THE FINANCIAL YEAR IN REVIEW

This analysis supplements the Consolidated Financial Statements presented on the following pages and covers the operation of the St. Lawrence Seaway system only.

OVERVIEW

The Authority operated and managed the waterway from April 1, 1998 to September 30, 1998. Pursuant to the *Canada Marine Act*, the Minister of Transport entered into a long term Management, Operations and Maintenance Agreement with the St. Lawrence Seaway Management Corporation (SLSMC). As of October 1, 1998, the SLSMC became commercially responsible for the Canadian portion of the Seaway.

The Authority proceeded with the wind-up of its corporate business structures in the subsequent two months, and the Crown Corporation was dissolved on December 1st, 1998.

The navigation season of the Seaway is a period of approximately nine months commencing around the beginning of April each year and ending at the end of December. The revenue is therefore earned in the first nine months of the fiscal year (which begins on April 1) while most of the maintenance and asset renewal costs are incurred when the Seaway is closed (from January to March). As a result of the transfer of the Seaway to the Corporation on October 1st, 1998, the financial statements reflect six months of normal operating revenues and expenses. The winter works program comprising the asset renewal and most of the major maintenance costs are not part of the operations results. Consequently, the financial results for the six month period ended September 30, 1998 are not representative of a full year's operation of the Seaway.

The Authority, for the abbreviated eight-month fiscal year, reports a net income of $12.9 million, compared to a net loss of $3.8 million for the twelve-month fiscal year 1997/98.

The net income of $12.9 million is after absorbing special charges of $5.3 million for the final settlement of Workers' Compensation liabilities (further explained in note 13), $1.1 million for costs related to the commercialization of the Seaway and $0.4 million for the Departure Incentive Program.

RESULTS OF OPERATIONS

Revenues

The total revenues for the period amount to $58.4 million; this compares to $89.4 for the fiscal year 1997/98.

The revenues derived from tolls of $50.7 million are ahead of target by 16.6% for the six months of navigation and 15% higher than for the comparable period of 1997/98.

The revenues from leases and licences of $3.9 million are lower by $925,000 compared to the 1997/98 Budget for the period; this fluctuation is attributed to a contract with Ontario Hydro for the resources provided to operate a power generation station located in the Welland Canal area.

The investment income of $2.3 million for the period represents a 10% improvement over the operating budget and is identical to the results of 1997/98 for the same period.

Expenses

Operating expenses for the period of activities related to system operations, maintenance and engineering have reached a total of $24.8 million.

Salaries, wages and benefits, which account for 71.7% of the current year's expenses, have decreased by $800,000 compared to 1997/98 for the same reporting period.

THE FINANCIAL YEAR IN REVIEW

The maintenance program for the operational structures amounts to $4.2 million and represents 16.7% of total operations, maintenance and engineering expenses for the period; compared to a total of $2.5 million for the same reporting period in fiscal year 1997/98. The increase of $1.7 million in maintenance projects is mainly related to expenditures for the major maintenance program of Mercier Bridge in the Maisonneuve Region.

Administration expenses totalled $7.2 million in the period, an increase of $1.2 million compared to the fiscal year 1997/98. The salaries, wages and benefits of that group amount to $4.7 million for the period, the same level of expenses for the corresponding period in 1997/98. The increase in the other operating expenses relates to the implementation of new business software.

The amortization expense of $6.6 million for the period is consistent with the policy of the previous year, and compares with the total expense of $13.3 million for 1997/98.

LIQUIDITY AND CAPITAL RESOURCES

The Authority transferred all of its assets on October 1, 1998; therefore the Consolidated Statement of Changes in Financial Position presents the net effect of the transfers. The management's comments are related to the results for the six-month period, which ended on September 30, 1998.

Operating Activities

The cash flow from operations, before the Net Change in Non-Cash Working Capital items, amounted to $23.2 million for 1998/99 compared to $24.1 million for 1997/98. The reduction in cash generated is mainly the result of the commercialization costs incurred by the Authority during the period.

Investing Activities

The cash outlay to acquire capital assets amounts to $3.5 million in 1998/99, compared to $1.8 million in 1997/98.

The Authority has also committed financial resources to replace its major operational and business systems in order to address the "Year 2000" issue which exists in our computerized applications. Two large projects were underway during the fiscal year 1998/99. The first one addresses the traffic management of ships in the Seaway and is being developed in cooperation with the Saint Lawrence Seaway Development Corporation in order to share a unique database of vessel transit information. The second one is the replacement of the Authority's business applications systems by a fully integrated software system, which will regroup the accounting, human resources, procurement and maintenance applications in a common database.

Long-term Investments

The Authority finished the six-month period of 1998/99 with $43.7 million in funds set aside for future operating and capital expenditure requirements.

This sum, and the Cash and short-term investments were distributed in accordance with the directive from the Minister of Transport, as described in more detail in Note 3.

FIVE-YEAR FINANCIAL SUMMARY

(in thousands of dollars)

	1998	1997/98	1996/97	1995/96	1994/95
THE ST. LAWRENCE SEAWAY					
Tolls	**$ 50,675**	$ 74,058	$ 75,318	$ 71,358	$ 76,026
Leases and licences	**3,862**	9,193	6,364	5,000	5,596
Investment income	**2,325**	5,002	5,462	5,599	3,720
Others	**993**	1,308	1,681	1,774	2,325
	57,855	89,561	88,825	83,731	87,667
Operating expenses	**32,091**	72,212	67,305	67,636	59,480
Amortization	**6,627**	13,309	12,774	12,925	14,571
Income (loss) from operations	**19,137**	4,040	8,746	3,170	13,616
Departure Incentive Program	**(362)**	(4,881)	-	-	-
Commercialization costs	**(1,076)**	(1,115)	(533)	-	-
Abandonment of railway bridges	-	(492)	(6,719)	-	-
Settlement of a WCB Liabilities	**(5,272)**	-	-	-	-
Final settlement of claim	**567**	-	-	-	2,750
Income (loss) before large corporations tax	**12,994**	(2,448)	1,494	3,170	16,366
Large corporations tax	-	1,250	1,256	1,261	875
Net income (loss) for the year*	**$12,994**	($ 3,698)	$ 238	$ 1,909	$ 15,491

*The above summary does not include the proportionate consolidation of the SIBC joint venture.

THOUSAND ISLANDS BRIDGE					
Revenue	**$ 1,940**	$ 2,819	$ 2,674	$ 2,466	$ 2,186
Expenses	**333**	862	552	615	978
Income from operations	**1,607**	1,957	2,122	1,851	1,208
Investment income	**167**	391	628	900	750
Net income before large corporations tax	**1,774**	2,348	2,750	2,751	1,958
Large corporations tax	-	52	53	43	37
Net income	**$ 1,774**	$ 2,296	$ 2,697	$ 2,708	$ 1,921

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of The St. Lawrence Seaway Authority and all information in this Annual Report are the responsibility of management.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgements. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the consolidated financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Authority maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of internal control is supplemented by an internal audit which conducts periodic reviews of different aspects of the Authority's operations. In addition, our external auditors have full and free access to the members of the Authority, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the consolidated financial statements and for issuing his report thereon.

Carol Lemelin
Comptroller and Treasurer

Michel Fournier
President & CEO

Cornwall, Ontario

December 17, 1998

AUDITOR GENERAL OF CANADA **VÉRIFICATEUR GÉNÉRAL DU CANADA**

To the Minister of Transport

I have audited the final consolidated balance sheet of The St. Lawrence Seaway Authority as at November 30, 1998 and the consolidated statements of operations, deficit and changes in financial position for the final eight month period then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these final consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at November 30, 1998 and the results of its operations and the changes in its financial position for the eight month period then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the final consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, The *St. Lawrence Seaway Authority Act* and regulations, the by-laws of the Authority, the *Canada Marine Act*, and the Minister's directive issued pursuant to the *Canada Marine Act*.

Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
December 17, 1998

FINAL CONSOLIDATED BALANCE SHEET AT
(in thousands of dollars)

	November 30 **1998**	March 31 1998
ASSETS		
Current		
Cash and short-term investments *(Note 4)*	**$ -**	$ 30,383
Accounts receivable *(Note 5)*	-	5,686
Accrued interest receivable	-	1,567
Supplies inventory	-	2,547
	-	40,183
Long-term		
Investments *(Note 4)*	-	57,444
Mortgages receivable *(Note 6)*	-	1,036
Advance to a co-venturer *(Note 7)*	-	474
Investments in non-consolidated wholly-owned subsidiaries *(Note 8)*	-	2
Capital assets *(Note 9)*	-	514,751
	$ -	$ 613,890
LIABILITIES		
Current		
Accounts payable and accrued liabilities *(Note 5)*	**$ -**	$ 18,175
Provision for the Departure Incentive Program *(Note 10)*	**$ -**	3,951
Accrued employee termination benefits	-	2,747
Provision and accrued charges for abandonment of railway bridges	-	627
Large corporations tax payable	-	36
		25,536
Long-term		
Accrued employee termination benefits	-	11,596
	-	37,132
Commitments and contingencies *(Notes 14 and 15)*		
EQUITY OF CANADA		
Contributed capital	-	624,950
Deficit	-	(48,192)
		576,758
	$ -	$613,890

Asset Distribution *(Note 3)*

Approved:

Michel Fournier
President and CEO

Carol Lemelin
Comptroller and Treasurer

(See accompanying notes to the consolidated financial statements.)

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands of dollars)

	for the final 8-month period ended November 30				*for the year ended March 31*
	1998				1998
	Seaway	**Seaway International Bridge**	**Thousand Islands Bridge**	**Total**	Total
REVENUES					
Tolls	$ 50,675	$ 1,003	$ -	**$ 51,678**	$ 75,359
Leases and licenses	3,862	60	844	**4,766**	10,433
Investment income	2,293	27	167	**2,487**	5,372
Others	1,560	3	1,096	**2,659**	2,877
	58,390	1,093	2,107	**61,590**	94,041
EXPENSES					
Operations, maintenance and engineering	24,853	625	-	**25,478**	59,483
Administration	7,238	162	42	**7,442**	14,318
Amortization	6,627	102	291	**7,020**	13,852
	38,718	889	333	**39,940**	87,653
Income from operations	19,672	204	1,774	**21,650**	6,388
Workers' Compensation *(Note 13)*	(5,272)	-	-	**(5,272)**	-
Commercialization costs *(Note 11)*	(1,076)	-	-	**(1,076)**	(1,115)
Departure Incentive Program *(Note 10)*	(362)	-	-	**(362)**	(4,881)
Abandonment of railway bridges	-	-	-	**-**	(492)
Income (loss) before taxes	12,962	204	1,774	**14,940**	(100)
Taxes *(Note 12)*	-	-	-	**-**	1,302
NET INCOME (LOSS) FOR THE PERIOD	$12,962	$ 204	$ 1,774	**$ 14,940**	$ (1,402)

CONSOLIDATED STATEMENT OF DEFICIT
(in thousands of dollars)

	for the final 8-month period ended November 30				*for the year ended March 31*
	1998				1998
	Seaway	**Seaway International Bridge**	**Thousand Islands Bridge**	**Total**	Total
Retained earnings (deficit), beginning of period	$ (74,632)	$ -	$ 26,440	**$ (48,192)**	$ (46,790)
Net income (loss) for the period	12,962	204	1,774	**14,940**	(1,402)
Distribution of Joint Venture net income	204	(204)	-	**-**	-
	$ (61,466)	$ -	$ 28,214	**(33,252)**	(48,192)
Asset distribution *(Note 3)*				**33,252**	-
Retained earnings (deficit), end of the period				**$ -**	$ (48,192)

(See accompanying notes to the consolidated financial statements.)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of dollars)

	for the final 8-month period ended November 30	*for the year ended March 31*
	1998	1998
	Total	Total
OPERATING ACTIVITIES		
Cash provided from operations		
Net income (loss) for the period	**$ 14,940**	$ (1,402)
Items not requiring cash		
Amortization	**7,020**	13,852
Gain on disposal of capital assets	**(215)**	(15)
Net change in employee termination benefits	**(14,343)**	(38)
Net change in working capital components other than cash and short-term investments	**(12,989)**	4,348
Cash (used) provided by operating activities	**(5,587)**	16,745
INVESTING ACTIVITIES		
Decrease in investments	**57,444**	2,137
Decrease in mortgage receivables	**1,036**	19
Decrease in advance to a co-venturer	**474**	93
Decrease in investments in non-consolidated wholly-owned subsidiaries	**2**	-
Net change in capital assets	**507,946**	(24,867)
Asset distribution (Note 3)	**(591,698)**	-
Cash used in investing activities	**(24,796)**	(22,618)
Decrease in cash and short-term investments	**(30,383)**	(5,873)
Cash and short-term investments at beginning of period	**30,383**	36,256
Cash and short-term investments at end of period	**$ -**	$ 30,383

(See accompanying notes to the consolidated financial statements.)

1. AUTHORITY AND OBJECTIVES OF THE AUTHORITY

The St. Lawrence Seaway Authority (the Authority) was established in 1954 under the *St. Lawrence Seaway Authority Act* and was classified as a parent Crown corporation under Schedule III Part I of the *Financial Administration Act*.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

On June 11, 1998, the *Canada Marine Act* received royal assent. This Act provides for the commercialization of the operations of the Authority.

Prior to the commercialization, the Authority's operations included the management of the Seaway, the Melocheville Tunnel, the Mercier Bridge, the Thousand Islands Bridge and its interest in the joint venture - The Seaway International Bridge Corporation, Ltd. In addition, the Authority owned two subsidiaries: The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and Great Lakes Pilotage Authority (GLPA).

As part of the commercialization initiative, the Authority established on September 2, 1998 The Federal Bridge Corporation Limited, a subsidiary of the Authority. In accordance with the *Canada Marine Act*, The Federal Bridge Corporation Limited became a parent Crown corporation on December 1, 1998, the date of dissolution of the Authority.

Also, pursuant to the *Canada Marine Act*, Great Lakes Pilotage Authority became a parent Crown corporation under the *Pilotage Act* on October 1, 1998.

In accordance with the directive issued by the Minister of Transport under the *Canada Marine Act*, the Authority transferred its assets on October 1, 1998. Specifically, The Jacques Cartier and Champlain Bridges Incorporated, The Seaway International Bridge Corporation, Ltd, and the operations of the Thousand Islands Bridge were transferred to The Federal Bridge Corporation Limited. The Melocheville Tunnel and Mercier Bridge were transferred to The Jacques Cartier and Champlain Bridges Incorporated. The assets related to the operations of the Seaway were transferred in part to the Department of Transport and in part to The St. Lawrence Seaway Management Corporation (SLSMC), a not-for-profit organization charged with the management of the Seaway following the commercialization.

Note 3 to the financial statements describes the transfer of these assets. Since all assets were transferred, the notes relating to balance sheet items deal with the March 31, 1998 amounts. Furthermore, when comparing revenues and expenses for the eight-month period ended November 30, 1998 with the year ended March 31, 1998, it should be recognized that the Authority was dissolved on December 1, 1998, that significant maintenance expenses are normally incurred during the winter months and that most revenues are earned before winter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A summary of significant accounting policies follows:

(a) Basis of Consolidation

The consolidated financial statements include the results of The St. Lawrence Seaway Authority and the Authority's proportionate share (50%) of its interest in the accounts of its joint venture, The Seaway International Bridge Corporation, Ltd.

The Authority's investments in two other wholly-owned subsidiaries for purposes of the *Financial Administration Act*, The Jacques Cartier and Champlain Bridges Incorporated and Great Lakes Pilotage Authority, are recorded at cost because the Authority does not have the right and ability to obtain benefits from their resources and the Authority is not exposed to their related risks.

(b) Basis of Presentation of Operations

In these consolidated financial statements, the maritime operations of the Seaway System, those of the Seaway International Bridge as well as those of the Thousand Islands Bridge have been presented separately in order to preserve their distinct results.

Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as capital assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

(c) Short-term Investments

Short-term investments are recorded at cost.

(d) Supplies Inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway and are recorded at the average cost.

(e) Capital Assets

Capital assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred. The cost of assets sold, retired, or abandoned, and the related accumulated amortization are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets and the following rates:

SEAWAY	
Channels and canals, locks and remedial works	1%
Bridges and tunnels	2 – 4%
Buildings	2%
Equipment	2 – 20%
SEAWAY INTERNATIONAL BRIDGE	
Remedial works/Deferred major repairs	4.8 – 10%
Buildings	5 – 10%
Equipment	5 – 20%
THOUSAND ISLANDS BRIDGE	
Improvements	2 – 10%

(f) Employee Termination Benefits

Employees of the Authority are entitled to specified benefits as provided for under labour contracts and conditions of employment. These benefits include accumulated sick leave and furlough leave which are payable upon termination. Usually, the termination benefits correspond to the higher of a week's salary (two weeks for the first year of service) for each year of service up to a maximum of 28 weeks or 75% of the balance of the employee's accumulated sick leave days. Employees are allowed 15 days of sick leave per year. The liability at year-end for these benefits is recorded in the accounts as the benefits accrue to employees.

(g) Pension Plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current year. Contributions with respect to past service are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(h) Retired Employee Benefits

The Authority provides a life and major medical insurance plan to its retired employees. Contributions to the plan are required from participating retired employees. The Authority pays for the excess of the cost of the plan over the participants' contributions and this excess is recorded in the accounts in the year it is incurred.

3 . CONTRIBUTED CAPITAL AND ASSET DISTRIBUTION

As indicated in Note 1, the Authority was dissolved on December 1, 1998 and the distribution of its assets was made in accordance with the directive from the Minister of Transport. The following table describes the distribution made by the Authority. The transfer to Transport Canada includes the capital stock of The Federal Bridge Corporation Limited that arose from the dissolution of the Authority on December 1, 1998. As a result of the net transfer of assets of $591,698,100, the November 30, 1998 balances of contributed capital ($624,950,000) and deficit ($33,251,900) were reduced to nil amounts.

CONTRIBUTED CAPITAL AND ASSET DISTRIBUTION

(in thousands of dollars)	FBCL	JCCBI	SLSMC	Transport Canada	Total transfers
ASSETS:					
Cash and short-term investments	$ 699	$ -	$ 3,057	$ -	$ 3,756
Accounts receivable	52		21,483	640	22,175
Accrued interest receivable	59		931		990
Supplies inventory			2,247	268	2,515
Investments	7,000		39,694		46,694
Promissory note receivable				36,000	36,000
Mortgage receivable				1,231	1,231
Advance to a co-venturer	441				441
Investments in non-consolidated wholly-owned subsidiaries	0.1				0.1
Capital assets	23,409	4,437	13,450	470,126	511,422
LIABILITIES:					
Accounts payable and accrued liabilities	(24)		(17,434)	(18)	(17,476)
Provision for the Departure Incentive Program			(2,397)		(2,397)
Accrued employee termination benefits			(13,491)		(13,491)
Provision and accrued charges for abandonment of railway bridges			(162)		(162)
NET TRANSFER	$ 31,636.1	$ 4,437	$ 47,378	$ 508,247	$ 591,698.1

4. INVESTMENTS

The Authority invests in short-term deposits, Government of Canada Treasury bills, Government of Canada bonds, Canadian chartered banks investment certificates and has two deposits with the Consolidated Revenue Fund of the Government of Canada. The carrying value of these investments approximates their fair value. At March 31, 1998, a portion of these investments, totalling $29.5 million, were maturing within a year and carried interest at rates varying from 3.9% to 4.6% and were presented with the cash at year-end. The Authority had set aside the remainder of its short and long-term investments in order to provide for the future:

	November 30, 1998	March 31, 1998
	(in thousands of dollars)	
Operating requirements :		
• Government of Canada Treasury bills maturing within one year with various interest rates between 4.9%and 5.1%	**$** -	$ 8,861
• Government of Canada bonds, 7.5% interest, maturing in 2001 and 2002	-	14,083
• Investment certificates with various maturity dates between 1 and 4 years and with interest rates varying between 4.7% and 9.7%	-	23,000
	-	45,944
Employee termination benefits:		
• Deposits with Consolidated Revenue Fund with interest rates of 8.12% and 8.34% and maturing in 1998 and 2000.	-	11,500
	$ -	$ 57,444

5. ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

These accounts are incurred in the normal course of business. They are usually receivable or payable within a month and are non-interest bearing. At March 31, 1998 the carrying amount of each approximated fair value.

6. MORTGAGES RECEIVABLE

The Authority has entered into long-term mortgages for the sale of parcels of land. The mortgages are issued for a 3-year term, carry interest at rates varying from 8% to 9.5%, are amortized over a maximum period of 22 years and are recoverable in monthly installments. At March 31, 1998, their carrying value approximated fair value.

7. ADVANCE TO A CO-VENTURER

This account represents the excess of the Authority's investment in its joint venture, The Seaway International Bridge Corporation, Ltd, over its required contribution as per the contractual agreement. The advance carries interest at the average one-year Treasury bill rate and has no repayment terms. At March 31, 1998, its carrying value approximated fair value.

8. INVESTMENTS IN NON-CONSOLIDATED WHOLLY-OWNED SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

Investments consist of the following:

	No. of shares	Cost
Great Lakes Pilotage Authority (GLPA)	15	$ 1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	1	100
		$ 1,600

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

The Authority provided certain engineering and administrative services to JCCBI for which it charged $152,192 (March 31,1998 - $364,019). Charges are on a full cost recovery basis. At November 30, 1998, there was no amount receivable from JCCBI (March 31, 1998 - $81,291 and is included in the accounts receivable).

The Canadian Coast Guard introduced new navigational services fees based on the Authority's vessel fleet. The fees paid for this service during the period amounted to $58,250 (March 31, 1998 - $220,061).

10. DEPARTURE INCENTIVE PROGRAM

During the current period, the Authority has recorded $362,000 (March 31, 1998 - $4,881,000) in the accounts for its Departure Incentive Program.

11. COMMERCIALIZATION COSTS

The Authority participated fully in the negotiations with Transport Canada and the Users Group for the commercialization of the St. Lawrence Seaway System. The commercialization costs also include the cost of studies for the setting up of the not-for-profit public/private partnership and for the establishment of the new employees' pension plan.

9. CAPITAL ASSETS

	November 30, 1998	March 31, 1998		
	Net	Cost	Accumulated amortization (in thousands of dollars)	Net
SEAWAY				
Land	$ -	$ 28,131	$ -	$ 28,131
Channels and canals	-	280,498	112,463	168,035
Locks	-	235,869	97,665	138,204
Bridges and tunnels	-	125,152	67,667	57,485
Buildings	-	15,826	9,333	6,493
Equipment	-	32,370	24,757	7,613
Remedial works	-	121,019	35,028	85,991
Work under construction	-	2,020	-	2,020
	-	840,885	346,913	493,972
SEAWAY INTERNATIONAL BRIDGE				
Equipment	-	547	426	121
Buildings	-	34	11	23
Remedial works/Deferred major repairs	-	992	391	601
	-	1,573	828	745
THOUSAND ISLANDS BRIDGE				
Improvements	-	22,054	2,020	20,034
Total	$ -	$ 864,512	$ 349,761	$ 514,751

12. TAXES

a) Large Corporation Tax

The Authority, as a prescribed Federal Crown corporation, was subject to the provisions of the *Income Tax Act*. Taxes include income tax (38% of income) and the large corporations tax. The Authority is not subject to any provincial income taxes. Taxes for the period are summarized as:

	November 30, 1998	March 31, 1998
	(in thousands of dollars)	
Income tax	**$ -**	$ -
Large corporations tax	**-**	1,302
Total taxes	**$ -**	$ 1,302

b) Tax consequences related to the transfer of assets

As described in Note 1, in accordance with the directive issued by the Minister of Transport under the *Canada Marine Act*, the Authority transferred its assets on October 1, 1998. Under the *Income Tax Act*, the Authority is deemed to have received at the time of these transfers proceeds of disposition equal to the fair market value of the transferred assets given that the transfers were made in all cases to a person with whom the Authority is not dealing at arm's length. As a result of these transfers it is possible that an income tax liability could arise, however, such a liability has not yet been established. Should such a liability arise, it would be the responsibility of Her Majesty by virtue of subsection 96(1) of the *Canada Marine Act*, which stipulates: "The Authority is dissolved on the date fixed by the Governor in Council and all its assets and obligations devolve to Her Majesty in right of Canada under the administration of the Minister". The Authority was dissolved on December 1, 1998.

Accordingly, no tax liability has been recorded by the Authority as a consequence of these transfers.

13. WORKERS' COMPENSATION

The Authority is subject to the *Government Employees Compensation Act* and hence is not mandatorily covered under the Ontario and Quebec Workers' Compensation Acts. The arrangements with each provincial board are by contract through Human Resources Development Canada. The general arrangements involve central claim reporting through Labour Canada. In the context of the commercialization of the Authority, Human Resources Development Canada has requested the Authority to settle its obligations in respect of future payments on existing claims as of September 30, 1998. The estimated present value of future short-term compensation, rehabilitation benefits, long-term disability and survivor pension payments, health care expenses and retirement income benefits on accounts of accidents that occurred prior to September 30, 1998 amounts to $5,272,000. The full amount of the settlement was recorded in the current period.

14. COMMITMENTS

The Authority enters into commitments with third parties in the normal course of business. Agreements negotiated pursuant to the commercialization and the directive issued by the Minister of Transport under the *Canada Marine Act* required that, as at October 1, 1998, all commitments be transferred either to subsidiaries of the Authority, The St. Lawrence Seaway Management Corporation or Transport Canada.

15. CONTINGENCIES

The Authority is involved in various lawsuits in the normal course of business. In some cases, the Authority is the defendant, whereas in other cases it is the claimant. Agreements negotiated pursuant to the commercialization made provision for the transfer as at October 1, 1998 of all contingencies to either The St. Lawrence Seaway Management Corporation or Transport Canada.

THE ST. LAWRENCE SEAWAY AUTHORITY

MANAGEMENT

Michel Fournier
President and CEO

Clément Côté
Vice President

EXECUTIVE OFFICERS

Richard J. Corfe
Vice President, Engineering Services

Michel Drolet
Vice President, Maisonneuve Region

André A. Landry
Director, Planning and Business Development

André Latour
Vice President, Human Resources

Carol Lemelin
Comptroller and Treasurer

Sylvie Moncion
Director, Communications

Camille G. Trépanier
Vice President, Niagara Region

Nicole Voyer
Acting Corporate Secretary

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Information is also available on our web site:
http://www.seaway.ca

GOVERNANCE

The St. Lawrence Seaway Authority is a Crown Corporation created in 1954 under the Act to establish The St. Lawrence Seaway Authority, R.S.C. 1985, c. S-2. The corporation consists of a President and Chief Executive Officer and two members appointed by the Governor in Council. Its activities are governed by the Act, and by bylaws it makes to manage its affairs.

This annual report covers the operations of The St. Lawrence Seaway Authority and the Thousand Islands Bridge and may be obtained from:

202 Pitt Street
Cornwall, Ontario K6J 3P7

Separate reports are available for The Seaway International Bridge Corporation, Ltd. and The Jacques Cartier and Champlain Bridges Incorporated.