



Transportation Investment Corporation

Service Plan 2011/12 – 2013/14

**Honourable Shirley Bond
Minister of Transportation and Infrastructure
& Minister Responsible for the Transportation Investment Corporation**

Dear Minister:

On behalf of the Board of Directors of the Transportation Investment Corporation (TI Corp), I am pleased to provide our 2011/12 – 2013/14 Service Plan.

TI Corp's primary mandate as part of the Province's Gateway Program is to manage and ensure successful delivery and implementation of the Port Mann/Highway1 (PMH1) Improvement Project. The PMH1 Improvement Project consists of the construction of a new 10-lane Port Mann Bridge and widening Highway 1, upgrading interchanges and improving safety and access between McGill Street in Vancouver to 216th Street in Langley.

TI Corp is also mandated to recover through tolls, the capital costs of the PMH1 Improvement Project as well as the operating and maintenance costs of the bridge and highway after substantial completion of the new Port Mann Bridge and associated interchanges. The Project is a key component of the Province's plan to address the problem of growing regional congestion on our economy and quality of life for residents, improving the movement of people, goods and transit.

Throughout the three-year Service Planning period, TI Corp will manage the design-build contract and establish and implement a tolling system for the new Port Mann Bridge.

In 2011/12, as the project realizes 50% construction completion, TI Corp is adjusting its operations to include resources focused on development of the tolling operating structure that will be in place to recover the costs for the PMH1 project. The tolling system will be based on the principles of fairness, convenience and superior customer service. With tolling projected to commence in December 2012, the next two years will see an increasing focus on this element of TI Corp's mandate.

Risks to TI Corp over the service planning period are any factors that could affect the construction schedule and projected bridge opening date of December 2012. To mitigate these risks, TI Corp has implemented a robust schedule management framework and works closely with the project contractor, Kiewit/Flatiron General Partnership. The project remains on schedule and on budget.

The 2011/12 – 2013/14 Transportation Investment Corporation Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act*, the BC Reporting Principles, and the 2011/12 – 2013/14 Crown Corporation Service Plan Guidelines. The plan is consistent with government's strategic priorities and its fiscal plan. The Board is accountable for the contents of the plan, including what has been included and how it has been reported.

All significant assumptions, policy decisions, events and identified risks as of December 31, 2010, have been considered in preparing the plan. Performance measures presented are consistent with TI Corp's mandate and goals, and focus on aspects critical to the corporation's performance. Targets in the plan have been determined based on an assessment of TI Corp's operating environment, forecast model conditions and risk assessment.

Yours truly,


Peter Milburn
Chair, Board of Directors

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1. Organizational Overview

Enabling Legislation and Mandate

The Transportation Investment Corporation (TI Corp) is established under the *Transportation Investment Act*. The primary purpose of the corporation is to engage in and conduct business related to delivering, managing, operating, tolling, and funding transportation projects.

Currently, the corporation has been tasked with implementing and managing the Port Mann/Highway 1 (PMH1) Improvement Project on a full cost recovery basis.

Vision and Values

The vision of TI Corp is to develop and implement infrastructure projects for the benefit of British Columbians.

The corporation values the diversity of its employees and will strive to deliver projects in a manner that is respectful to residents, businesses, all levels of government and the environment while ensuring safe and efficient movement of people and goods.

Core Business Areas and Services

TI Corp is a Crown corporation, tasked with the delivery of the PMH1 Improvement Project, British Columbia's largest infrastructure project. The Port Mann Bridge is a major crossing over the Fraser River forming part of Highway 1 between Coquitlam and Surrey. The new 10-lane Port Mann Bridge, expanded high occupancy vehicle (HOV) network, transit priority facilities, and widened Highway 1 will help cut round-trip travel times in this corridor by up to 30% and will allow transit over the crossing for the first time in over 20 years.

The Port Mann Bridge Highway 1 project consists of the construction of a new Port Mann Bridge and widening Highway 1, upgrading interchanges and improving safety and access between McGill Street in Vancouver to 216th Street in Langley and forms part of the Province of British Columbia's Gateway Program, which was announced in January 2006 and is an important component of the Province's Pacific Gateway Strategy.

The Gateway Program was established as part of a broader response by the Province of British Columbia to reduce congestion, improve the movement of people and goods and improve safety and reliability on key highway corridors. The Gateway Program improvements will complement other regional road and transit improvements currently being planned or under construction.

Taken together, these improvements will help create a comprehensive and effective transportation network for Greater Vancouver which will improve the movement of people and goods, thereby facilitating economic growth, increased transportation choices and improved connectivity to areas designated for population growth.

The specific goals of the PMH1 Project are to:

- Reduce congestion and travel times;
- Improve safety and accessibility;
- Facilitate expanded transit service; and
- Expand the transportation network to better accommodate high occupancy vehicles (HOV), cyclists and pedestrians.

In June 2006, the Ministry of Transportation and Infrastructure (MoT) announced that the PMH1 Improvement Project would use tolls to finance the Project and manage traffic congestion. The toll gantry will be located on the south side of the bridge and toll charges will be assessed using Open Road Tolling, which means that exhaust emissions from idling cars at toll booths are eliminated and bridge users don't need to worry about exact change or delays. Instead, users will be able to pay by using an electronic tolling device affixed to their vehicle and linked to an account that will automatically calculate their usage. Alternately, bridge users may choose to pay before or after travel using a variety of payment methods, including online, by phone or in person at self-serve kiosks or tolling customer service centres.

The tolling operating structure, currently under development, is based on the principles of ease of use, superior customer service, convenience and fairness, and allowing all users to pay the lowest possible (base) toll rate. The tolling framework will be finalized and released during the 2011/2012 service planning period.

Tolls will help encourage the use of congestion-reduction measures, such as public transit, and will promote carpooling and off-peak commercial travel through targeted discounts, helping to moderate traffic growth and greatly extend the life of the new bridge. The travel demand management effect of the tolls will also result in lower greenhouse gas and other emissions compared to a non-tolled facility. Additionally, managed tolls will extend the service life of the improvements well into the future compared to a non-tolled expansion.

TI Corp was established as a public agency by the Province of British Columbia in 2008 to deliver and operate the PMH1 Improvement Project. A design-build agreement has been signed between the Province of British Columbia and the Kiewit/Flatiron General Partnership for \$2.46 billion to construct a new 10-lane Port Mann Bridge and to widen and improve approximately 37 kilometers of Highway 1.

Accordingly, a key function of TI Corp until substantial completion of the PMH1 Improvement Project is the ongoing management and oversight of the design-build contractor and their activities, ensuring that construction proceeds on budget and on-time with minimal disruption to road and bridge users.

Partners, Clients, Stakeholders

TI Corp is responsible for and leads the development and implementation of the Port Mann/Highway Improvement Project. Our key partners include:

- Ministry of Transportation and Infrastructure/ BC Transportation Financing Authority
- Ministry of Finance
- Municipalities adjacent to the corridor
- Kiewit/Flatiron General Partnership
- Operations & Maintenance, Tolling and other contractors

Key stakeholders and clients include those who are providing advice and input and who will benefit from the project improvements:

- RCMP and other first responders
- Commuters and businesses
- Commercial trucking and service companies and drivers
- Tourists and tourism services providers
- The travelling public

Additional information about the Gateway Program and the Transportation Investment Corporation can be accessed at the following web site links:

<http://www.gatewayprogram.bc.ca>

<http://www.pmh1project.com>

TI Corp Locations

TI Corp operates from two key locations, with project personnel in the field daily along the 37 kilometers of highway improvements. Key locations include:

Corporate Head Office: Suite 1420 – 1111 West Georgia Street, Vancouver, B.C. V6E 4M3

Project Office: Suite 40 – 145 Schoolhouse Street, Coquitlam, B.C. V3K 4X8

2. Corporate Governance

Governance

By legislation, Transportation Investment Corporation is governed by a Board of Directors consisting of no more than seven members appointed by the Lieutenant Governor in Council. The Board of Directors, through the Chair, report to the Minister of Transportation and Infrastructure (designated as the Minister Responsible for TI Corp) and is responsible for overseeing the conduct of business, directing management and ensuring that all major issues affecting TI Corp's affairs are given appropriate consideration.

As a Crown agency, TI Corp operates under a Shareholder's Letter of Expectations that outlines both the corporation's as well as the shareholder's responsibilities and is jointly signed by the Minister of Transportation and Infrastructure and the Chair of TI Corp.

All directors and senior officers must disclose the fact and the nature and extent of any interest in a proposed contract or transaction with the corporation. As a new Crown Corporation, TI Corp's Board of Directors continues the work of developing Board governance policies and procedures. That work is ongoing with the Board having identified a series of deliverables to establish robust governance practices in compliance with the Board Resourcing and Development Office (BRDO) corporate governance guidelines. More information on those guidelines as well as the BRDO can be found at: <http://www.fin.gov.bc.ca/brdo/>

Board of Directors

The Board of Directors currently consists of:

Chair	Peter Milburn	Deputy Minister, Ministry of Transportation and Infrastructure
Member	Larry Blain	Chair, Partnerships British Columbia
Member	John Dyble	Deputy Minister, Ministry of Health Services

This Board will be transitioning to a full Board with five to seven members by commencement of tolling operations.

Officers

Chief Executive Officer	Mike Proudfoot
Vice President Technical Services	Garry Dawson
Chief Financial Officer	Kenneth Tan
Corporate Secretary	Cathy Young

3. Strategic Context

The priority for TI Corp over the next fiscal year continues to be the safe and efficient delivery of the construction phase of the PMH1 Improvement Project, ensuring that construction continues on budget and on schedule and that the bridge opens and tolling commences by December 2012.

To that end, the key strategic issues and risks for TI Corp are those that could impact the construction schedule or the project budget. These include market and economic fluctuations that could affect long-term debt costs or events that could result in project delays. In addition, in order to ensure that TI Corp is prepared to commence tolling operations when the new Port Mann Bridge is open to traffic, tolling-related infrastructure, which includes the tolling gantry and Primary Operations Centre, as well as contracts with key suppliers must be in place.

Risks and Opportunities Key Strategic Issue	Status and Potential Impacts	Plans to Address Links to Goals and Measures
Project price escalation: <ul style="list-style-type: none"> • Long-term debt costs • Project schedule 	Long-term interest rate increases have been mitigated through a hedging strategy. The project is currently on budget and ahead of schedule	Fixing future long-term debt costs increases certainty of overall project costs. Monthly monitoring is being undertaken to ensure potential delays and cost pressures are mitigated.
Delays on tolling start-up <ul style="list-style-type: none"> • Toll mechanisms complete • Construction schedule • Tolling operations building available 	Plans are in place to contract the essential tolling services Construction currently ahead of schedule Construction underway – completion schedule achievable	Milestones and deadlines closely monitored Monthly monitoring to achieve schedule certainty Monthly progress reports and ongoing monitoring

4. Goals, Strategies, Performance Measures, Targets, and Benchmarks

TI Corp is striving to set demanding goals and targets to meet the challenges of this major project. Consistent with its current focus on on-time and on-budget construction of the PMH1 Improvement project, TI Corp has identified goals and targets that focus on the critical aspects of performance in delivering this major infrastructure project including the acquisition and installation of tolling systems.

Over the next 18 to 24 months, TI Corp will be preparing for completion of the PMH1 Improvement Project and the transition to managing the completed 10 lane Port Mann Bridge and the 37 kilometre highway corridor included in the project. As such, TI Corp will be developing additional goals, strategies, performance measures, targets and benchmarks consistent with the evolution of its mandate. These measures will be focused on maintaining the assets to the benefit of the Province; providing superior customer service to bridge and highway users and tolling customers; and, providing on-going benefits to the traveling public, including accurate travel time monitoring and travel time savings. These goals and benchmarks will be included in future TI Corp Service Plans.

GOALS

- 1) Effectively manage the Design/Build Contract by ensuring strict adherence to all terms of the agreement to ensure that project costs and timetable are met.
- 2) Effectively manage both the capital and operating budgets to ensure the efficiency, effectiveness and economy of operations.
- 3) Minimize traffic disruptions and mitigate safety risks during the construction phases of the project.
- 4) Implement an “open road” tolling system based on the principles of ease of use, superior customer service, convenience and fairness that ensures accuracy and completeness of tolling revenue receipt.

PERFORMANCE MEASURES

1) *REMAIN WITHIN THE APPROVED NET LOSS PROJECTIONS*

The TI Corp Operating Budget lists maximum permitted losses on operations for each year during the construction phase of operations. TI Corp will strive for operational efficiencies to meet this performance target. The results are verifiable by reference to the annual audited financial statements of the Corporation.

2) *ACHIEVE PERCENTAGE OF COMPLETION TARGETS FOR BRIDGE COMPLETION*

Project costs and timetable are monitored by setting completion bench marks and comparing actual results to anticipated results. The actual results are gleaned from certified invoicing as the project progresses.

3) *RESTRICT ANNUAL CORPORATE OVERHEAD EXPENSES TO 1% OF CONSTRUCTION COSTS*

By controlling corporate overhead costs, budgets are met and goals of efficiency, economy and effectiveness are realized. The annual audited financial statements supply the basis for these calculations.

Achievement of these performance measures and goals will be assessed using TI Corp's internal financial systems and audited financial statements, copies of which are published in the Corporation's Annual Report.

Performance Measures (\$M = Millions)	Actual 2009/10	Target 2010/11	Target 2011/12	Target 2012/13	Target 2013/14
Remain within the approved net loss projections	(\$4.5M)	(\$18.6M)	(\$14.7M)	(\$48.6M)	(\$48.4M)
Achieve percentage of completion target for bridge works and commencement of tolling	34%	55%	75%	100.0%	-
Restrict percentage of annual corporate overhead expenses to 1% of total annual project expenditures	0.21%	1%	1%	1%	2%

5. Shareholder's Letter of Expectations

The Shareholder's Letter of Expectations, between the shareholder (the Government of British Columbia) and TI Corp, is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the shareholder and the Corporation on corporate mandate including high-level performance expectations, public policy issues, and strategic priorities.

SLE Direction	TI Corp - Key Actions
<p>Manage and ensure the delivery and implementation of the Design-Build work including the design and construction of the concession highway, all in accordance with the terms of the design build agreement dated as of March 17, 2009 signed between TI Corp and Kiewit/Flatiron General Partnership, the Contractor.</p>	<p>TI Corp staff and Independent contractors working under TI Corp direction continue to monitor progress and quality of work done by the design-build contractor.</p> <p>Target dates for start of bridge operations and substantial completion of the project are December 2012 and December 2013 respectively.</p>
<p>Establishment of a tolling system and toll collections at the Port Mann Bridge, consistent with the provisions of the Port Mann/Highway 1 Bridge Concession Agreement dated as of March 10, 2010 signed between the Province, BC Transportation Financing Authority and Transportation Investment Corporation, and any modifications to this agreement.</p>	<p>The concession agreement amongst the Province, BC Transportation Financing Authority and Transportation Investment Corporation was signed on March 10, 2010.</p> <p>A service provider to supply and deliver a tolling system for the Port Mann Bridge was engaged on March 24, 2010.</p> <p>A second RFP to engage a toll operation service provider will be developed and implemented in Spring 2011.</p> <p>The target date for full implementation of the tolling system and associated operations is December 31, 2012.</p>
<p>Ensure prudent management of capital and operating plans such that approved deficit projections, over the construction period of the Port Mann/Highway 1 Improvement Project are not materially exceeded. Transportation Investment Corporation is to be in a positive net income position by 2017/18.</p>	<p>The Corporation has addressed the risk of rising long-term interest rates through the implementation of a hedging strategy to mitigate the effects of predicted increases in these rates.</p>

In addition to the direction contained in TI Corp's Shareholder's Letter of Expectations, TI Corp and the PMH1 Improvement Project also play a role in the Province's climate change goals, by reducing greenhouse gases associated with congestion-induced idling and traffic delays as well as by making public transit across the Port Mann Bridge possible for the first time in more than twenty years.

Once it is in operation, Highway 1 RapidBus will provide transit service as fast as, or faster, than travelling by car. Transit users will be able to travel from the 202 Street Park & Ride in Langley to the Lougheed Skytrain Station in less than 25 minutes. More than 20,000 people are expected to use this service by 2031, reducing greenhouse gases by 10,000 to 15,000 tonnes per year.

6. Summary Financial Outlook

Until 2013, the major activities of TI Corp will be to finance and construct the infrastructure associated with the Port Mann/ Highway 1 Improvement Project. Only minimal revenue and operating expenses will be incurred until tolling activity commences.

The total cost of the PMH1 Project, including construction, operations and maintenance, rehabilitation and interest, will be \$3.319 billion.

Following project completion and tolling commencement, the principal revenue source for TI Corp will be generated by vehicle tolls.

(\$ Millions)	2009/10 Actual	2010/11 Forecast	2011/12 Budget	2012/13 Budget	2013/14 Budget
Revenue	0.219	.008	NIL	82.743	175.046
Expenses	4.684	8.597	14.671	131.337	223.478
Net Income (Loss)	(4.465)	(8.589)	(14.671)	(48.594)	(48.432)
Total Debt	539,559	1,360.300	1,983.125	2,560.387	3,104.060
Annual Capital Expenditures	777.501	870.708	716.941	585.935	72.280

- Revenue will be minimal until toll revenues commence in fiscal 2012/13.
- The above financial information for 2010/11, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles. The budget estimates for the years 2011/12 to 2013/14 were prepared using International Financial Reporting Standards.
- As per the Shareholder Letter of Expectations, TI Corp expects to be in a positive net income position by 2017/18.

7. Capital Plan

The construction cost of the fixed price design-build contract is approximately \$2.46 billion. For presentation in financial statements, Generally Accepted Accounting Principles require the inclusion of interest charges, land rights payments and project management costs resulting in estimated total capital project expenditures of \$3.319 billion.

Except for the injection of \$150 million of Provincial equity, financing for all capital and operating expenditures will be by way of the assumption of debt. All debt assumed as well as all operating costs will be repaid over the term of the concession agreement from tolls collected from users.

8. Contact Information

All correspondence and/or enquiries should be directed to:

Transportation Investment Corporation

Attn: Corporate Secretary

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Vancouver, BC V6E 4M3