and dispose of real property, to obtain professional services, to enter into leases and contractual agreements to support power or communication transmission facilities, to extend the Bridge to maintain adequate facilities for the traffic carried over it, and to do all things necessary to carry out its duties.

Move to Crown corporation status

11. In May 2001, Parliament amended the *Blue Water Bridge Authority Act* to allow the Authority to increase its borrowing ability up to \$125 million. Subsequently, the Authority requested the approval of the Minister for the issuance of \$100 million in bonds with a credit line of \$15 million to cover temporary operating cash deficiencies. The net proceeds from the sale of bonds due in 2027 were to be used to refinance existing short-term debt and finance the construction of the second span of the Bridge, the rehabilitation of the first span, and the completion of capital improvements to the Facility.

12. In order to facilitate the issuance of bonds, the Authority also requested that the ministers of Transport and Finance certify that the Authority was in full compliance with the FAA. The Authority met the requirements for a Crown corporation under the FAA and the ministers decided to add the Authority to Part I of Schedule III of the FAA, effective April 2002. The Minister of Transport was designated as the Minister responsible for the Authority.

13. The move to Crown corporation status has not changed the Authority's day-to-day operations and activities. However, the Authority is required to comply with Part X of the FAA. This implies a new accountability framework and additional reporting requirements, such as the submission of a corporate plan, operating and capital budgets, and an annual report, as well as meeting the requirements of the *Official Languages Act*.

Financial results and trends

14. In 2005 and 2006, the Authority self-financed its expenses with revenues generated from its operations and had surpluses in both years. It has not received government appropriations and has not been required to distribute its profits to the federal government. The Authority's most important source of revenues is tolls collected from

the westbound truck traffic crossing the Bridge. The table below sets out the Authority’s financial results.

Exhibit 1 Financial results (\$ millions)

Revenue sources	Actual		2007 forecasts
	2005	2006	
Toll revenues	18.5	18.3	21.1
Rentals, currency, and interest revenues	6.9	6.9	6.9
Total revenues	25.4	25.2	28.0
Maintenance and operating expenses	1.6	1.6	1.6
Human resources expenses	5.0	5.7	5.9
Interest on long-term debt	6.7	6.6	6.5
Other expenses	6.6	6.8	7.5
Total expenses	19.9	20.7	21.5
Assets	184.1	186.6	189.1
Liabilities	111.4	109.4	104.7

15. About 75 percent of toll revenues come from trucks and 25 percent from passenger vehicles. Traffic volumes depend in large part on the strength of the Canadian and American economies and the automobile industry. Since 2001, the volume of passenger vehicles on the Bridge has declined by 14 percent. The volume of truck traffic has increased by 6 percent. In March 2007, the volume of truck traffic decreased by 20 percent (2 percent for passenger vehicles) compared with the same period in 2006, because of an economic slowdown in the automobile industry. Further slowdowns in the automobile industry are anticipated.

16. The Authority increased its toll rates by \$0.25 in 2006 to compensate for the traffic slowdown and inflation, and to maintain revenues at a level that will cover its expenses and allow it to maintain prudent reserve funds.

17. The Authority employs 78 people, including 22 part-time employees. The average age of its employees is 45 or older, and 25 percent of the workforce will be eligible to retire in the next five years.

Recent major accomplishments

18. In the past five years, the Authority completed a number of important projects as part of the first phase of its long-term plan to develop the Canadian plaza. These projects included building a duty-free store, resolving safety problems on the approaches to the Bridge, and building a truck ramp to accelerate the crossing of commercial traffic through the border.

19. The Authority and the Michigan Department have implemented the NEXUS and the Free and Secure Trade (FAST) programs to improve transit time and expedite border clearance at customs booths. NEXUS is designated for low-risk, pre-approved travellers into Canada and the United States, while FAST is offered to carriers and importers who have enrolled with the US Customs and Border Protection and the Canada Border Services Agency. The Authority has installed lanes for FAST trucks and NEXUS passenger vehicles on the highway and Bridge to allow drivers to bypass other queued vehicles.

Focus of the special examination

20. In our examination plan presented to the Board on 11 December 2006, we indicated that our examination would focus on the following major results that the Authority must attain in order to succeed:

- Facilities and services meet the users' needs.
- Facilities are safe and their useful life is maximized.
- The Authority's operations are self-sufficient.
- The environment and the site resources are protected.

21. Our examination consisted of assessing the systems and practices that contribute to the achievement of critical results and to meeting statutory control objectives intended to safeguard and control its assets, manage its resources economically and efficiently, and carry out its operations effectively. Expected corporate results, related major risks, and important systems and practices are listed in Appendix B.

Findings and Recommendations

Planning and managing capital projects

22. Development plans for capital projects are important to ensure their orderly completion and the continuous availability of facilities that meet evolving user needs. We expected that the Authority would have sound, long-term development plans for the Facility, created in consultation with its major stakeholders. We also expected that its management practices for capital projects would ensure that the Authority used resources cost-effectively and met planned objectives, schedules, and budget requirements.

The Authority has a long-term master plan for developing the Facility

23. The Authority identified growing traffic volumes, safety issues for travellers and plaza users, congestion, and entry speed as important issues requiring action. It prepared a master plan to guide the Facility's long-term development over a 20-year horizon. In developing the master plan, the Authority consulted users and workers at the Canadian and American plazas, as well as local stakeholders such as the Canada Revenue Agency and the Canada Border Services Agency, Citizenship and Immigration Canada, Agriculture and Agri-Food Canada, Tourism Ontario, and customs brokers. Staff identified the stakeholders' future needs, as related to their mandate.

24. In 2003, the Authority completed its master plan, which redesigns the plaza and proposes an infrastructure of buildings and facilities in the same location. To minimize the impact of renovations on users and travellers, the plan allows for phased construction, so the plaza will continue to operate at all times. The first construction proposed is a new tourist information centre. The existing tourist information centre would be demolished, and a truck ramp constructed. The second phase would be the relocation of offices for Canada Border Services Agency officers, customs brokers, Citizen and Immigration Canada officials, and Agriculture and Agri-Food Canada staff in one building, constructed at the same time as a new administration building for the Authority. The existing administration building and part of the customs facility would be demolished, as would the remaining buildings on the plaza. A new toll building would also be built.

25. Fire, police, and ambulance service agencies emphasized the fundamental importance of access to the plaza in case of emergencies, such as a fire or hazardous materials spill. The plan outlines secure emergency access and spill containment. It also proposes additional

projects to improve security, such as changes to primary inspection lanes for trucks and upgrades to the highway cameras.

26. The Authority estimates it would cost slightly more than \$110 million to implement the plan. So far, Phase I, representing about 20 percent of the proposed infrastructure, has been completed.

27. One of the plan's business assumptions concerned projected traffic volumes. Funding for the capital projects depends primarily on revenues from tolls. In 2001, future traffic volumes were evaluated for use in the master plan, based on a projected vehicle volume growth of 2.9 percent annually for passenger vehicles and 3.5 percent annually for commercial vehicles. However, these forecasts have not materialized. Combined vehicle and truck traffic volumes are down by 10 percent since the master plan was developed. Moreover, the Authority does not anticipate significant increases in commercial traffic volumes for the next five years.

28. The master plan has evolved over the years to address several new federal initiatives, and related business assumptions have been updated through the Authority's planning process. The manager of capital projects identifies which capital projects need to be implemented in the next five years, based on phases of construction projects proposed in the plan. These capital projects are then included in the corporate capital spending budget.

Capital projects have good management practices but no policies and procedures

29. The Authority follows industry standard practices in managing its capital projects. Most of the capital projects are designed or executed by contractors and consultants. The capital project office monitors the work properly.

30. The Authority does not have written policies and procedures concerning the management of capital projects, which would cover monitoring contractors' performance and the work of consultants. The good management practices that we observed stem from the work, dedication, and long-term experience of the individuals involved in capital projects. The employees are, on average, 45 or older and many of them will retire in the next five years. Before they retire, the Authority could benefit from using these individuals' knowledge and experience to develop policies and procedures that formalize the steps it expects its staff to perform when managing projects and monitoring the work of consultants.

Maintaining facilities

31. Sound maintenance programs are important to protect facilities and keep them safe, to maximize their useful life, and to meet their users' needs. We expected that the Authority would plan, execute, and monitor the maintenance of its facilities in a cost-effective manner.

Good maintenance systems and practices are in place

32. The Authority's facilities include the Canadian portion of the Bridge and the buildings and other installations on the plaza. The first Bridge span underwent a major rehabilitation from 1997 to 1999. That span is expected to last another 40 years without major rehabilitation. The second span is expected to last another 65 years. The two spans of the Bridge are therefore relatively new and do not require extensive maintenance. On average, the Authority spends about \$1.6 million annually to maintain the Bridge and its facilities.

33. The Authority has retained the services of an engineering firm to carry out inspections of the Canadian portions of the Bridge. It chose the same firm that designed the second span and carried out the rehabilitation of the first span. The Authority intends to tender the Bridge inspections once the federal government issues new regulations concerning international bridges and tunnels.

34. The firm carries out a detailed inspection every third year and a general inspection in the intervening years. Under the supervision of a manager who is a civil engineering technologist, the Authority's maintenance staff identify required maintenance activities from the engineering reports and carry them out. The maintenance manager also makes regular site observations and identifies additional necessary maintenance work. This maintenance program complies with industry practices and is consistent with those of other similar international bridges. The recent engineering reports we consulted rate the level of repair of the Canadian portions of the Bridge as good to very good.

35. The Authority also carries out adequate maintenance of the plaza's major buildings and facilities that are not scheduled for demolition under its master plan.

The Authority lacks maintenance information on the American portion of the Bridge

36. At the Blue Water Bridge, the Canadian and American authorities are responsible for maintaining their respective portions of the Bridge. This organizational structure is unique among international bridges. It complicates the Bridge operations and necessitates particularly strong coordination of activities and sharing of

information. In the past, maintenance staff from the Canadian and American authorities communicated at the operational level. However, there has been a breach of communication in recent years. Both authorities stopped sharing their engineers' inspections reports on the condition of their respective portion of the Bridge.

37. In the absence of engineers' inspection reports on the US portions of the Bridge, and because the Authority and the Michigan Department do not coordinate their maintenance activities, the Authority cannot ascertain whether the Bridge will meet expectations for its remaining lifespan. There is a risk that the Canadian and US portions may differ in terms of their lifespan. As a result, the Authority may have to abandon its maintenance schedule for major elements of its portion of the Bridge and coordinate major rehabilitation work with the US schedule. Or, it may carry out its major maintenance work as planned, negatively affecting traffic flows on the Bridge for a longer period than anticipated, with a corresponding loss of tolls. Both scenarios represent an inefficient use of resources.

38. The Authority's previous corporate plans did not fully disclose that it had not been obtaining engineering reports on the US portions of the Bridge for several years. Rather, the corporate plans indicated that officials from the Authority and the US operator enjoy a cooperative relationship.

39. We were informed that as a result of recent discussions between the Michigan Department of Transportation and the Authority, both authorities have agreed to soon share their engineers' 2006 inspection reports on their respective portion of the Bridge.

40. Recommendation. The Blue Water Bridge Authority should take all steps necessary to conclude a formal memorandum of understanding with the Michigan Department of Transportation to obtain the engineers' inspection reports on the US portions of the Bridge as soon as they become available, and to coordinate the maintenance of the Canadian and US portions of the Bridge.

***The Authority's response.** The Blue Water Bridge Authority agrees with the recommendation and has started communications with the Michigan Department of Transportation (the Michigan Department) with regard to a formal memorandum of understanding (MOU). The Authority has sent a draft MOU to the Michigan Department and is awaiting its response. The Authority's plan is to have a formal MOU in place by the fall of 2007.*

Inspection reports for the Michigan Department's portion of the Bridge should be in our hands by July 2007. We have discussed with the Michigan

Department the possibility of working together on one inspection report completed for both entire spans and sharing the cost. Both maintenance departments are working together, where possible, to coordinate maintenance of the Canadian and US portions of the Bridge.

Managing finances

41. Good financial management practices are important to ensure that the Authority has financial resources when it needs them to meet its obligations. We expected that the Authority would use a forecasting model to monitor its cash flow situation and to set toll rates, that it would establish appropriate reserve funds, and it would put in place procedures to maximize the availability of cash.

The Authority has sound financial management practices

42. A budget forecasting model and long-term capital and operating budgets support the Authority's five-year plan. Each year, the Authority updates its capital spending and operating budgets based on projected toll revenues. The Authority uses a good methodology as a basis for projecting future traffic volumes. It also forecasts toll revenues and increases tariffs conservatively. Overall, the Authority ensures that it will have sufficient cash flow for funding capital projects identified for completion in its five-year plan.

43. For our assessment of the financial management practices of the Authority's treasury function, we relied on the 2006–07 fiscal year internal audit report on the treasury function. The internal audit indicated that the treasury function and financial management practices are tied to the financial requirements of the master plan. The audit found that treasury personnel showed due diligence in investing funds to maximize future cash availabilities. It also found that the Authority monitors its debt requirements to meet its legal obligations under the bond covenant and ensures adequate levels of reserve funds. The internal audit concluded that the Authority ensures that it will have sufficient cash resources to meet its obligations until the final payments in 2027.

The Authority needs to increase its reserve fund for major Bridge repairs

44. The Authority has established a reserve fund for repainting the Bridge spans, based on their expected lifespan. The fund is currently at \$4.7 million and accumulates money annually for the anticipated repainting of the Canadian portions of the Bridge in 17 to 25 years. The Authority has also established an operating and maintenance contingency fund that is currently at \$2.7 million, to cover its annual

operating and maintenance expenses. The last engineering reports suggest that the need to repaint the Bridge spans will occur within the projected timeframe. However, the Authority does not set aside a reserve fund for the potentially high cost of repairing major elements of the Bridge, such as the bridge decks and expansion joint seals. Its current reserves may not be sufficient to finance other major repairs. Since these major elements have a typical 50-year lifespan and the bridges are relatively new, the Bridge would need important repairs about 40 years from now.

Practising sustainable development

45. Environmental management practices are important measures necessary to support sustainable development objectives in organizations. Sustainable development is based on the efficient and environmentally responsible use of resources. To practise sustainable development, organizations need planning and decision-making practices that take the environment into account.

46. We expected that the Authority would have practices in place to plan, manage, and monitor its environmental risks and issues. We also expected that the Authority would monitor its compliance with applicable environmental legislation and regulations.

The Authority manages important environmental risks

47. The Authority has identified environmental risks arising from its activities and relevant laws and regulatory requirements on an ad-hoc basis. These include risks from maintenance and operations, such as hazardous waste disposal and vehicle spills, as well as risks related to capital projects. However, the Authority has not undertaken a comprehensive evaluation of its overall environmental risks.

48. Still, the Authority is addressing the important environmental risks it has identified. For example, with the help of consultants, the Authority has assessed environmental impacts of its capital projects, integrated them into project planning, and monitored whether appropriate measures have been taken and risks have been addressed.

An environmental management policy defining corporate goals and responsibilities is necessary

49. In its 2006 Annual Report, the Authority committed to ensuring full compliance with the regulatory requirements under Canadian federal and provincial legislation for all material impacts on the environment. Senior managers we interviewed were not aware of this commitment.

50. The Authority has no environmental policy that sets its corporate goals and the activities that need to be undertaken to address environmental management. There is no delineation of roles and responsibilities for environmental management, and nobody has overall responsibility for this area. At present, it is understood that each manager is responsible for environmental matters in his/her area.

51. The Authority keeps records of spills that occur at the site and maintains programs for monitoring air and noise impacts. It relies on a supplier to maintain and inspect its fuel tanks, but has no contract with this company requiring compliance. Overall, there are few practices for monitoring compliance.

52. **Recommendation.** The Blue Water Bridge Authority should develop a policy that sets out its environmental goals and the activities that need to be undertaken to address environmental management. The Authority should also define responsibilities and establish appropriate accountability mechanisms for environmental management.

The Authority's response. The Blue Water Bridge Authority agrees with the recommendation and will take action to develop policies and procedures that identify which activities need to be undertaken to address our most important risks and will assign the responsibility to specific individuals for implementation.

Implementing information technology solutions

53. The Authority has an automated system for collecting toll revenues, which ties into its accounting system. It also has a system of security cameras to monitor its toll operations and facilities.

54. We expected that the Authority would implement information technology systems that meet its needs and design them to recover from failures. We examined the implementation of the new automated system for the currency exchange office and the Authority's practices for recovering from systems failures.

Implementing the currency exchange system cost more than planned

55. The Authority identified the need to automate the manual processes in place at the currency exchange office, given its high volume of transactions. The Authority budgeted development costs of \$100,000 in 2005, prepared a project proposal, and hired an expert firm to develop the system.

56. The manager of the currency exchange office did not provide any input into the request for proposals and was not involved in the

system's development. As a result, certain functions were not included in the initial statement of requirements. The system has now been delivered to the manager's satisfaction, at a total cost of \$390,000, plus additional costs for testing and training.

There are practices for recovering from system failures

57. The Authority identified the need to have a comprehensive business continuity plan. It submitted a request for proposals and hired a firm to develop the plan. The contractor released a draft plan and recommended that the Authority validate requirements for recovery. The Authority plans to implement the recovery scenarios by end of the 2007–08 fiscal year. In the meantime, the Authority does backup on recovery tapes. Although this is also an appropriate solution, the Authority has not tested it.

Contracting for goods and services

58. Good contracting practices are important to ensure an efficient and economical use of resources. As a federal Crown corporation, the Authority is expected to acquire goods and services in a manner that enhances access and competition.

59. As a Crown corporation, the Authority is not subject to the Treasury Board contracting policy. However, we expected to find that the Authority had a fair and competitive process for awarding contracts, and that it had practices in place to manage and monitor its contracts.

The Authority uses a competitive process to award contracts but has no policies and procedures

60. In the normal course of its operations, the Authority acquires services and assets from suppliers of construction, maintenance, information technology, traffic forecasting, and consulting services (see the next section of this report, **Managing contracts for consulting services**).

61. The Authority has no contracting officer. Each manager administers the contracts under his/her area of operations. Each year, the Authority enters into large and small contracts, ranging from multi-year construction contracts to small service contracts. The capital projects' manager has developed a list of activities that need to be undertaken when the Authority is contracting capital construction projects. We found that all maintenance and capital construction projects we examined were subjected to a competitive process.

Prospective suppliers received bid packages, and bid evaluation processes were documented.

62. However, the Authority has no policies and procedures to ensure that its contracting activities consistently address the principles of access and competition. At a minimum, the Authority's staff should develop policies and procedures on how to determine the appropriate process for selecting suppliers, under what conditions sole-source contracts are permitted, and when to follow a competitive process. For its important construction and maintenance contracts, the Authority outsourced certain portions of the competitive process, such as the development of the request for proposals and the pre-qualification of bidders. Specialty firms, such as engineering firms, performed these portions of the process. The Authority has no policies and procedures concerning the direction it should provide to these specialty firms.

Contracting practices for information technology services are inadequate

63. We examined the Authority's information technology services. We found that in two instances, suppliers were providing information technology services to the Authority without a contract.

64. The information technology contracts that we examined did specify performance requirements. However, we found that the Authority has not monitored the performance delivered under these contracts. In these cases, we believe the supplier's response times could be critical to the Bridge operations.

65. Recommendation. The Blue Water Bridge Authority should develop policies and procedures for contracting goods and services, including how to determine the appropriate process for selecting suppliers, under what conditions to permit sole-source contracts, and when to follow a competitive process. It should also develop policies and procedures to indicate which steps need to be undertaken for monitoring the work of contractors and guiding the work of specialty firms to which it has outsourced certain parts of the competitive process.

The Authority's response. The Blue Water Bridge Authority agrees with the recommendation and will take action to develop policies and procedures for contracting goods and services as per the recommendations of the Auditor General. The Authority will also develop policies and procedures to indicate which steps need to be undertaken for monitoring the work of contractors and guide the work of specialty firms to which it has outsourced certain parts of the competitive process.

Managing contracts for consulting services

66. We found a significant deficiency in the Authority's management of a contract for consulting services. The Authority paid a US consulting firm about \$7.5 million over the last nine years under a contract to promote its interests to government officials and politicians on both sides of the border and to provide various consulting services. The Authority did not tender the contract for competitive bids, as expected under good business practices, and it did not specify the scope of the work to be done and the amount of service the firm was to provide. There were no supplementary written agreements that clearly defined the specific services required, and as a result, the Authority could not always match the invoices to specific deliverables and demonstrate how the activities for which it was billed had advanced the Authority's interests. The Authority did not formally and regularly evaluate the consulting services it received from this firm and did not assess the results achieved. Moreover, the Board did not approve this major contract, and the consultant's activities in the US were not clearly communicated to the Minister of Transport, Infrastructure and Communities.

67. The following paragraphs provide an overview of the agreement in place with this US consulting firm and more detailed information on our related findings. Our conclusions about the management practices and actions for contracting for consulting services refer to those of the Authority. We did not audit the records of the private contractors. Consequently, our conclusions cannot and do not pertain to any practices that contractors followed.

68. In 1998, the Authority retained the services of a US consulting firm to act as a general resource for the CEO, to advance the Authority's business plan, and to assist in achieving its vision. The Authority believed that traffic flow on the Canadian side of the Bridge is heavily influenced by the processing time for customs clearance at the US border and by the US plaza's capacity to process traffic from Canada efficiently. The Authority wanted to communicate this to the US federal government and the state of Michigan and selected a firm that had contacts in the United States and expertise with US government affairs.

The consulting services received from a US consulting firm were not approved properly

69. The Authority paid about \$7.5 million (about US\$5.4 million) to the US consulting firm and its subcontractors between 1998 and 2006—about \$1 million each year.

70. The firm provided various consulting services to the Authority. For example, it communicated with officials and politicians in the United States and in Canada to explain the Authority's positions, and it provided advice to advance the Authority's concerns. It also provided background information and research on transportation issues.

71. The agreement authorized the firm to bill the Authority for an annual retainer of US\$94,800 (US\$40,800 before 2005); for reimbursement of the firm's expenses, such as hotel, travel, registration, mileage, and filing fees; as well as for the final product. The agreement also included an appendix that lists "fees for services provided outside the scope of the agreement."

72. Each year, the firm billed the Authority for the annual retainer, for professional fees for services provided outside the scope of agreement of about \$800,000, and for reimbursement of expenses of about \$100,000. The Authority did not have supplementary written agreements with the firm that described the various out-of-scope services the firm delivered and that formally authorized the firm to render these services. The CEO informed us that he approved these services verbally after consultation with the Chair of the Board. He also approved the firm's invoices, as he was monitoring the work the firm delivered.

73. In 1998, the delegation of authority gave the CEO full authorization for signing contracts and approving invoices for operating expenses not exceeding \$100,000. This limit was increased to \$500,000 in 2003. Although the Board approved the budget for consulting services annually through the corporate planning process, in recent years some Board members expressed concern about the value of services the consulting firm was providing and the lack of information on the invoices regarding the work carried out. We believe that the Board should formally approve multi-year and multi-million-dollar services of this kind paid to a single firm to accomplish such strategic activities.

The Authority did not show that it managed consulting services from a US firm economically and efficiently

74. We did not find any business case supporting the decision to acquire these services and showing an analysis of various alternatives for the delivery of these services to ensure that the option selected was the most economical. The Authority did not request bids for these professional services in 1998, and the reasons for sole-sourcing the

contract to this particular firm were not documented in the Authority's files. The agreement with the firm was not tendered when it was extended.

75. We have examined the firm's invoices for the 2005–06 fiscal year. As there were no written agreements concerning the out-of-scope services and because the details on the invoices did not specify the purpose of the activities billed, other than to promote the interests of the Authority, the Authority could not always match the invoices to specific deliverables and demonstrate the extent to which the activities contributed to the advancement of the Bridge's interests. The Authority did not formally evaluate the consulting services received on a regular basis and did not assess the firm's performance in light of the results achieved and its accomplishments.

76. We expected the Authority to have communicated the significance of these consulting activities in the US to the Minister of Transport, Infrastructure and Communities. Instead, we found that the Authority's previous corporate plans did not discuss its consulting expenses and the activities performed in the US.

77. In 1985, the Privy Council Office communicated its desire to ensure that its relationships with Crown corporations be conducted without benefit of paid intermediaries under contract with a Crown corporation. It considers it inappropriate for paid consultants to deal with the government on behalf of a Crown corporation. However, we found that the Authority had paid the firm to engage consultants to brief federal government officials on its issues.

78. Recommendation. The Blue Water Bridge Authority should ensure the following:

- Have written agreements for its important consulting services contracts that clearly describe the scope of work, the amount of service, and performance expectations. It should approve these agreements in accordance with its delegation of authority before the services are performed. It should have periodic evaluations of the consultant's work to determine if the Authority is obtaining expected results.
- Review its delegation of authority and clearly indicate the level of approval for signing contracts, certifying that services were received and approving payments. The delegation of authority should also indicate the level and category of service that should be approved by the Board. The Authority should communicate its

delegation to staff and ensure that services are authorized and received as expected.

- Clearly communicate its important consulting activities in the US and related amount of services to the Minister of Transport, Infrastructure and Communities.
- Deal with the federal government officials directly and not engage paid consultants in its dealings with the government.

***The Authority's response.** The Blue Water Bridge Authority agrees with the recommendation and will take action to develop written agreements when required for its important consulting services. The Authority discontinued the services of the consulting firm in question in December 2006. Activities previously contracted to this external consultant (and related sub-consultants) are now handled internally and are primarily the responsibility of the Vice President/Operations and the President and CEO. An annual budget for "Government Affairs" has been established and the Board of Directors receives written reports on these activities as part of the Board meeting.*

Strategic planning

79. Strategic planning is a framework that provides a continuing activity for establishing the future direction of an organization. It should involve a process to identify the major elements of an organization's mission, its corporate objectives and related strategies, its measures of performance, and mechanisms for reporting performance.

80. We expected the Authority would have relevant corporate objectives and strategies that take into account the priorities of the shareholder (that is, the Minister of Transport, Infrastructure and Communities) and stakeholders, and the important elements of the Authority's internal and external environment, including its needs and risks.

The Authority's strategic planning process needs to be improved

81. The Authority has an annual planning exercise in which managers identify the organization's financial and staffing needs and projects for the coming year. The exercise takes place at a corporate retreat.

82. At the 2006 corporate retreat, managers were provided with information on traffic volumes and other elements of the Authority's activities. However, the retreat did not deal with some important elements of strategic planning—for example, organizational risks,

strengths and weaknesses, the priorities of the Authority and those of the government, stakeholders' concerns, and performance measurement.

83. After the retreat, the controller carried the identified needs and projects over into the five-year corporate plan and provided it to the Board for approval. Managers did not obtain input from the Board before preparing the corporate plan.

84. The Authority stated in the 2007–11 corporate plan that its mission is to provide the finest international transportation facilities on the Great Lakes. During our interviews, we noted that senior managers did not share the same understanding of what the mission means for the Authority.

Each important activity requires corporate objectives and related strategies

85. The Authority identified 12 corporate objectives and related strategies in its 2007–11 corporate plan (see Appendix C). Some of the corporate objectives are activities or means to achieve an objective, rather than explicit and measurable statements of the Authority's goals in fulfilling its mandate and mission.

86. Further, the corporate objectives do not cover all the Authority's important activities. For example, there are no corporate objectives addressing the Authority's external relations with its main stakeholders and the safety of users crossing the Bridge, although these matters are among the Authority's preoccupations.

87. Some managers have established goals for their areas of operations that are linked to corporate objectives. But there is no process that assigns responsibility for implementing the strategies. Further, some corporate objectives have no strategies. Without identified strategies assigned to managers, there is a risk that the Authority will not achieve its corporate objectives.

Risk management needs to be strengthened

88. A risk management framework is important to provide the Board, senior managers, and employees with a clear understanding of their roles in risk management, and to identify the risks that require the most careful monitoring.

89. The Authority has identified some of its financial and security risks and discussed them in its annual report. However, it does not have a comprehensive corporate risk management framework that

includes all factors that could potentially influence the Authority's capacity to fulfill its mandate. There are several risk management practices in place, due to the diligence of experienced managers in their own areas of responsibility. However, the Authority has not identified all of its risks, and therefore has not ensured that all its important risks are being mitigated.

90. Recommendation. The Blue Water Bridge Authority should review its strategic planning to identify corporate objectives and related strategies for each of its important activities, taking into consideration its risks, needs, and the priorities of its stakeholders and shareholder. It should clearly communicate these elements in its corporate plan.

The Authority's response. The Blue Water Bridge Authority agrees with the recommendation and will review its strategic planning to identify corporate objectives and related strategies for each of its important activities as per the recommendation of the Auditor General.

Measuring and reporting on performance

91. Performance measurement is essential to fulfill expectations for the accountability and transparency of Crown corporations.

92. We expected that the Authority would set up a framework of performance measures and targets to assess the degree to which it has achieved its corporate objectives, and that it would report the results to the Board and to Parliament.

Performance measurement needs improvements

93. The Authority identified 10 performance measures and 8 targets in its 2007 planning process (see Appendix C).

94. This set of performance measures is incomplete and does not cover all corporate objectives. There are no measures for six of the corporate objectives. A number of measures that are identified are vague, and five corporate objectives contain no targets. Further, there are no performance measures in important areas such as environmental management, capital projects management, traffic congestion at toll booths, or participation of commercial vehicles in programs to expedite customs clearance.

Important information is missing from external reports

95. The Authority publishes three accountability documents every year: the corporate plan, the summaries of the corporate plan and

budgets, and the annual report. These are the main tools disclosing the Authority's objectives and the extent to which it achieves them.

96. The Authority's previous corporate plans included its objectives, strategies and performance measures, funding, a discussion of its revenues and expenses, and balance sheet information for the five-year planning period. However, as discussed earlier in this report, the plans did not fully discuss such important matters as the Authority's relations with the US operator of the Bridge and the consulting services carried out in the United States by the US consulting firm.

97. The Authority's 2006 annual report included a discussion of activities undertaken during the previous year, a one-year review of its performance information against performance measures, high-level financial information, and audited financial statements. However, the report did not provide an explanation of the differences between targeted and actual outcomes for some of its corporate objectives and did not provide information about whether planned strategies were successful. Further, the objectives, strategies, measures, and targets of the 2006 annual report were not always those that had been presented in the 2006–10 corporate plan.

98. Recommendation. The Blue Water Bridge Authority should

- identify performance measures for each corporate objective, compare them to targets, and report the actual results in its annual report; and
- clearly communicate its important activities in its corporate plans to better inform the Minister of Transport, Infrastructure and Communities.

The Authority's response. The Blue Water Bridge Authority agrees with the recommendation to identify performance measures for each corporate objective, compare them to targets, and report the actual results in the annual report. The Authority also agrees with the recommendation to clearly communicate its important activities in its corporate plans to better inform the Minister of Transport, Infrastructure and Communities.

Governance and external communication

99. Corporate governance refers to the framework of systems, practices, and structures for overseeing the direction and management of an organization to carry out its mandate and achieve its objectives. Under the *Financial Administration Act*, the Board is responsible for the management of the businesses, activities, and other affairs of the corporation.

100. We expected that the Authority's Board of Directors would clearly define its role and responsibilities and would adopt a corporate governance framework that enables it to oversee the Authority's activities and protect the interest of the travelling public effectively. We also expected that the Board would ensure that the Authority communicates well with the shareholder and the stakeholders.

101. The Authority is governed by a Board of four Canadian directors, including the Chair. The Board has one committee, the audit committee, composed of the four directors. Two directors were replaced in 2007 after their term expired. The CEO is accountable for strategic direction and operational management. He was appointed in November 2006 for three years. The Governor in Council of Canada appoints the directors and the CEO.

The Board needs to demonstrate more responsibility for the stewardship of the Authority

102. The last Board retreat to envision the Authority's long-term direction was 11 years ago. The directors are not involved in the strategic planning process before the Board receives the corporate plan for approval. Directors receive the corporate plan and discuss and approve it as is, with no changes. To play its governance role, we expected the Board to have provided input earlier in the strategic planning process to direct managers.

103. Results of risk management practices in the organization are reported to the Board. For example, managers inform the Board about the results of activities carried out to comply with environmental laws. However, we found no evidence of formal discussions about major risks, such as the Authority's lack of engineering reports on the US portions of the Bridge.

104. Moreover, we believe that had the Board acted on its stewardship responsibilities, the situation that led us to report a significant deficiency would likely not have developed or continued for as long as it did. As mentioned earlier in this report, although in recent years some Board members expressed concern about the value of the services provided by the US consulting firm and the lack of information about the work being billed to the Authority, we believe that the Board should be formally approving any arrangement involving multi-million-dollar payments to a single firm for strategic services.

Some elements of a good governance framework are missing

105. The Board has not developed a charter defining its mandate and governance practices. Such a document provides directors with a common understanding of their role, authority, and responsibilities, and how their positions differ from those of managers and the shareholder.

106. The Board's quorum for business meetings consists of three directors. Voting decisions arising at the meetings are decided by a majority vote; however, in the event of a tie, the Chair has a second vote. We noted that sometimes meetings could not be held because of a lack of quorum.

107. The Board gets regular updates from managers, in addition to information about traffic volumes and financial reports, in advance of meetings. However, the Board does not receive information on important activities such as the maintenance activities of the US portions of the Bridge. The Board has not assessed the information it receives nor identified the level of information it should receive.

108. Records of meetings and results of our interviews show that directors have raised questions and concerns about important business transactions. The Board meeting minutes do not provide details about the nature of the concerns the directors raised and how they were addressed.

109. The audit committee reviews the reports of internal and external auditors, as it should. We expected the Board to have ensured that appropriate internal controls exist and focused its attention on summary reports and exception transactions. Instead, we noted that the committee spends considerable time verifying cheques issued and reviewing detailed financial reports. The elaboration of terms of reference would better formalize the committee's work.

110. The Board had little input into the corporate management succession plan. The plan was presented to the Board for its information only. Further, the Board did not establish the CEO's performance objectives and was not involved in the annual evaluation of his performance.

111. The Board has developed a complete competency profile for directors and communicated that profile to its Minister, as required, and has members with financial literacy. However, director training has been inconsistent; only two directors received governance training.

The Board has not assessed its own performance, so it has no basis for discussion and development of strategies to improve its performance.

There is a need for better external communication

112. The Board has oversight responsibility for effective communication with the stakeholders of the Authority. The Authority's major stakeholders include the US operator of the Bridge and its shareholder—the Minister of Transport, Infrastructure and Communities.

113. Previous sections of this report discussed the need to improve communication with the US operator of the Bridge and to improve reporting on related issues.

114. The CEO and the Chair have had contact with Transport Canada officials about issues such as the development of the corporate plan, the master plan, and the Authority's governance status. From 2002 to 2006, they communicated with government officials largely to seek exemption from Part X of the *Financial Administration Act* (FAA), and to seek the establishment of a joint international authority with the United States. In 2006, the Minister of Transport, Infrastructure and Communities informed the Authority that he supported its desire to become a joint international authority with the US operator of the Bridge. However, the Minister indicated that, in the meantime, the Authority would maintain its status as a Crown corporation in Part I of Schedule III of the FAA. As discussed earlier, the Authority did not inform the Minister about the significance of the consulting services carried out in the United States by the US consulting firm.

115. Recommendation. The Blue Water Bridge Authority Board of Directors should

- develop a charter that clearly identifies its roles and responsibilities and those of the audit committee, at the level recommended in the government guidelines on the governance of Crown corporations;
- demonstrate more responsibility for the stewardship of the Authority by providing input earlier in the strategic planning process;
- identify performance objectives for the CEO and evaluate his performance, as well as its own;
- take all steps to maintain effective relations with its major stakeholders; and

- assess its performance and collective effectiveness, including any impact that the number of directors and the second vote of the Chair might have on its efficiency.

The Board of Directors' response. *The Board of Directors agrees with the recommendations and is committed to implementing them. It has already taken certain actions and will finalize their implementation once the Privy Council Office has appointed a new Chair. Among other measures, The Board has instructed management to provide draft budgets by March 2008. The Board is planning a retreat in November 2007, the first over eight years, to set out the strategic plan and is awaiting the appointment of a new Chair and of a fourth board member.*

Appendix A Systems and practices examined and related criteria

1. Corporate governance

The Authority has a well-performing corporate governance framework that meets the standards of best practices in Board stewardship, governmental relations, and public relations.

2. Strategic planning, performance measurement, and reporting

The Authority has clearly defined strategic directions and objectives to achieve its mandate, based on its legal mandate, statutory objectives, risks, and resources.

The Authority monitors performance indicators and reports complete, accurate, and balanced information for decision making and accountability.

3. Maintenance programs

Planning, execution, monitoring, and reporting of maintenance programs ensure that facilities are safe and their useful life is maximized, and provide optimal services to users in a cost-effective manner.

4. Capital projects

The Authority performs planning, execution, monitoring, and reporting of capital projects in a cost-effective manner, which will enable it to meet its master plan objectives, deadline, and budget, and manage its risks (including its environmental risks).

5. Information technology

Acquisition of computer-based systems takes into consideration both corporate and individual needs, as well as identified risks and tolerance for risks.

Information systems are available and usable when required and are designed appropriately to resist attacks and recover from failures.

6. Contracting

The Authority has sound contracting practices for awarding and monitoring contract performance.

7. Financial management

The Authority has financial management systems and practices for planning, monitoring, and reporting on the master plan development, and it meets its legal obligations.

Appendix B Expected corporate results, related major risks, and important systems and practices

Expected corporate results	Major risks	Important systems and practices
Facilities are safe and their useful life maximized	<ul style="list-style-type: none"> • Inadequate preventive emergency measures • Inadequate maintenance programs • Failure to implement maintenance programs and capital projects on a timely basis and in a cost-effective manner • Inadequate joint relationship with the Michigan Department of Transportation • Loss of revenues 	<ul style="list-style-type: none"> • Maintenance and capital projects • Corporate governance • Contracting • Traffic management and safety measures • Strategic planning, performance measurement, and reporting
Facilities and services meet the users' needs	<ul style="list-style-type: none"> • Failure to implement maintenance programs and capital projects with due consideration to impact on users • Inadequate facilities and systems for traffic carried over the Bridge • Failure to minimize disruption of services due to accidents, weather conditions, and emergency situations 	<ul style="list-style-type: none"> • Human resources management • Information technology • Traffic management • Maintenance and capital projects • External communications • Contracting
Bridge operations are self-sufficient	<ul style="list-style-type: none"> • Failure to meet legal obligations 	<ul style="list-style-type: none"> • Financial management • Strategic planning, performance measurement, and reporting • Tolls operations • Rental activities • Currency and Exchange Office
The environment and the site resources are protected	<ul style="list-style-type: none"> • Environmental issues are not properly managed • Maintenance programs and capital projects are approved without considering negative impact on the site resources 	<ul style="list-style-type: none"> • Maintenance and capital projects • Contracting • Strategic planning, performance measurement, and reporting

Appendix C Corporate objectives, strategies, performance measures, and targets

(extract from the 2007–11 corporate plan)

Corporate objectives	Strategies	Performance measures	Target
Invest 100 percent cash available from operations	<ul style="list-style-type: none"> • Make principal payments on long-term debt • Surplus funds will be reserved for future capital projects 	<ul style="list-style-type: none"> • Cash flow balances • Traffic volumes 	<ul style="list-style-type: none"> • 100 percent
Ensure cash flows support the obligations in bond financing	<ul style="list-style-type: none"> • Monitor debt service ratios • Increase tolls • Monitor traffic volumes 	<ul style="list-style-type: none"> • Gross debt service coverage ratios and debt service coverage ratios • Bond rating 	<ul style="list-style-type: none"> • 2:00 to 1:00, or better
Develop and maintain a business continuity plan	<ul style="list-style-type: none"> • Draft a plan 	<ul style="list-style-type: none"> • Percentage of completed tasks 	<ul style="list-style-type: none"> • By end of August 2006
Maintain the two spans of the Bridge in a good to very good level of repair	<ul style="list-style-type: none"> • Ensure the two spans undergo a general inspection annually and a detailed inspection every three years • Implement 100 percent of recommendations 	<ul style="list-style-type: none"> • Number of inspections done • Percentage of recommended repairs completed 	<ul style="list-style-type: none"> • Good to very good level of repair • 100 percent completion
Maintain an injury-free workplace	<ul style="list-style-type: none"> • Implement audit recommendations of 2001 • Hold health and safety meetings • Train staff and track participation • Complete workplace inspections on a regular basis and develop job procedures 	<ul style="list-style-type: none"> • Number of working hours free of injury • Audit grade 	<ul style="list-style-type: none"> • 500,000 injury-free hours
Comply with the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i>	<ul style="list-style-type: none"> • Update the Authority Compliance Regime • Ensure staff is trained • Conduct compliance audits • Information packages for customers 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Comply with the <i>Official Languages Act</i>	<ul style="list-style-type: none"> • Obtain legal counsel and receive direction from Treasury Board • Make changes whenever possible • Informal agreement with Customs to provide the services of a French-speaking officer 	<ul style="list-style-type: none"> • Percentage of total employees bilingual 	<ul style="list-style-type: none"> • None
Become a shared governance structure	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Comply with the Federal Identity Program	<ul style="list-style-type: none"> • Wait for resolution of governance issues • Upgrade website in 2007 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Ensure availability of human resources and put in place a succession plan	<ul style="list-style-type: none"> • Update the succession plan • Assess human resources needs 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Finalize the plan in 2006

Corporate objectives	Strategies	Performance measures	Target
Implement Phase 1 of master plan	<ul style="list-style-type: none">• Adjust the master plan• Meet major stakeholders, consult engineers and directors	<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• None
Develop a pandemic preparedness plan	<ul style="list-style-type: none">• Review of draft plan• Schedule periodic reviews and updates	<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• Complete plan by end of fiscal 2007