

Table of Contents

3	The St. Lawrence Seaway— Under New Management
7	President’s Message
10	Strategic Plan
12	Operational Report
17	Governance
21	Review Engagement Report
22	Combined Statement of Operating Results
23	Financial Summary and Notes

The St. Lawrence Seaway Under New Management

On October 1, 1998, after 40 years of government operation, private enterprise became responsible for the day-to-day management of the St. Lawrence Seaway. Under an agreement with the federal government that will remain in force until March 31, 2018, The St. Lawrence Seaway Management Corporation (SLSMC), a not-for-profit corporation established by Seaway users and other interested parties, now operates the Canadian portion of the Seaway.

What Has Changed?

The accent, as always, is on good customer service, safety and reliability, but some things have changed at the Seaway.

The non-navigational assets formerly under the jurisdiction of The St. Lawrence Seaway Authority have been transferred to The Jacques Cartier and Champlain Bridge Incorporated and The Federal Bridge Corporation Limited, except for the Saint-Louis de Gonzague Bridge, Valleyfield Bridge and Townline Tunnel, which are government-retained assets managed by the SLSMC on behalf of Transport Canada, as are all leases and licenses.

Because the lands and fixed assets on the Seaway system remain the property of the Government of Canada, we speak of the commercialization of the St. Lawrence Seaway and not its privatization. In effect, our agreement with Transport Canada puts the cost risks squarely on the SLSMC and leaves the revenue risks with the Government.

To streamline operations, our Ottawa Head Office was closed on September 30, 1998. The Head Office has been merged with the old Corporate Services Section and is now located in Cornwall, Ontario.

The St. Lawrence Seaway Management Corporation

The goal of the Corporation is to keep making the Seaway an ever safer, more cost-efficient, and reliable mode of transportation. We aim to keep operating costs to a minimum, while maintaining the high standards of service and safety to which our customers are accustomed and we believe our user-controlled structure will help us do this. The Board reflects all the diversity of the Seaway

mosaic. Its members represent ocean and Great Lakes shipping, the grain industry, the iron ore and steel industries, the provincial and federal governments, and other Great Lakes interests. In one way or another, they all have a personal stake in the ongoing success of the Seaway. An additional benefit of user control is that policies and operating decisions are vetted by those most familiar with customer needs. User involvement gives the Seaway an edge in strategic planning and customer-friendly management.

The St. Lawrence Seaway Management Corporation

Mission Statement

*We pass ships through a
safe and reliable waterway system
in a cost-effective, efficient
and environmentally-friendly manner
to meet our customers' transportation needs.*

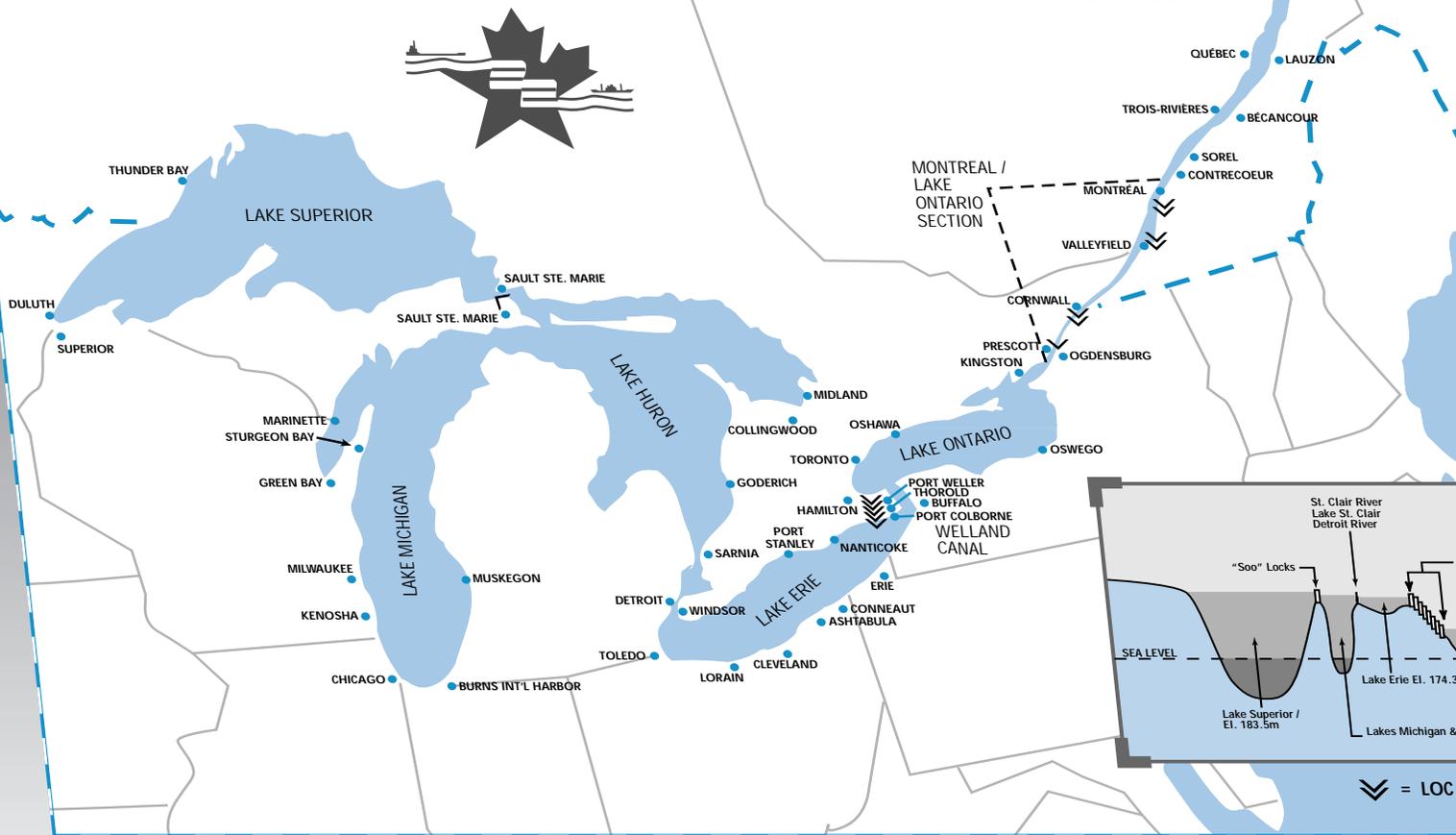
The St. Lawrence Seaway

The Great Lakes/St. Lawrence Seaway System is a unique 3,700-kilometre inland waterway spanning two countries—a key transportation route from the Atlantic Ocean to Lake Superior, serving the industrial heartland of North America.

The St. Lawrence Seaway proper extends from Montreal to Lake Erie and includes the Montreal/Lake Ontario Section and the Welland Canal. There are 15 locks between Montreal and Lake Erie, of which 13 are Canadian and two are American: seven between Montreal and Lake Ontario, including two in the United States, and eight in the Welland Canal that links Lake Ontario to Lake Erie.

The Seaway is a vital component of North America's transportation infrastructure, well connected to the road and rail network. More than 40 provincial and interstate highways and nearly 30 rail lines link Great Lakes ports with the rest of the continent; it is the shortest route to the heart of North America for shippers from European markets. Marine transportation through the Seaway is the most environmentally-friendly of all modes of

The Great Lakes/ St. Lawrence Seaway System



transportation; rail traffic emits three times more pollutants, and trucking is responsible for emissions 13 times higher than marine traffic. Marine traffic is also more energy-efficient than rail, highway or air transportation.

Port costs on the system are lower than those of competing ocean ports, and in constant 1998 dollars, shippers pay less today for Seaway tolls than they did in the year the Seaway opened. In 1959, the Seaway charged shippers on average \$1.50 per tonne. In 1999, the average cost is \$1.39—a remarkable achievement after 40 years of rising prices in every other sector of the economy. As for the Seaway's safety record, it is demonstrably second to none.

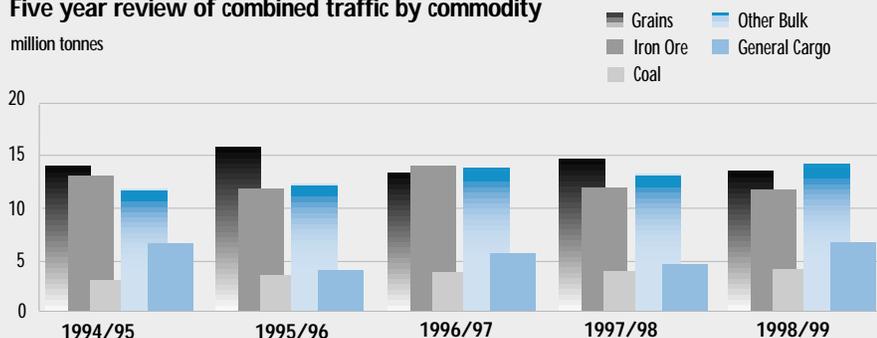
Seaway economic activity currently translates into more than 17,000 jobs in transportation and in services to the Seaway and shipping lines. In Canada and the U.S., whole industries have grown up around the Seaway, and manufacturers, shipbuilders, shipowners and operators, as well as port communities, are dependent on a healthy Seaway for their livelihoods. Every 10,000 tonnes of general cargo handled by a Great Lakes port brings more than half a million dollars in economic benefits to the local community.

In its 40 years of operation, more than 2.2 billion tonnes of cargo, worth approximately \$407 billion, have passed safely through the Seaway, carried by more than 258,000 vessels.

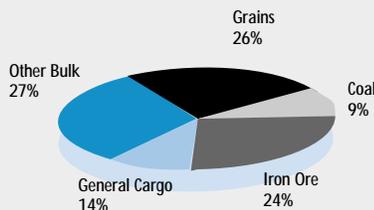


Five year review of combined traffic by commodity

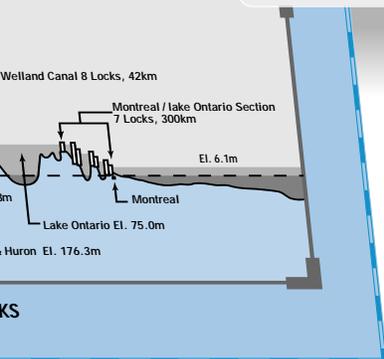
million tonnes



Combined traffic by commodity 1998/99



Note: Grain includes wheat, barley, corn, etc.; Other Bulk includes stone, salt, petroleum, etc.; General Cargo includes steel, slabs, etc.

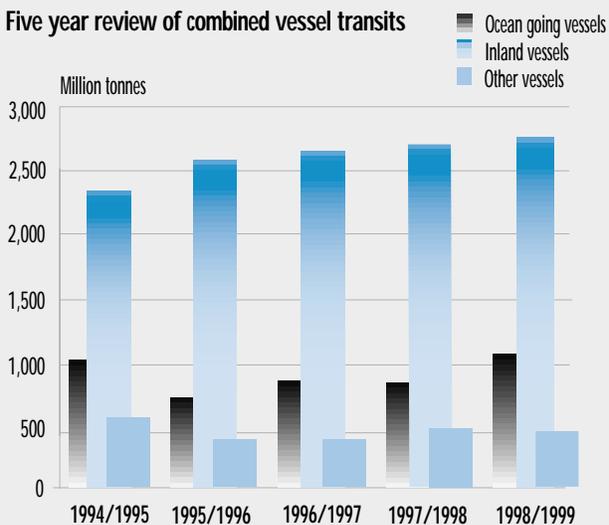


1998 Combined Traffic Highlights

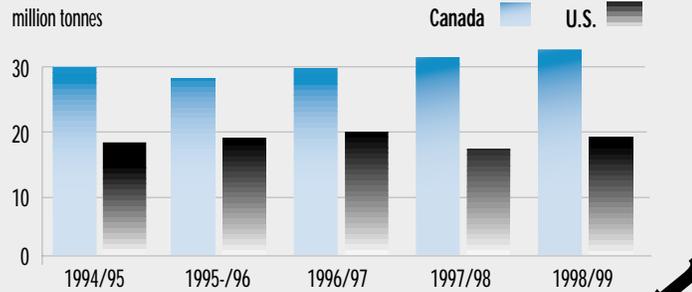
- 4,366 vessel transits (1,438 of which were ocean-going vessels), up 7.5% over 1997
- 64 vessels new to the system
- increase of more than 37% in shipments of general cargo, mostly steel slabs and steel products from Europe
- total cargo 51.1 million tonnes, valued at \$7.5 billion
- highest toll revenue in Seaway history—over \$79 million

Five year review of combined vessel transits

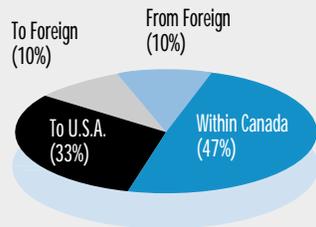
Million tonnes



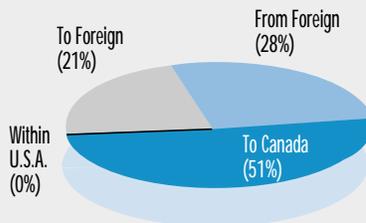
Total combined traffic to/from Canada and the U.S.A.



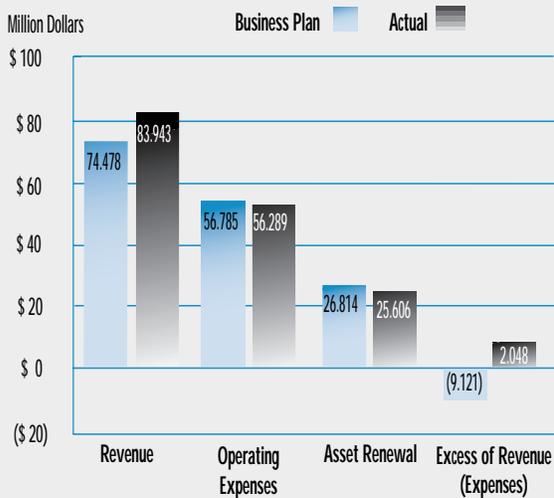
Traffic to/from Canada 1998/99



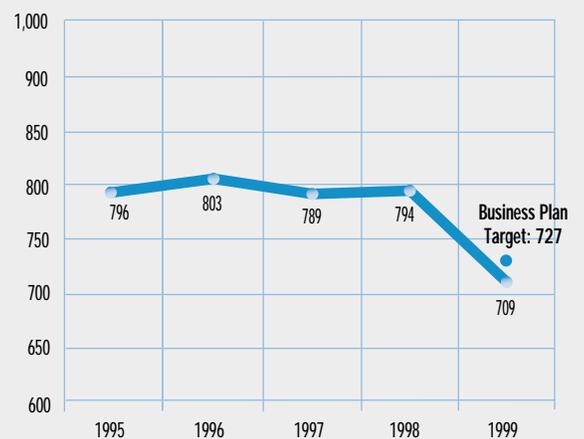
Traffic to/from U.S.A. 1998/99



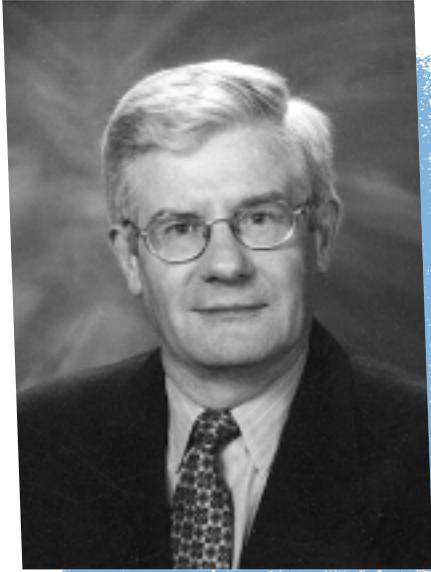
Combined statement of operating results



St. Lawrence Seaway Employees (full time equivalence)



President's Message



My objective in this first annual report of the new St. Lawrence Seaway Management Corporation is to provide an overview of the Corporation's position after six months of operation: our new management structure and other changes that have taken place, our competitive environment, what we have achieved in the last few months, and where we intend to go in the future.

The Corporation's responsibilities in managing the Seaway are defined in our agreement with the federal government. One of the cornerstones of this agreement is a five-year business planning cycle. Our first plan is now in effect and sets specific targets for operating and asset renewal costs, as well as anticipated revenues for the next five years.

I am pleased to say that in this first reporting cycle, the Corporation has not only met but exceeded our business plan requirements. Last year's navigation season was one of the best for the St. Lawrence Seaway, in terms of both traffic and revenue. Cargo transiting through the system was valued at more than \$7.5 billion, and our toll revenue was the highest in Seaway history, reaching almost \$80 million. Our Corporation's Reserve Account,

which started with a zero balance at the time of the agreement, now amounts to \$2 million.

This achievement will reward both the Corporation and Seaway users in years to come. Seaway tolls increased by 2% in 1998 and again by 2% in 1999. A 2% annual toll increase with no discounts/reductions was negotiated as part of the commercialization agreement for the years 1998, 1999 and 2000, as stable and predictable increases make planning more effective for both our customers and the Corporation. However, the agreement obliges the Seaway to increase tolls beyond the 2% if it cannot achieve the targets set out in the business plan. Because the successful 1998 season allowed us to meet and exceed those targets, the 2000 toll increase will remain at 2%. In Years 4 and 5 of the plan, toll discounts/reductions of up to 1.5% per year will be allowed if we can continue to meet the business plan requirements.

Our success in meeting business plan targets in the past year suggests that, so far, our management strategies are effective. Our first challenge as a Corporation was to ensure a seamless transition from a purely public to a private/public organization. With that goal in mind, we have, for the most part, followed the course set by Seaway management in recent years. We are continuing to streamline operations, and we are planning further technological innovation for more efficiency and service improvement.

On November 1, 1998, the Corporation successfully implemented the new information technology management system (called SAP) that integrates all the Seaway's business functions into one database. This new computer system will, in time, help improve our service to customers.

We also launched our new Traffic Management System at the beginning of the 1999 navigation season. This is now a single-desk service that eliminates duplication and provides more information

and increased accessibility, both to the agencies and to Seaway users.

Our organization is adapting well to change and will soon be in a better position to face ever-increasing competition.

Competitive Position and Outlook

Despite periodic fluctuations, the Great Lakes/St. Lawrence Seaway System remains a major economic force in North America's heartland. The \$7.5 billion in goods that passed through the system represented 51.1 million tonnes of combined cargo, mostly grain, iron ore, coal, other bulk and steel. There were 4,366 vessel transits in 1998, including 64 vessels new to the system. The number of ocean vessel transits grew by 28% over 1997.

The success of the 1998 navigation season can be attributed to a substantial increase (more than 37%) in shipments of general cargo, which includes steel slabs and steel products, mostly from Europe, and to steady movements of iron ore, coal and other bulk cargo.

Given some timely rainfall, we can also be cautiously optimistic about the 1999 season. Both the American and Canadian economies are moving briskly upward, and we anticipate cargo volumes that, although somewhat less than in 1998, will nevertheless keep up with the average of the last five years. We hope to see an increase in Canadian grain movements through the System.

That is not to say we have grounds for complacency. The reality is that our market share has been steadily eroding. The Great Lakes/St. Lawrence transportation arena has changed rapidly. Grain and oilseed shipments through the Seaway have declined, veering towards the Pacific and Mississippi routes. Rail has become aggressively competitive, with CN extending its reach southward to the Gulf of Mexico, encouraged by privati-

zation and deregulation that permit greater operating efficiency and competitive pricing. Free trade, a truly global marketplace, and technological progress have transformed the transportation business. It is an era of lean and mean competitors. If the Seaway is going to compete successfully, we have to provide the kind of service customers want, and do it efficiently, at low cost.

Towards a New Competitive Culture

Administratively, the Seaway has accomplished a great deal recently towards greater efficiency and better service to customers. We have a state-of-the-art traffic control system, we have implemented service teams, transit time standards and performance measurement, streamlined and integrated our information technology systems, and rationalized our maintenance planning. We have a committed and dedicated staff of employees, and the recently signed collective agreements give us a firm basis for co-operative effort in the coming two years.

The climate of change at the Seaway has been driven by increased competition from other modes of transportation and the need to reduce costs to meet business plan objectives. Commercialization at the Seaway was three years in the making, and that created a lot of anxiety among our employees. In the process, we learned that it is crucially important to maintain frequent and effective communication with all employees, especially in a time of uncertainty. We learned the value of developing and maintaining a partnership with our union.

Now we are introducing a new culture at the Seaway. Simply put, we want to move from a process-oriented organization to a results-oriented one. The change has already started, but we expect that it will continue for three or four more years.

Our new culture has a second aspect—that of co-operation and partnership, both internally, with our employees, and externally. We are doing, and will continue to do all we can to make the Seaway more competitive. But the St. Lawrence Seaway is not the sole cost; in fact, the Seaway is but a marginal cost in the Great Lakes/St. Lawrence transportation system. Its viability and that of the whole system is affected by national and international economic developments, industrial fluctuations, technology change, and also by the practices and policies of industry and many regulatory and service agencies.

Partnership has to be the name of the game; partnership not only with our official counterparts in the United States, but with government agencies in Canada and across the border, with both coast guard and pilotage organizations, partnership also with shippers and all those that use the Great Lakes/Seaway System. Together, we can meet the challenges of cost and competitiveness—separately, we can only nibble at the edges.

The 2% added to our tolls in 1998 and 1999 adds, for instance, a total of 2.7 cents to the average \$80 cost of transporting a tonne of grain through the system. To reduce the cost of using the Seaway, we have to look at the rest of that \$80 per tonne, and where it goes—to shipowners, railroads and terminal operators, to pilotage, Coast Guard and ice-breaking fees, and the rest of the government user fee complement—and then search for possible improvements. We need to take a closer look at the reasons for the decline in our market share. Our annual growth, like that of the railways, is in the 1% range, while the transportation sector in general has grown by 12–15% a year for the past five years.

To deal effectively with these complex issues, and keep the whole Great Lakes/St. Lawrence Seaway System competitive, we need to start looking at it

as one seamless system, where benefits to one mean benefits to all. This common view, and the joint planning process that should emerge from it, is something the Board of The St. Lawrence Seaway Management Corporation and I are firmly committed to, if the industry will adopt it. We think it is very important for all stakeholders in the Seaway System to get involved in setting some strategic objectives for the system as a whole.

Once we have identified a set of objectives we can all agree with, we can examine together the strengths and weaknesses of our waterway, the threats and opportunities that face us all, and then we can make plans to bring greater prosperity to the Great Lakes/St. Lawrence Seaway through joint ventures and individual initiatives that support our common goals.

Our waterway still holds significant advantages over other routes. The Seaway is and will remain a valuable transportation asset. And if we work together, with a little ingenuity and co-operation, we can make it still more attractive to shippers, making a reality of the SLSMC vision: *The St. Lawrence Seaway Management Corporation and its partners... the transportation system of choice.*

Guy Véronneau

Strategic Plan

A short while ago, the SLSMC began its first strategic planning cycle. We re-affirmed our mission and refreshed our vision. We identified the values that will most contribute to our success, and members of the Corporation are now working on action plans that will lead to achieving our strategic objectives.

Mission, Vision and Values

There is nothing complicated about our mission. We are here *To pass ships through a safe and reliable waterway system, in a cost-effective, efficient and environmentally-friendly manner, to meet our customers' transportation needs.*

Our vision statement expresses the result we want to achieve: the goal that drives corporate decision-making. All elements of the strategic plan will ultimately contribute to making this vision a reality: *The SLSMC and its partners... the transportation system of choice.*

Our value statement describes our corporate culture—the characteristics we value and try to bring out in our people and the way we work:

- results-driven
- customer-focused
- integrity and open communication
- continuous improvement
- wise spending
- committed employees

Strategic Objectives

Based on the mission, vision and values, we developed five strategic objectives, which now provide the framework for planning the administrative and operational activities of the Corporation.

Meet and exceed Business Plan expectations

- Includes plans for operational effectiveness analysis, revision of service teams, IT reorganization, ensuring budget accountability, a risk management process, and adapting the organization to a commercialized environment

Increase customer satisfaction

- Includes plans to extend ISO certification, improve transit time and networking with direct customers, customer surveys and a complaints management process

Increase infrastructure reliability

- Includes plans to increase project effectiveness and establish an effective maintenance program, as well as optimum use of the asset renewal fund

Increase competitiveness

- Includes plans related to partnerships, increased draft, marketing and promotion, and positioning to reduce tolls

Increase employee satisfaction

- Includes plans related to performance management, improved collaboration with employees and unions, enhanced communication, job evaluation and compensation programs, and health and safety

Action Plans

Tactical plans were formulated for each of the strategic objectives, identifying and prioritizing projects that would help the Corporation meet its objectives. Out of these grew action plans for the coming year.

Some projects are already underway, and reflect the growing emphasis on partnerships that is embedded in the Seaway's strategic plan and that continues a trend begun some years ago. We have set up committees to work with our American counterpart, the Saint Lawrence Seaway Development Corporation, and representatives of major Seaway users—the Shipping Federation, the Canadian Shipowners Association, the Pilotage Authority and others—to carry out four projects.

One Committee is working on ways to make optimum use of our technologically advanced traffic control system by implementing an automated identification process for all vessels using the Seaway. Another group is working to develop a self-inspection checklist for lakers—one more way to save time and effort, and reduce some of the regulatory costs associated with Seaway use.

Yet another group is working out how to increase the vessel draft the Seaway's canals can accommodate. The objective is to establish the maximum draft achievable and the cost of each increment. The current draft was in force for the first full season in 1994.

The last committee has taken on the challenge of reviewing our transit time standards, which have now been in place for two full seasons. We know how long vessels take to pass through the system, where the holdups are, and what causes them. The committee will work with shipowners and shipmasters to review the standards, decide if they need to be revised, and deal with some of the problems that cause transit delays, both in terms of Seaway operations and the responsibilities of those who own and operate the vessels.

A consultant has been hired to carry out an operational effectiveness analysis and provide advice on how best to meet our objectives regarding the business plan, and any re-engineering, reorganizing, additional training or management procedures that may be necessary to help us adapt fully to a commercialized way of operating.

Operational Report

The Welland Canal opened to navigation on March 24, 1998, and the Montreal /Lake Ontario (M.L.O.) section followed suit on March 26. On the M.L.O. section, high water flows delayed entry by tankers and vessels carrying hazardous cargo until March 28. A draft of 8 m. was in effect on the Welland Canal from opening day and on the M.L.O. section from March 31. Draft was reduced to 7.92 m. on the Welland Canal on December 5, due to low water in Lake Ontario; and on November 2 on the M.L.O. section, due to low water in Lake St. Louis.

The navigation season lasted 276 days on the Welland Canal and 274 days on the M.L.O. section. Traffic demand delayed closing until December 28 on the Welland Canal and December 27 on the M.L.O. section.

Seaway Traffic 1998

Strong steel imports generated by the Asian and Russian economic crises, strong U.S. grain movements linked to the steel imports, low availability of Canadian grain for export and good North American economic conditions were the major factors affecting Seaway traffic in 1998. Cargo movements on the M.L.O. section increased to 39.25 million tonnes, topping 1997 figures by 6.4% or 2.34 million tonnes. Traffic on the Welland Canal decreased by 0.6% to 40.65 million tonnes, for a net decrease of 0.26 million tonnes in cargo movements.

Lower Canadian grain traffic, a large decrease in iron ore shipments down the Welland Canal and coal shipments on the M.L.O. section almost offset the increases in steel imports, U.S. grain and other bulk shipments. In the end, the 1998 combined Seaway traffic reached 51.1 million tonnes, a 4.45% increase over the 1997 result of 48.95 million tonnes.

Grain

An ordinary Canadian crop and lack of Asian demand contributed to a decrease in Canadian grain traffic below the five-year average. Traffic decreased by 2.15 million tonnes or some 24% on

both sections, to 6.74 million tonnes on the M.L.O. section and 6.82 million tonnes on the Welland Canal.

American grain traffic, however, increased by 34.1% or 1.55 million tonnes on the M.L.O. section and by 32.2% or 1.52 million tonnes on the Welland Canal, with strong steel imports making more ocean vessels available in the Lakes.

With the drop in Canadian grain larger than the increase in U.S. grain shipments, total grain traffic decreased by 3.8% on the M.L.O. section and by 4.1% on the Welland Canal.

Iron Ore

Movements from Labrador mines to American facilities in the upper Great Lakes decreased slightly, while movements to Hamilton increased by more than a million tonnes. Stelco chose to ship from Labrador rather than Great Lakes mines and contributed to a decrease of 46.8% in downbound traffic on the Welland Canal, while increasing movements on the M.L.O. section. Traffic totalled 11.1 million tonnes on the M.L.O. section, for an increase of 9.7% or 0.98 million tonnes, and 6.5 million tonnes on the Welland Canal, for a decrease of 17.3% or 1.37 million tonnes.

Coal

Coal traffic remained close to the 1997 level. On the Welland Canal, more shipments to Ontario Hydro were offset by lower demand from steel industries in Hamilton and the Belledune (New Brunswick) facility. Traffic on the Welland Canal increased by 18,000 tonnes or 0.4% to 4.63 million tonnes. On the M.L.O. section, movements to New Brunswick facilities were lost to a South American source, resulting in a 343,000 tonne or 64.2% decrease to 191,000 tonnes.

Other Bulk

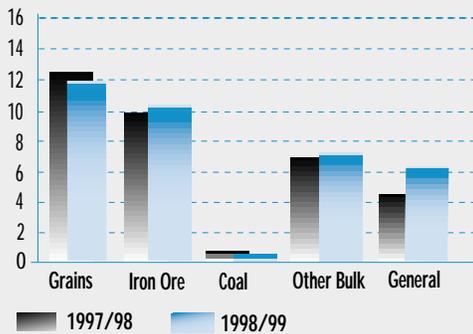
Good economic conditions in the U.S.A. and in Canada favoured movements of bulk materials. On the M.L.O. section, other bulk increased by 4% over 1997 to 7.95 million tonnes. Traffic

Montreal–Lake Ontario Section Highlights

- 3,158 vessel transits, up from 2,809 in 1997
- average traffic per day: 11.40 vessels
- increase of 6.4% in traffic over 1997, due to 9.7% increase in iron ore and 37% increase in general cargo movements
- total cargo 39.245 million tonnes, best tonnage in past five years

Montreal/Lake Ontario Section

million tonnes



reductions in some commodities (coke, salt, potash, ores and scrap steel) partially offset the increase in others (petroleum products, stone, cement and chemicals), generating a small overall traffic increase. On the Welland Canal, as in the M.L.O. section, other bulk movements increased by 242,000 tonnes or 2.3% to 10.86 million tonnes.

General cargo

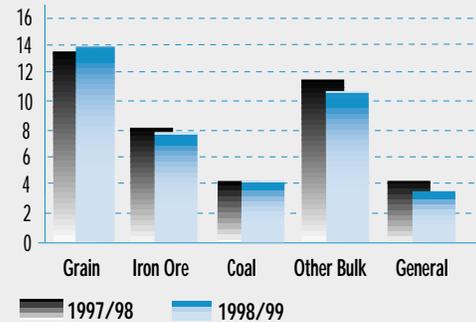
General cargo traffic registered a large increase of 37% or 1.9 million tonnes on the M.L.O. section and 34.3% or 1.4 million tonnes on the Welland Canal, for a total of 7 and 5.47 million tonnes respectively. The increase reflected growth in imports to both Canada and the United States, resulting from the economic crises in Asia and Russia. Upbound steel movements increased by

Welland Canal Highlights

- 3,427 vessel transits, up from 3,384 in 1997
- average traffic per day: 12.24 vessels
- decrease of 0.6% in overall traffic, but an increase of 34.3% in general cargo movements
- total cargo 40.645 million tonnes, down from 40.902 million tonnes in 1997

Welland Canal

million tonnes



48.4% on the M.L.O. section and 40.4% on the Welland Canal.

Outlook

Traffic volumes are expected to be slightly lower in 1999 than they were in 1998, due mainly to anticipated lower steel imports and reduced movements of iron ore and grain. Steel imports may continue to favour U.S. grain shipments through the Seaway by maintaining the availability of ocean vessels in the Great Lakes.

The high level of steel imports in 1998 resulted in quantities of warehoused steel, affecting North American steel production in 1999 and decreasing

iron ore traffic. Increased coal movements on the M.L.O. section, based on returning movements to New Brunswick power facilities, will be balanced by a slight reduction on the Welland Canal, due to lower steel production. Little change is expected in other bulk commodity traffic.

Quality Service Initiatives

Traffic Management System

The new Traffic Management System (TMS) became operational on March 31, 1999. Traffic Control Centres in St. Catharines, St. Lambert and Massena, New York, house new equipment that provides both text-based and graphic TMS tools. The system includes a continuous geographic display of the Seaway from Montreal to Long Point on Lake Erie, which required special design work to compensate for the curvature of the earth while still enabling accurate vessel location. Other layers of the graphic display show navigation aids, channel bottom type, ship inspection modules, reports and performance indicators.

Additional text-based displays and a planning and training module will be developed in-house during 1999. Because the new system graphics are geographically accurate in terms of latitude and longitude, they will eventually be able to incorporate an automatic identification system for all vessels on the Seaway. Research and testing on such a system is being carried out in 1999, in co-operation with the Saint Lawrence Seaway Development Corporation, for potential implementation in 2000.

Systems, Operations and Processes—SAP

SAP, the new information management system that integrates all the Corporation's business functions into one database, became operational in November. SAP fits every employee's tasks into the framework of a business process, defined to focus on improved customer service; standardizes structure, processes and systems; minimizes duplication; and promotes accountability. Initial training has been completed and a user support structure is

in place to help employees resolve problems in using SAP, improve processes by co-ordinating adjustment, and to carry out testing of new modules. SAP training is now focused on developing specific procedures related to various jobs within work units or teams.

Maintenance and Asset Management

All Seaway lands and premises were transferred to Her Majesty the Queen on October 1, 1998, and are now under the jurisdiction of the Minister of Transport. There are three categories of lands: category 1 lands are required for Seaway operations, category 2 is surplus lands and category 3 is held for future expansion.

Based on the Managed Asset Agreement signed September 30, 1998, the SLSMC is responsible for managing category 1 lands on behalf of Transport Canada. These lands may be leased up to the year 2018, or until the agreement expires. The Government-retained category 2 and 3 lands are managed by SLSMC under the direction of Transport Canada.

Our first five-year business plan requires spending \$128 million for Seaway maintenance. This amount is fixed and cannot be reduced to meet the goals set out in the business plan. A committee made up of two representatives from each of the SLSMC and the Government reviews and approves annually the asset renewal projects and costs submitted by the SLSMC.

Winter Maintenance

The 1998 annual winter maintenance program, most of which was compressed into an eleven-week schedule, was completed on time and on budget. Over \$25 million was spent this year to ensure the reliability of the system, representing some 80 capital and major maintenance projects, most of them completed by contractors.

In the Niagara Region, bank and entrance walls were stabilized, six lock gates were painted, and gate quoin rehabilitation was carried out. The pumping station at one lock was replaced, bridge

controls were upgraded, and the power distribution system on flight locks was rehabilitated.

On the M.L.O. section, a bridge at St. Lambert was painted; and at Maisonneuve, bridge controls were upgraded and gate quoin rehabilitation was carried out.

Y2K Compliance

The St. Lawrence Seaway Management Corporation has taken the necessary action to ensure that no adverse effect on system operation will result from the Millennium Bug, either through information technology applications or embedded chip processes.

The integrated software package (SAP), which replaced the Corporation's main business systems in November 1998, addresses all the Y2K issues in that area. In addition, office automation and customized programs have been tested and final changes are underway. The new Traffic Management software system resolves all Y2K issues associated with traffic control.

Our locks and bridges are for the most part controlled by computerized systems. Over the last two years, compliant hardware and software have been installed and tested. The final projects in this series are being engineered now for installation before the start of the 2000 navigation season. We have completed an inventory of all other systems and equipment where embedded chip issues could be of concern and are currently replacing or modifying essential equipment.

The St. Lawrence Seaway System will be closed for the season before December 31, 1999, and will not open until the latter part of March 2000. We will take advantage of this window to carry out real time tests on all systems prior to opening.

Human Resources

Collective Agreements

As stipulated in the *Canada Marine Act*, the employees of The St. Lawrence Seaway Authority were rehired by the Corporation on October 1, 1998, under

the same terms and conditions as before. The collective agreements, transferred to SLSMC as successor employer, expired in December 1998.

Three new collective agreements with seven locals of the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW) were ratified during the week of February 22, and officially signed on March 29, 1999. The agreements expire December 31, 2000, and cover the 440 operational and maintenance workers who operate the Seaways locks and bridges, 103 supervisory staff and 24 head office employees in Cornwall. Collective bargaining was concluded in two weeks of negotiation, without recourse to conciliation.

The agreements include 2% wage increases in 1999 and 2000; provisions for a new private pension plan and a long-term disability plan, both required as a result of commercialization; and minor changes to the health and dental plans, the full costs of which the Corporation will now cover. A health care plan for future retirees of the new Corporation is also included.

Labour and management also signed a separate letter of agreement concerning a new working committee to deal with a number of efficiency and cost-effectiveness issues. The recommendations of the working committee will be implemented and monitored, and any gains will be shared with employees through improvements in benefits covered by the collective agreement.

A corporate Union-Management Consultation Committee was also established during the negotiations. It will meet four times a year to review general operational results and inform Union executives about corporate plans.

Departure Incentive Program

The Seaway's staff saw a reduction of 119 positions or 17% of the workforce, through a successful departure incentive program, which was negotiated with the union locals in December 1997, and normal attrition. The program ran from January 1998 through March 1999 and was presented to Seaway employees in anticipation of commercial-

ization. The reduction in the number of employees meets the target set in our business plan for the coming year.

Job Evaluation

A Job Evaluation Committee has been established to evaluate all positions up to Vice-President, using a new Universal Plan. The changes will be implemented at the end of this year.

Hay Survey

Information sessions about the results of the 1998 mini-Hay Survey of employees were held in December with employees in all locations, and the results were also posted on the corporate Intranet. The survey revealed that gains were made in the area of individual and team recognition, with an overall satisfaction increase of 9%, suggesting that the Seaway’s Rewards and Recognition program is bringing results. Between October 1997 and September 1998, 146 Thank You-grams were sent,

to 123 individuals and 23 teams. Forty-four per cent of the recognitions were initiated by immediate supervisors and managers; 37% by peers/co-workers; and 19% by other peers.

In its review of the Hay results, the Management Committee identified the following priorities for action:

- to clarify performance standards and the performance appraisal process
- to address work flow and operating efficiency issues
- to respond to a need for further improvements in customer service and in the ability of supervisors to coach on people- and job-related problems

These priorities were brought to the Corporation’s strategic planning exercise, and a corporate action plan is being prepared. The next full-scale Hay Survey is scheduled for the fall of 2000.

Safety on the Job

The Seaway’s job safety record continues to improve. Employees are working to identify risk factors for accidents and to find preventive activities that will lead to a zero accident rate.

The Safety Record

	Accidents with Loss of time	Days Lost	Costs incurred	Medical consultation	Temporary assignment
1998	2	47.5	\$ 7,792.00	6	96.5
1997	11	528.06	\$ 79,866.00	29	246.5

Governance

The St. Lawrence Seaway Management Corporation is governed by a nine-member Board, which meets as frequently as necessary to set and oversee the direction of the Corporation and review financial results. Their ultimate responsibility is to secure the long-term viability of the SLSMC, and of the Seaway as an integral part of Canada's transportation infrastructure. To this end, the Board ensures that our operations will establish credibility with customers and the Saint Lawrence Seaway Development Corporation by providing high quality, efficient service to all users without preference, fostering the competitive advantages of the Seaway, and ensuring a safe environment for our employees and customers.

As part of its stewardship of the Corporation, the Board has responsibility for strategic planning, risk management, succession planning, communications policy, and the integrity of the Corporation's internal control and management information systems. It also defines the limits of management's authority and accountability, and rules on any activities or expenditures which vary from or are not foreseen in the business plan or in the Corporation's formal agreements with Government or other parties.

Through the Governance Committee, which also administers the Code of Conduct, the Board ensures that the Corporation's annual objectives reflect its commitments under the business plan, the Letters Patent, and the *Canada Marine Act*, and ensures that no conflicts of interest arise. This Committee also oversees and reports to the Board on the systems that manage the principal risks of the business, including environment, scheduled maintenance, occupational health and safety, and year 2000 computer issues.

The Human Resources Committee ensures the development of succession plans for all senior management positions, evaluates the performance of senior executives, reviews and fixes senior management salary and compensation policies, and oversees the performance of the Corporation's pension plan.

The Audit Committee, responsible for reviewing financial statements and for audit of the Corporation, also evaluates accounting and financial reporting policies, systems and internal controls.

Members of the Corporation

Board of Directors

Robert J. Swenor
Chairman
Steel and Iron Ore Representative

Georges H. Robichon
International Carrier Representative
Senior Vice-President and General Counsel
Fednav Limited

Allan J. Donaldson
Domestic Carrier Representative

Adrian D.C. Tew
Grain Representative
Vice-President
Louis Dreyfus Corporation

Alan R. Holt
Other Members Representative

Denise Verreault
Federal Government Representative
President
Verreault Navigation Inc.

John E.F. Misener
Ontario Provincial Government Representative

Marc Dulude
Québec Provincial Government Representative
Executive Vice-President and Chief
Operating Officer
IMTT - Québec

Guy C. Véronneau
President & Chief Executive Officer
The St. Lawrence Seaway Management
Corporation

Officers

Guy Véronneau,
President and Chief Executive Officer

Richard Corfe,
Vice-President, Engineering Services

Michel Drolet,
Vice-President, Maisonneuve Region

Yvette Hoffman,
Assistant Counsel and Assistant Secretary

André Latour,
Vice-President, Human Resources

Carol Lemelin,
Vice-President, Finance

Camille G. Trépanier,
Vice-President, Niagara Region

Norman Willans,
Counsel and Secretary

Members

Grain

ADM Agri Industries Limited,
Windsor, Ontario

Agricore
Winnipeg, Manitoba

Alfred C. Toepfer (Canada) Ltd.,
Winnipeg, Manitoba

Bunge Canada Ltd.,
Québec, Québec

Cargill Limited,
Winnipeg, Manitoba

James Richardson International,
Winnipeg, Manitoba

Louis Dreyfus Canada Ltd.,
Calgary, Alberta

Parrish & Heimbecker Limited,
Toronto, Ontario

Range Grain Company Ltd.,
Winnipeg, Manitoba

Saskatchewan Wheat Pool,
Regina, Saskatchewan

The Canadian Wheat Board,
Winnipeg, Manitoba

United Grain Growers,
Winnipeg, Manitoba

Xcan Grain Company,
Winnipeg, Manitoba

Below: Board of Directors, left to right:

*A. Holt, A. Tew, R. Swenor, G. Véronneau, D. Verreault, G. Robichon, A. Donaldson and John E.F. Misener
(absent: M. Dulude)*



Steel and Iron Ore

Dofasco Inc.,
Hamilton, Ontario
Iron Ore Company of Canada,
Montréal, Québec
Québec Cartier Mines,
Montréal, Québec
Stelco Inc.,
Hamilton, Ontario

Other Members

AGP Grain, Ltd.,
Minneapolis, Minnesota
CGC Inc.,
Toronto, Ontario
Essroc Canada Inc.,
Mississauga, Ontario
General Chemical Canada Ltd.,
Parsippany, New Jersey
IMC Kalium Canada Ltd.,
Bannockburn, Illinois
Keystone Industry Co.,
Montréal, Québec
Klockner Steel Trade Corp.,
Garden City, New York
Lafarge Canada Inc.,
Hamilton, Ontario
McAsphalt Industries Limited,
Scarborough, Ontario
McKeil Marine Limited,
Hamilton, Ontario
Omnisource Corporation,
Burlington, Ontario
Ontario Hydro,
Toronto, Ontario
Petro-Canada,
Oakville, Ontario
Redpath Sugars,
Toronto, Ontario

Sifto Canada Inc.,
Goderich, Ontario
Skaarup Shipping International Corporation,
Greenwich, Connecticut
The Canadian Salt Company Limited,
Pointe-Claire, Québec

Domestic Carriers

Algoma Central Corporation,
St. Catharines, Ontario
Canada Steamship Lines Inc.,
Montréal, Québec
Enerchem Transport Inc.,
Montréal, Québec
Groupe Desgagnés Inc.,
Québec, Québec
N.M. Paterson & Sons Ltd.,
Thunder Bay, Ontario
P & H Shipping Division,
Mississauga, Ontario
Upper Lakes Group Inc.,
Toronto, Ontario

International Carriers

Christensen Shipping Corporation,
Montréal, Québec
Cleveland Tankers Inc.,
Cleveland, Ohio
Colley Motorships Limited,
Westmount, Québec
Fednav Limited,
Montréal, Québec
Gresco Ltée,
Montréal, Québec
Inland Lakes Management Inc.,
Alpena, Michigan
Montship Inc.,
Mississauga, Ontario
Navitrans Shipping Agencies Inc.,
Montréal, Québec

International Carriers (*continued*)

Poros Shipping Agencies Inc.,
Montréal, Québec

Robert Reford,
Montréal, Québec

Robin Maritime Inc.,
Montréal, Québec

Scandia Shipping Agencies Inc.,
Montréal, Québec