



Transportation Investment Corporation

Service Plan 2010/11 – 2012/13

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

Dear Minister:

On behalf of the Board of Directors of Transportation Investment Corporation (TI Corp), I am pleased to provide our 2010/11 – 2012/13 Service Plan. This is our first Service Plan as TI Corp is a new Crown Corporation.

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 Improvement Project. The TI Corp is also mandated to recover the capital costs of the Port Mann/Highway 1 Improvement Project as well as the operating and maintenance costs of the bridge and highway for a period of up to thirty-five years after substantial completion of construction. 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 2009/10, the corporation established a core staff to manage the corporation's administrative processes. In 2010/11, we will continue to supplement these positions to develop and manage the tolling administrative functions.

The 2010/11 – 2012/13 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 2010/11 – 2012/13 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, 2009, 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, risk assessment and past performance.

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 self-sustaining 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 a 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 fifty per cent 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. Tolls will help encourage the use of congestion-reduction measures, such as public transit and cycling over the bridge, 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. Without tolling the improved highway could return to current levels of congestion.

The Province has entered into a fixed price design-build contract with the joint venture of Peter Kiewit Sons Co. and Flatiron Constructors Canada Limited to deliver a new 10-lane Port Mann Bridge and to widen and improve approximately 37 kilometers of Highway 1.

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
- Peter Kiewit Sons Co/Flatiron Constructors Canada Limited Joint Venture
- 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

Transportation Investment Corporation was established as a corporation and by legislation 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.

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.

There are presently no Committees of the Board. Committees under development for the future are an audit committee and an executive compensation committee.

Board of Directors

The Board of Directors currently consists of an "Implementation Board" tasked with the initial start-up of the corporation:

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

This Board will be transitioning to a full Board with five to seven members over the next twelve to eighteen months.

Officers

Chief Executive Officer	Frank Blasetti
Vice President Technical Services	Garry Dawson
Chief Financial Officer	Kenneth Tan
Corporate Secretary	Margaret McInnes

3. Strategic Context

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 delays 	Long-term interest rate increases have been mitigated through a hedging strategy. The project is currently on budget and ahead of schedule	By predetermining future long-term debt costs, future profitability can be predicted and project costs can be reduced. Monthly monitoring is being undertaken to ensure delay time and costs are mitigated.
Delays on tolling start-up <ul style="list-style-type: none"> • Toll mechanisms not in place • Construction delayed 	Plans are in place to contract the essential tolling services Construction currently ahead of schedule	Deadlines being monitored Monthly monitoring

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

As a recent addition to the Crown corporation ranks, TI Corp is striving to set demanding goals and targets to meet the challenges of this major project. The identified goals and targets focus on the critical aspects of performance in delivering a major infrastructure project including the acquisition and installation of tolling systems.

Performance Measures (\$M = Millions)	Actual 2008/09	Target 2009/10	Target 2010/11	Target 2011/12	Target 2012/13
Remain within the approved net loss projections	(\$7.8M)	(\$10.2M) (Actual loss to Dec 31, 2009: \$1.5M)	(\$18.6M)	(\$18.6M)	(\$19.9M)
Achieve percentage of completion target for bridge works and commencement of tolling	7.4%	28.7% (Achieved to Dec 31, 2009: 28.4 %)	53.0%	76.2%	100.0%
Restrict percentage of annual corporate overhead expenses to 1% of total annual project expenditures	0.02 %	1% (Achieved to Dec 31, 2009: 0.3%)	1%	1%	1%

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 Alignment
<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 Constructor, and under a concession agreement to be signed with the Province and the BC Transportation Financing Authority (BCTFA).</p>	<p>TI Corp staff and Independent contractors working under their 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 31, 2012 and December 31, 2013 respectively.</p>
<p>Establishment of a tolling system and toll collections at the Port Mann Bridge.</p>	<p>The RFP to select a service provider to supply and deliver a tolling system for the Port Mann Bridge has been issued with the proponent selection to occur in February 2010.</p> <p>A second RFP to engage a toll operation service provider will be developed and implemented in fiscal 2010/11.</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, four years after toll revenue collection commences.</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>

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 expenses will be incurred until tolling activity commences.

(\$ Millions)	2008/09 Actual	2009/10 Forecast	2010/11 Budget	2011/12 Budget	2012/13 Budget
Revenue	Nil	0.2	Nil	Nil	Nil
Expenses	7.8	10.4	18.6	18.6	19.9
Net Income (Loss)	(7.8)	(10.2)	(18.6)	(18.6)	(19.9)
Total Debt	20.1	615.3	1,365.4	1,919.0	2,473.4
Retained Earnings (Deficit)	(7.8)	(17.9)	(36.6)	(55.2)	(75.1)
Annual Capital Expenditures	165.3	511.2	735.5	540.4	539.6

- Revenue will be minimal until toll revenues commence in fiscal 2013/14.
- Volatility in net income due to derivative accounting may result in increases or decreases to Net Income.
- The above financial information, including forecast information, was prepared based on current Canadian generally accepted accounting principles.

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 \$3.32 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

Suite 1420 - 1111 West Georgia Street

Vancouver, BC V6E 4M3