

# **CROWN AGENCIES AND CORPORATIONS**

## 15.

### HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

#### BACKGROUND

**15.1** Highway 104 Western Alignment Corporation was established by Statute in 1995 and is responsible for the financing, design, construction, operation and maintenance of the Highway 104 Western Alignment. The Western Alignment is a 45-kilometre, four-lane, divided, toll highway linking Masstown and Thomson Station in northern Nova Scotia, and is part of the national highway system. The highway was built because in 1995 the major transportation link to and from the Province was a two-lane undivided road through the Wentworth Valley. When the project was approved by government it was primarily on the grounds of safety and the perceived high accident rate in the Wentworth Valley. The Western Alignment was constructed through a public-private partnership in 1996 and 1997.

**15.2** The Western Alignment toll road was constructed in 20 months and opened November 15, 1997, two weeks ahead of schedule. The project was funded by a \$27.5 million Federal government contribution, a \$27.5 million Provincial government contribution, and \$66.4 million of long-term debt issued by the Corporation. The original plan for the operation of the highway indicated that toll revenues would not be sufficient to pay all annual debt service costs until traffic volumes increased in the future. Accordingly, the expectation was for the long-term debt balance to increase (accrete) each year until 2006, at which time toll revenues would be sufficient to enable the Corporation to start paying on the principal balance of the debt. The debt is scheduled to be fully repaid by 2026.

**15.3** The recorded cost of the highway, including some capitalized fees and interest costs incurred in the pre-operation period, is \$124.6 million. At March 31, 2002, debt of the Corporation totaled \$81.4 million. Due to higher than expected traffic volumes and toll revenues, the Corporation repaid \$5.5 million of subordinated notes in advance of their planned 18-year maturity date. The Corporation's March 31, 2002 financial statements report revenues of \$14,025,226, net earnings of \$3,621 and an accumulated deficit of \$10,976,268.

**15.4** The Corporation is governed by a one-member Board. The sole director was appointed Chairman of the Board by Executive Council, and is also President of the Corporation. The Corporation has four staff members including the President. The Corporation contracts the management of the toll plaza to a private company which employs 37 people. Maintenance of the road is contracted to the Department of Transportation and Public Works (TPW).

**15.5** The financial statements of the Corporation are audited annually by a private auditing firm. This is our second audit of the Corporation. In 1996 we examined the private partner selection process and the accountability structure and reporting established for the project. The results of the audit were presented in Chapter 11 of the 1996 Report of the Auditor General.

#### RESULTS IN BRIEF

**15.6** The following are our principal observations from this audit.

- The Corporation reports to the Department of Transportation and Public Works on a timely basis, but TPW does not provide accountability information on the

Corporation to the House of Assembly. No corporate annual reports or business plans have been tabled in the House of Assembly.

- The Corporation does not have documented, defined performance measures that are formally monitored and reported.
- There are inconsistencies between the Highway 104 Western Alignment Act and subsequent Financial Measures legislation which have not been fully addressed by government.
- A primary objective for building the \$124.6 million Highway 104 Western Alignment was to improve traveler safety. However, neither the Corporation nor the government have formally studied and reported deaths and accidents related to the new highway.
- The Corporation does not prepare a comprehensive business plan which includes goals, outcomes and performance measures.
- The Corporation is complying with its legislation and regulations. At the time of our audit, the Corporation was not complying with two requirements of 22 agreements to which it is a signatory.
- The Corporation has appropriate operating and capital budgetary processes. However, it does not perform regular cash flow projections as part of its planning process.
- The Department of Transportation and Public Works provides annual highway maintenance services and technical expertise for major highway repairs to the Corporation, but does not recover the full cost of the services.

## AUDIT SCOPE

**15.7** In September 2002 we completed a broad scope audit of Highway 104 Western Alignment Corporation in accordance with Sections 8 and 15 of the Auditor General Act. Our audit was performed in accordance with auditing standards established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The objectives of this assignment were to examine and assess the:

- quality and timeliness of reporting to the Minister of Transportation and Public Works and the House of Assembly;
- planning, monitoring and control of the financial operations of the Corporation;
- compliance with Provincial legislation and regulations; and
- due regard for economy and efficiency in the Corporation's decisions and activities.

**15.8** Audit criteria were developed to assist in our planning and conduct of the audit. The criteria were discussed with the Corporation and accepted as appropriate by senior management of TPW. Senior management of the Corporation acknowledged that the principles developed appear reasonable, but could not determine whether the criteria were suitable. The criteria are described in Exhibit 15.1.

**15.9** As part of this assignment, we interviewed the staff of Highway 104 Western Alignment Corporation, the toll plaza management corporation and the Department of Transportation and Public Works. We also examined minutes, contracts, invoices and numerous other documents related to the toll highway.

## PRINCIPAL FINDINGS

### *Accountability*

**15.10** There are four principal partners in the operations of the Highway 104 Western Alignment; the Province, the Corporation, the financiers, and the toll plaza operator. We reviewed the accountability structures in place (Exhibit 15.2) and reporting from the Corporation to the Province (through the Department of Transportation and Public Works).

**15.11** *Corporation status* - The Corporation was created by the Highway 104 Western Alignment Corporation Act in July 1995. The Act notes the purpose of the Corporation is “to provide financing, design, construction, operation, and maintenance of the Western Alignment of Highway 104 (Trans Canada Highway) in the Counties of Colchester and Cumberland by a partnership of the public and private sectors.”

**15.12** The Corporation was structured to be a private entity at arms length from the Province. Several documents we examined note that a primary purpose of the Corporation was to ensure that project financing was ‘non-recourse’ to the Province; meaning the government would not be responsible for any default on the debt. The debt would not be recorded in the Province’s financial statements and the Province’s credit rating and borrowing capacity would be preserved. Accordingly, the Act declares that the Province is not liable for any debt of the Corporation and that the Corporation is not a crown corporation or an agent of the Province. The Act also exempts the Corporation from various Provincial legislation, including those relating to taxes and freedom of information and protection of privacy. However, the Act states “*the Corporation is an agency of government within the meaning of the Auditor General Act and that Act applies to the Corporation.*”

**15.13** The Provincial Finance Act defines a crown corporation as one where the Governor in Council is entitled to appoint and remove at least a majority of its directors, and where at least 90% of outstanding voting shares are owned by government. The government owns the Corporation’s one outstanding share and appoints the sole Director of the Board. However, based on legal advice obtained by the Corporation, the definitive wording of the Corporation’s enabling legislation gives it preeminence over the Provincial Finance Act.

**15.14** *Accountability requirements* - The Corporation’s accountability and reporting requirements are only defined in the various agreements to which the Corporation is a signatory, such as the Omnibus Agreement and the Senior Bond Indenture. The agreements provide for accountability only to the bondholders and the Province. The Corporation’s enabling legislation is clear in its intention that the Corporation is not an agent of the crown. Accordingly, management of the Corporation maintains the Corporation has no direct accountability to the House of Assembly of Nova Scotia.

**15.15** We previously reported (1996 Report of the Auditor General) that it was our opinion that the Corporation should be accountable to the House of Assembly since the Corporation is owned and controlled by the Province and is managing an asset situated on Provincially-owned land.

**15.16** There have been no changes to the legislation since our last audit. During this audit, we observed that the Corporation's arms-length from government status does not exist in practice. The General Manager of the Corporation is on secondment from TPW, and the President was previously a Deputy Minister of TPW and is required by Order in Council to abide by the Government's Corporate Code of Conduct for Civil Servants. Staff of the Corporation seek direction from TPW management for operational decisions. Also, the financial statements of the Corporation are consolidated into the Province's annual financial statements. We continue to call for a recognition of formal accountability of the Corporation to the House of Assembly.

***Recommendation 15.1***

*We recommend that the Corporation's accountability requirements be broader, and included in legislation so they may only be changed by the House of Assembly, to which we believe the Corporation is ultimately accountable.*

**15.17** *Accountability reporting* - Clauses in the Omnibus Agreement and the Senior Bond Indenture require the Corporation to submit monthly reports to the Province and quarterly reports to the bondholders' representative. The quarterly report to the bondholders' representative is approved by the President and the General Manager of the Corporation, and is also reviewed by the Corporation's external auditor.

**15.18** The Corporation is complying with most major reporting requirements in the various agreements and is providing the information in a timely and complete manner. However, the significant information described below is absent from the Corporation's reporting to the bondholders' representative. Management indicated that this was due to an oversight and, subsequent to being informed of the matter, measures were undertaken to comply with the requirements.

- Article 7 of the Senior Toll Revenue Bond Indenture requires annual audited financial statements to disclose the budget in the Statement of Loss and Deficit. This is not being done.
- The trustee is not sent a statement of reimbursable expenditures from the toll plaza operator for review. Reimbursements to the operator are not held for 15 days so the trustee can review the expenditures prior to payment.

**15.19** At the time of our audit, the Corporation was not complying with a requirement to compare and explain variances in year-to-date budget and actual results in quarterly financial statements. However, the Corporation started reporting this comparison and is now in compliance with this requirement of the Senior Bond Indenture.

***Recommendation 15.2***

*We recommend ongoing monitoring of all agreements and indentures be undertaken to ensure compliance with all corporate requirements.*

**15.20** We also suggested that all internal and external statements of revenue and expenses include budget amounts approved by the bondholders' representative and the Province.

**15.21** There is regular and timely reporting by the Corporation to the Province. The Corporation is represented on the Steering Committee for the Western Alignment which also has members

from the Province. The Corporation is also a member of the Joint Advisory Committee which includes representatives from the Province and the toll plaza operator (Exhibit 15.2). The committees meet quarterly. There is a corporate Annual General Meeting which is attended by representatives from the Corporation and the government, the bondholders' representative, as well as the Corporation's legal and auditing firms. The Minister of Transportation and Public Works attends the Annual General Meeting and his Deputy Minister is a member of the Steering Committee. Through these meetings the Corporation advises the Minister and Deputy Minister on the Corporation's operations and status. Other TPW officials are members of the Joint Advisory Committee. During our audit we were informed that the Steering Committee did not meet for eight months during 2001, but has met three times in 2002.

**15.22** The Corporation's annual report is prepared on a timely basis and is provided to TPW by October following the Corporation's March 31 year end. Although there is reporting from the Corporation to TPW, there is no direct reporting of significant corporate information to the House of Assembly. The Corporation's annual report has never been tabled in the House of Assembly and its business plan is not included in the government's publication of crown agency business plans tabled in the House. The Corporation's financial statements are included in the Provincial Public Accounts and other corporate information is available from the Corporation's website. However, the Corporation is a part of the government reporting entity (i.e., it is consolidated into the Province's financial statements) and we believe its annual reports and business plans should be tabled in the House of Assembly.

**15.23** *Performance reporting* - The Corporation's 2001 annual report notes goals relating to customer service, highway serviceability, and a safe and efficient highway. However, the Corporation does not have formal defined performance indicators relating to these goals. Measurable performance indicators and targets should be developed to monitor and report progress toward corporate goals.

**15.24** However, the Corporation does measure some aspects of performance. The various agreements with the bondholders' representative and the Province define contractual requirements of the Corporation (e.g., debt payment schedules). Through quarterly and monthly reporting and the Annual General Meeting, performance against contractual requirements is reported to the major stakeholders. The Annual Roadway Maintenance Agreement also specifies annual road maintenance performance standards and standards for collection of the tolls by the toll plaza management company which are measured and reported upon. The Corporation maintains a website which contains some current information on toll road operations.

**15.25** In 1995, when the plan to proceed with the project was approved by government, one of the primary factors and highest priorities was the safety of travelers on public highways. It was anticipated that deaths and accidents would decline with the completion of a four-lane divided highway and diversion of all truck traffic to the new road. The Corporation's website states "*The existing two-lane highway has the highest percentage of trucks traveling on it in the province: on any given day, one in four vehicles – high-speed transport trucks heading to market and low-speed local traffic turning on and off the road – is an ongoing danger. More than 50 fatalities in the past decade make [the] highway an intolerable statistic, and one the new highway is designed to change.*" TPW compiles statistics on highway deaths and accidents (Exhibit 15.4). However, at the time of our audit, neither the Corporation nor TPW had studied or reported upon statistical trends relating to the safety of the Highway 104 Western Alignment.

**Recommendation 15.3**

*We recommend that accident and death statistics be monitored by TPW or the Corporation and reported in the Corporation's annual report, along with any available explanations for trends or variances from expectations.*

**Financial Management**

**15.26** We examined a number of areas related to financial management. Our findings are reported in the following paragraphs.

**15.27 Business planning** - The Corporation prepared a business plan for the 2001-02 fiscal year at the request of the Provincial Treasury and Policy Board. This was the Corporation's first business plan. We observed that it did not document corporate goals, objectives, performance measures or outcomes, though corporate goals are identified in the Corporation's 2001 annual report.

**Recommendation 15.4**

*We recommend that a more formal, comprehensive business plan be prepared each year and used to enhance the Corporation's planning and budgeting process.*

**15.28 Financial reporting** - Monthly financial reports are submitted to the Province and quarterly financial reports are distributed to the bondholders' representative. Report content and preparation dates meet the requirements specified in the various agreements, with exceptions as described in paragraph 15.18 above. Audited financial statements are included in the Corporation's annual report and Volume 2 of the Public Accounts.

**15.29 Cash flow analysis** - Currently, no cash flow projections are being prepared by the Corporation on a regular basis. We believe cash flow projections would help support decision making in the Corporation's annual and longer-term planning processes with respect to debt and operational requirements. For example, the Debt Service Reserve requirement increases in 2006, and the Corporation will be required to have approximately \$9 million in the Reserve account. At the time of our audit, the Reserve account balance was approximately \$5 million.

**Recommendation 15.5**

*We recommend the Corporation prepare a three to five-year cash flow projection based on management's best estimates of future operating results, debt repayment, road repairs, reserve funding, and other significant sources and uses of cash.*

**15.30 Reserve funds** - The Senior Bond Indenture requires the Corporation to maintain three reserve accounts; the Project Account, the Capital Reserve Account, and the Debt Service Reserve Account. Management monitors these accounts to ensure compliance with the terms of the indenture. As required, a Debt Service Coverage Ratio is calculated and reported 30 days after the end of each quarter to the trustee and the bondholders' representative.

**15.31 Operational budgeting** - The Corporation has a timely budget process. The Corporation receives the budget of the toll plaza operator in August (for the year beginning on the following January 1) and sends the toll plaza budget to TPW for approval by October 1. As required, the Corporation's budget is sent to the bondholders' representative 60 days before the fiscal year begins on April 1.

**15.32 Capital budgeting** - The Corporation has a capital policy and budgeting process which involve approval by both the Province and the bondholders' representative prior to incurrence of capital expenditures. The Corporation has an independent engineer conduct regular analysis of long-term road maintenance requirements and projected expenditures to 2030. The study is conducted to ensure the Major Maintenance Reserve Fund is adequately funded. The Corporation uses projections in its budgeting process to plan for capital maintenance expenditures.

**15.33 Long-term planning** - A long-range planning process should consider variables such as demographics, infrastructure planning, traffic and capacity requirements and include financial information such as cash flow projections and anticipated capital and maintenance costs. A 30-year cash flow projection was prepared in 1996 as part of the business case to support the Western Alignment project. The Corporation has not updated the cash flow projections or done much other long-term planning because traffic volumes, revenues and resultant cash flows have exceeded the original projections.

***Recommendation 15.6***

*We recommend that cash flow projections be prepared regularly to identify changes (e.g., predetermined toll increases, forecasted debt repayments) which may cause potential cash shortages or affect the Corporation's ability to fund reserve accounts.*

**15.34 Audit recommendations** - The Corporation has implemented business process changes recommended by its external auditor, and there were no further recommendations for improvement in 2001. Our 1996 audit recommended that the Corporation review the project after a year or two of highway operations to examine the accuracy of the assumptions made in the business case to establish the Western Alignment's project viability. A study was conducted on the period of highway construction and a report was prepared by the TPW Internal Audit Division in 1996. However, no study was conducted on the first or second years of operation. We were informed by both TPW and Corporation officials that they saw no need for a review as the project is audited annually by an external auditor and the highway has exceeded forecasted traffic volumes and revenue flows.

***Compliance with Legislation***

**15.35** The Corporation was created by the Highway 104 Western Alignment Act of 1995. It is a private corporation created by statute and, as such, has no memorandum of association or articles of incorporation. The sole objects of the Corporation are the financing, design, construction, operation and maintenance of the Western Alignment.

**15.36** The capital of the Corporation consists of one share owned by Her Majesty in right of the Province and it is not transferable. By statute, the Corporation is not liable to taxation and is exempt from the Public Utilities Act, the Freedom of Information and Protection of Privacy Act, and the Provincial Finance Act.



**15.37** When 22 agreements to finance, design, construct, operate and maintain the Western Alignment were signed in 1996, the Corporation's lawyers prepared a list of approximately 400 corporate and Provincial obligations. Corporation staff monitor the obligations and ensure the Corporation's compliance with its legislation.

**15.38** On June 8, 2000 the Financial Measures (2000) Act received Royal Assent. Among other provisions, this legislation provided for stricter accountability of government organizations to government. The Corporation is specifically named as an entity which is expected to follow some of the new accountability requirements. The Corporation's lawyers reviewed the legislation and provided an analysis and opinion on its applicability to the Corporation. On August 18, 2000 the Corporation corresponded with TPW stating there is uncertainty about the authority of the Financial Measures (2000) Act over the business of the Corporation because of inconsistencies with the Corporation's enabling legislation. The Corporation has not received any instructions or directives from the government related to the applicability of the Financial Measures (2000) Act. Since then, the Financial Measures (2001) Act and the Financial Measures (2002) Act have been proclaimed in the House. We expect the applicability of these pieces of legislation to the Corporation is similarly in doubt.

**15.39** We reviewed the Highway 104 Western Alignment Act and the Regulations to the Act and concluded that the Corporation is complying with its legislation. We noted that the Corporation's auditors, bondholders' representative and trustee receive regular informational reports and we understand they also monitor whether the Corporation is complying with various aspects of ongoing agreements. The Corporation also files quarterly certifications of compliance with the terms of the Senior Bond Indenture.

#### *Value for Money*

**15.40** Corporation expenses for the year ended March 31, 2002 totaled about \$15.1 million. Usually, the Corporation requests three quotes for purchases when an expense is expected to exceed \$1,000. Several costs incurred by the Corporation, such as bondholder and trustee fees (\$219,000) and amortization and depreciation (\$1,484,000), are not suited to negotiation or tender. Interest on long-term debt (\$8,315,000) is at a predetermined rate, but the Corporation has the option to redeem debt before its scheduled maturity.

**15.41** When significant matters arise that may affect its costs or operations, the Corporation commissions studies by consultants or other experts to provide advice and options. In 2000 the Corporation requested a special study of the cash flow and debt position of the Corporation and a study of the effect of the Provincial Financial Measures (2000) Act. In addition, there are regular operational reviews of the toll plaza operations and various road maintenance studies.

**15.42** *Provincial project studies* - One objective of the Western Alignment project was to construct the road at a cost which was lower than if it had been built by TPW. In April 1999 the Internal Audit Division of TPW completed a study of the Western Alignment project. It concluded the following.

- The design and construction costs of the toll road equaled what it would have cost if the P3 process had not been followed.
- The private partner employed creative solutions that were time savers.
- It was not determinable whether these creative solutions were cost savers.

**15.43** As noted above, the study by TPW's internal auditors focused on design and construction costs. In the 1996 Report of the Auditor General we reported that the cost of borrowing to finance the toll road exceeded the Provincial borrowing rate by approximately 2%. At that time, we estimated that the current value of the cost of the higher interest rates would have been in the range of \$20 million to \$25 million, and concluded that the road likely cost more than if it had been financed by the government.

**15.44** *Excess cash* - The Western Alignment's project financing was supported by a 1996 business case that projected expected traffic volumes, revenues and expenses. To date, the actual traffic volumes and resultant revenues have exceeded projected figures. The Corporation's \$5.5 million subordinate note was repaid from excess cash in 1999 and 2000, approximately 18 years before the planned redemption.

**15.45** In 2000 the Corporation commissioned a special study comparing the cash flow and debt position under four different alternatives over the 30-year life of the project. As a result of the options presented in the study, TPW directed the Corporation to use excess cash to repay debt, rather than remitting the cash to the Province.

**15.46** The agreements signed to provide financing for the toll highway included commitments for regular toll increases. To 2001, tolls have been increased as planned. Toll revenues continued to exceed expected revenues. Consumer Price Index-based toll increases of \$0.25 were planned for cars and recreational vehicles in 2002 and for trucks in 2003, but the Corporation received the agreement of the bondholders' representative to defer the planned toll increases until 2004. Seeking to defer the toll increases cost the Corporation approximately \$90,000, which included \$80,000 paid to the bondholders' representative to accept a waiver of toll increases. The Corporation projected that approximately \$500,000 revenue would be lost in 2002, and \$1,000,000 would be lost in 2003.

**15.47** Corporate investments must be made in high quality, unconditionally guaranteed instruments which are defined as "permitted investments" in the financing agreements. Due to their quality, the \$12.8 million of investments only earned an average interest of 2.84% in 2001-02. The interest rate paid on the outstanding debt of the Corporation exceeds 10%. If debt is repaid, a 'market make-whole premium' (a penalty for early debt payment) must also be paid to the debt holders.

***Recommendation 15.7***

*We recommend that the Corporation determine whether it is more beneficial to hold excess cash or repay outstanding debt. The analysis should include reviewing cash flow projections to ensure the Corporation will have sufficient cash to meet all of its future obligations.*

**15.48** *Toll plaza operating contract* - The toll plaza is operated under agreement with a private company. The contract with the company could be renewed in 2002 or the Corporation could assume the duties of the toll plaza operator. According to agreement, if the duties were assumed the Corporation would have to pay the private operator a one-time \$250,000 fee. However, the amounts paid to the operator include an annual 10% management fee (\$143,775 for 2001-02). The Corporation performed an analysis of the toll plaza operating contract. Subsequent to the completion of our audit fieldwork, the Corporation decided not to exercise the option to take over the toll plaza operation.

**15.49 Highway maintenance and major repairs** - The Corporation is responsible for the maintenance of the toll highway. TPW provides annual and long-term highway maintenance in accordance with agreements with the Corporation. The agreements are eligible for renewal in 2003 and the terms of the agreements can be negotiated upon renewal. Costs of annual maintenance are paid by the Corporation to TPW and costs of long-term maintenance and repairs are paid by the Corporation directly to the selected contractor (through the trustee). Any cost incurred by TPW in managing annual and long-term repairs is recoverable from the Corporation.

**15.50** TPW has set up separate accounts to accumulate and monitor the direct costs of annual maintenance. The Department performed a four-year analysis of its costs under the agreement for annual maintenance (e.g., snow removal, salting, line painting; \$685,000 in 2001-02), and concluded that it is recovering from the Corporation all direct costs of providing the service. However, the Department estimates that indirect and other costs associated with services provided to the Corporation (2001-02 estimate - \$190,000) could be in the range of 25% to 30% of its direct costs, and are not being recovered from the Corporation.

**15.51** Due to a three-year warranty on the road's construction, 2001 was the first year any costs were incurred for major repairs (2001-02 - \$1,174,708). TPW provides the technical and managerial expertise for major repairs and is reimbursed for its actual direct costs in providing these services. After we completed audit fieldwork, TPW set up a separate account to accumulate and monitor these costs.

***Recommendation 15.8***

*We recommend that indirect and other costs associated with the annual maintenance and major repair services provided to the Corporation be identified, accumulated and monitored. TPW should consider whether future agreements with the Corporation provide for full cost recovery to the Department.*

**CONCLUDING REMARKS**

**15.52** In our opinion, Highway 104 Western Alignment Corporation should be accountable to the House of Assembly, and fulfill its accountability through reporting similar to that required of other government corporations and agencies. This would include tabling Corporate plans, as well as financial and non-financial performance reports, in the House.

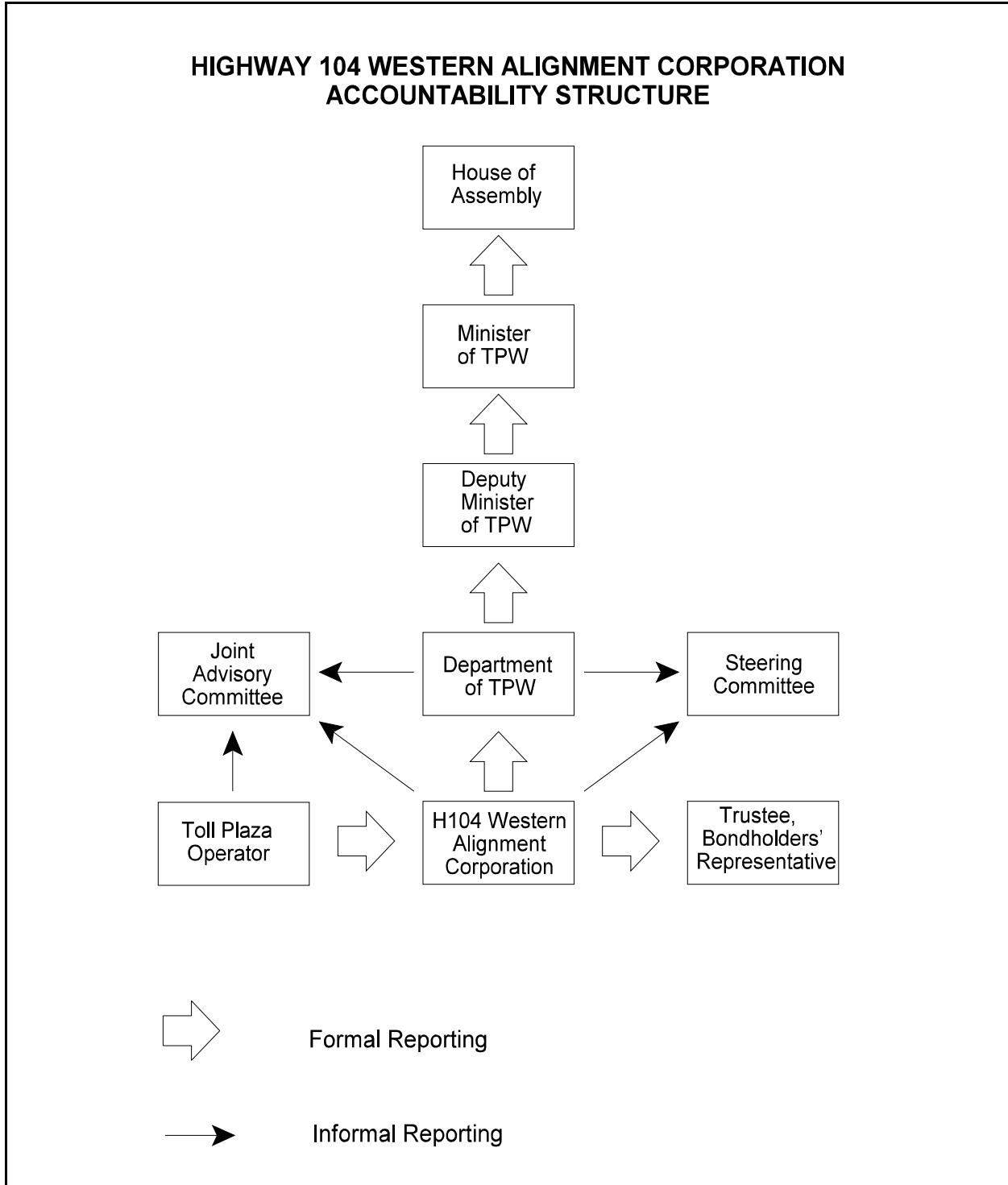
**15.53** The Corporation has appropriate systems and practices to manage the financial aspects of its operations. It complies with its corporate legislation and regulations, though there is uncertainty with respect to the application to the Corporation of subsequent Provincial financial measures legislation passed by the House of Assembly. We concluded that the Corporation conducts its operations with due regard to economy and efficiency.

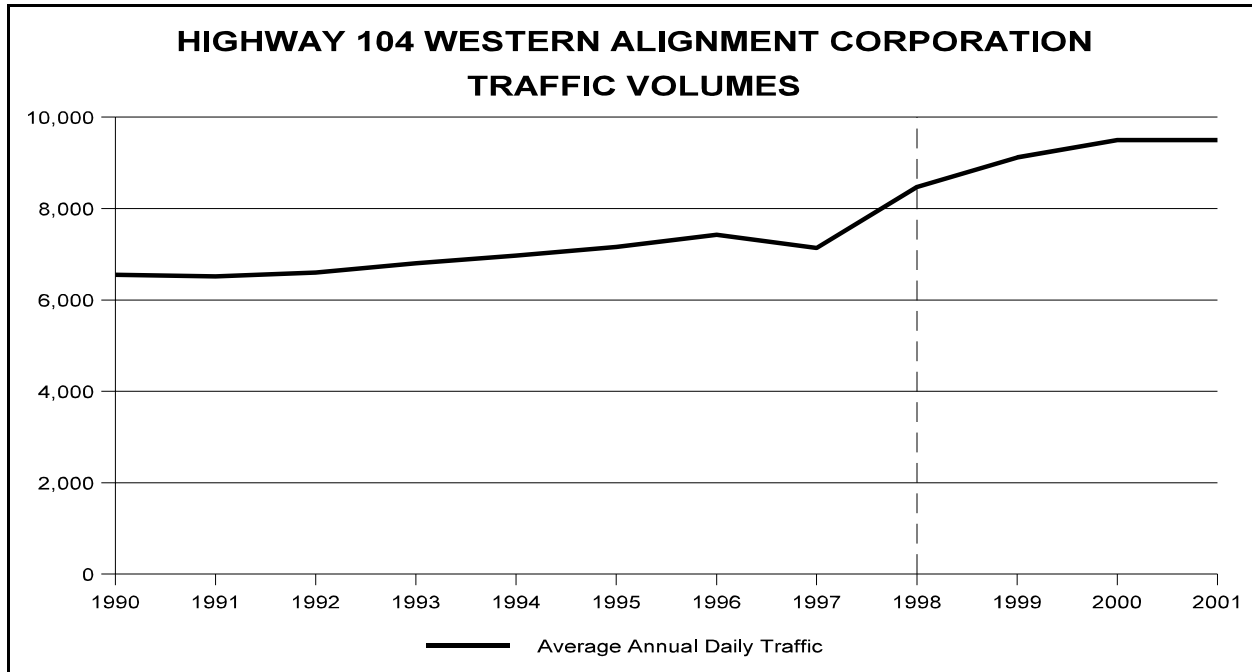
*Exhibit 15.1***AUDIT CRITERIA**

Audit criteria are reasonable and attainable standards of performance and control, against which the adequacy of systems and practices can be assessed. They relate to the audit objectives developed for an assignment and are used to design detailed audit tests and procedures. The following criteria were used in our audit of the Highway 104 Western Alignment Corporation.

- Reporting to the government and Minister should be timely. The annual report of the Corporation should be tabled in the House of Assembly on a timely basis. Accountability reporting should adequately address all significant areas of corporate responsibility and performance. There should be adequate systems to ensure the accuracy and completeness of information reported.
- There should be adequate planning and budgeting for the financial requirements of the Corporation. There should be regular and timely monitoring of financial performance. There should be adequate control over the assets, revenues and expenditures of the Corporation.
- Management should be aware of all legislation, regulations and agreements which apply to the Corporation. The Corporation should comply with all applicable legislation, regulations and articles. Management should monitor the Corporation's compliance with legislation, regulations and articles.
- Due regard for economy and efficiency should be a component of the Corporation's planning. Procurement should be conducted in a fair, open and competitive manner, in compliance with any government policies which apply to the Corporation. Reporting and monitoring processes should be adequate to enable management to oversee the efficiency and economy of its decisions and corporate operations.

Exhibit 15.2

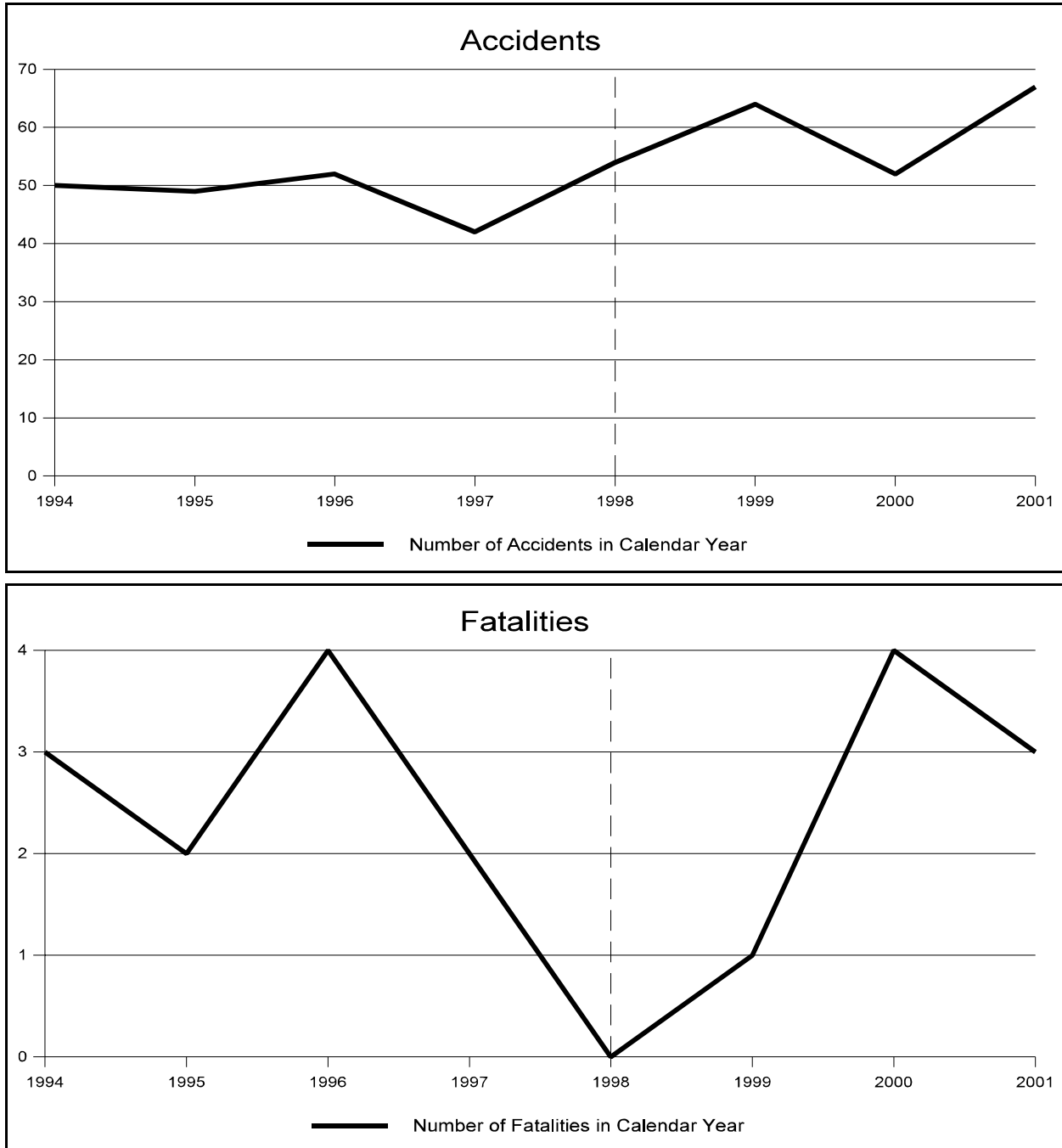


*Exhibit 15.3*

*Western Alignment opened for traffic on November 15, 1997. Data presented to that date are for the old Trans-Canada two-lane road through the Wentworth Valley. After November 15, 1997 the data include the old two-lane road and the new divided four-lane Cobequid Pass.*

*Exhibit 15.4*

**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION  
ACCIDENT AND FATALITY STATISTICS**



*Western Alignment opened for traffic on November 15, 1997. Data presented to that date are for the old Trans-Canada two-lane road through the Wentworth Valley. After November 15, 1997 the data include the old two-lane road and the new divided four-lane Cobequid Pass.*

**DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS' RESPONSE**

*The Department of Transportation and Public Works wants to acknowledge the time and effort spent by the Auditor General's office on the Highway 104 Western Alignment Corporation review.*

*We believe the report accurately reflects the operations of the Corporation and the Department's role in this important highway project.*

*It has become clear to transportation agencies across North America that controlled access highways are not only safer, but they provide many other social and economic benefits.*

*The twinning of Highway 104 from New Glasgow to the New Brunswick border, and recent improvements in that province, have combined to create a much more efficient transportation corridor. This route is an essential link for regional trade and tourism, and will help provide improved gateway linkages and mobility throughout Atlantic Canada. The Highway 104 Western Alignment Corporation played an important role in bringing this about.*

*As an economic corridor, this route connects Nova Scotia with the rest of Canada and to markets in the United States. It also carries North American traffic to Cape Breton, and via ferry, to Newfoundland.*

*And of course, safer, more efficient highways help tie our communities together.*

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