

ST. LAWRENCE SEAWAY
VOIE MARITIME DU SAINT-LAURENT



AdaptAbility

2008/2009 ANNUAL REPORT



The St. Lawrence
Seaway Management
Corporation

Corporation de Gestion
de la Voie Maritime
du Saint-Laurent



THE ST. LAWRENCE SEAWAY MANAGEMENT CORPORATION

The St. Lawrence Seaway Management Corporation (SLSMC), the successor to the St. Lawrence Seaway Authority, was established in 1998 as a not-for-profit corporation by the Government of Canada, Seaway users and other key stakeholders. In accordance with provisions of the *Canada Marine Act*, the SLSMC manages and operates the assets of the St. Lawrence Seaway for the Federal Government under a long-term agreement with Transport Canada.

OUR MISSION

We pass ships through a safe and reliable waterway system in a cost-effective, efficient and environmentally responsible manner for the benefit of all our stakeholders today and into the future.

OUR VISION

The SLSMC and its partners ... the transportation system of choice.

- Based on its ship transit services, the Corporation has grown its business by diversifying into related marine services and by leveraging other business opportunities.
- Outstanding customer service is provided by highly skilled people, supported by state-of-the-art technology, enabling a seamless navigation system.
- Within an efficient, responsive organization, our versatile and motivated employees are empowered to succeed in an environment of continuous improvement and development.

OUR VALUES

Respect, Integrity, Openness, and Innovation

FEEDBACK

Your comments are always appreciated and can be forwarded to Marketing@seaway.ca or by fax to (613) 932-7286

The Seaway is an essential part of the North American transportation infrastructure and a lifeline to business with the rest of the world. It moves raw materials and finished cargoes from a vast network of inland ports to worldwide markets, and vice versa, in an environmentally, economically and socially-responsible manner.

The St. Lawrence Seaway serves cargo vessels, cruise ships and a multitude of other vessels through a series of locks and channels connecting Montréal to Lake Erie and providing access to 3,700 km of navigable waters. The SLSMC has:

- a dedicated professional workforce that prides itself on providing excellent customer service;
- high quality traffic management, using automatic vessel identification and real-time tracking;
- a reliable operation, with system availability consistently above 99.0%;
- the ability to handle large vessels measuring up to 225.5 metres in overall length, 23.8 metres in beam and 8.08 metres in draft;
- joint Canadian and U.S. government inspections at entry, thus eliminating duplication;
- ballast water inspections at system entry, mitigating the spread of invasive species into the Seaway - Great Lakes;
- a bi-national website, the most comprehensive single source of Seaway - Great Lakes information, with real-time navigation data, links to government and commercial marine transportation sites and complete e-business services; and
- an excellent safety record.



**The St. Lawrence
Seaway Management
Corporation**

**Corporation de Gestion
de la Voie Maritime
du Saint-Laurent**

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AdaptAbility

The St. Lawrence Seaway Management Corporation's sustainability strategy is based on maximizing benefits, minimizing impacts and managing costs, while setting the stage for employees to succeed. In last year's annual report, entitled "Ahead of the Curve", we underlined the changing global business environment in which we live. Early in the 2008/09 fiscal year, the Corporation initiated the next phase of its strategic plan which focuses on flexibility and adaptability. This annual report uses the theme of "AdaptAbility" to convey the Corporation's results from the past year.

Looking back over the Seaway's fifty years of operation, adapting to changing environments has long been a hallmark of the organization, whether driven by business considerations, market conditions, infrastructure needs or personnel issues. Perhaps our greatest test at adapting came with the Government's decision in 1998 to transform the St. Lawrence Seaway Authority, a Crown Corporation, to a not-for-profit, privately managed corporation. This was done through the establishment of The St. Lawrence Seaway Management Corporation, with the Federal Government maintaining ownership of the structures and the newly formed Corporation being guided by a nine-member Board of Directors representing shippers, carriers and governments.

To achieve sustainability, ongoing adaptation to our surroundings is necessary and this past year was no different. We negotiated a new Management, Operations and Maintenance Agreement with Transport Canada and adapted our operation to the agreed terms. We signed a three-year collective agreement with the Canadian Auto Workers Union, which represents unionized Seaway employees, and adapted the negotiated changes into our work practices. We adapted to the

processes and procedures reflecting the introduction of vessel self-spotting, hands-free mooring technology and the remote operation of bridges.

With our increased asset renewal funding program for the period 2008-2013, we reviewed our engineering complement and adapted its structure to be able to more efficiently manage the larger number of projects that will be undertaken during this five-year period.

We cannot forget our ongoing consultations with clients and our efforts to adapt to their changing needs. These have recently led to increasing vessel draft from 26'3" to 26'6", which allows for more cargo per transit, and the introduction of incentive tolls to encourage the development of new business.

In recent years, we have become more aware of the environmental and social aspects of our operation. As stewards of a bi-national resource, which is shared with the public in many communities bordering the waterway, we must manage the system responsibly. This renewed focus has led to a period of adaptation as we become more proactive in consulting with First Nations, environmental and other stakeholder groups. We have acted on their concerns regarding the impact of ice breaking and aquatic invasive species. We are cognizant of the impact of our operations and continue working at balancing our economic, social and environmental performance.

Our sustainability is intrinsically linked to our ability to adapt to an ever-changing world. The need for this type of flexibility was clearly evident following the worldwide financial meltdown in the latter part of 2008. We went from enjoying a good year, with more new cargo than anticipated transiting the system, to a very weak last quarter, with final traffic figures below those reported in 2007.

With this as a backdrop, the remainder of the annual report will be presented under the headings of Continuity, Value Enhancement, Customization and Sustainability.

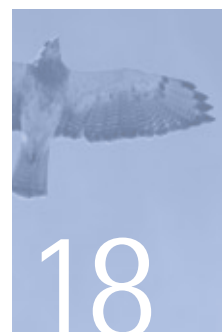
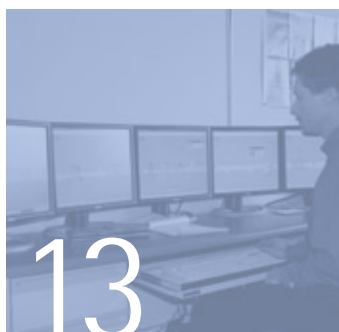


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Richard Corfe
President and CEO

President's Message

ST. LAWRENCE SEAWAY
VOIE MARITIME DU SAINT-LAURENT



The year 2008 marked the completion of the 50th navigation season of the St. Lawrence Seaway, and 2009 will see us celebrate our Golden Jubilee, with a variety of events planned throughout the year.

We began our celebrations to mark these milestones by hosting, along with the U.S. Saint Lawrence Seaway Development Corporation (SLSDC), an industry reception in Montréal last December. Next, we held recognition dinners for all employees and guests at our three principal locations of St. Lambert, Cornwall and St. Catharines on March 18, 2009. On this occasion, we distributed copies of the legacy book, *The St. Lawrence Seaway Fifty Years and Counting*, written by D'Arcy Jenish, an accomplished freelance journalist and author. The book looks back at the waterway's history, provides a snapshot of its current situation and looks ahead to its potential for the future. These events were followed, on the last day of the 2008/09 fiscal year, by opening celebrations commemorating the Seaway's 50th anniversary; with ceremonies held concurrently at the St. Lambert Lock and at Lock 3 on the Welland Canal.

These celebrations, precursors to those that follow in 2009, capped what was for the Corporation both a busy and a successful year, making progress with many of our key stakeholders. Firstly, the agreements finalized with the Government of Canada and the CAW Union allow us to press forward with our strategies; secondly, the advancement of our technology initiatives provide clear direction and decision points as we move into the future; and thirdly, our ballast water procedures have culminated in excellent ship examination results, building our credibility with all unbiased observers of this file. In addition, a greater-than-expected amount of new business transited the system and overall traffic for the 2008 season was solid until the final quarter. Careful oversight of management costs ensured that we, once again, met our business plan targets in 2008/09.



The period 2008/09 marked the 11th year of operation of the SLSMC and the first year under a revised Management, Operations and Maintenance Agreement. It started with a new toll structure, a three-year freeze on increases and an incentive program to attract new business to the system. This, together with the investment in asset renewal, provided a solid foundation for success.

Building on this progress was the agreement reached with the Union representing Operations and Maintenance employees, the Supervisory Group and the Cornwall Headquarters Group, which provides the Corporation with the flexibility to modernize its operations, either through introduction of technology or changes to operating procedures, and the ability to adjust its workforce in conjunction with these changes.

These agreements provide stability to the Corporation, as it devotes energy towards removing barriers for entry into, or increased use of, the system, working directly on those factors we control and exerting influence on the others.

Operating trials of new technology to provide service continued with significant milestones being achieved. "Self-spotting" went through a full-production test in both operating regions and is now being implemented across the system. The testing of "hands-free mooring" at Lock 7 on the Welland Canal confirmed our belief that this technology would work in our environment, and has identified the hurdles to be cleared before full implementation can be envisioned. Physical changes to the lock during the winter have prepared the ground for final prototype testing.

Another success that ran the course of the year was ballast water management, which has been a concern to everyone interested in protecting the Great Lakes - Seaway system. For the first time, the 2008 season opened with a common U.S. and Canadian regulation that included saltwater exchange or flushing of all ballast tanks in vessels coming into the system. This procedure, together with the scientific support for salt water flushing of ballast tanks as a highly effective means of eradicating invasive species, was covered at a media day in St. Lambert in May 2008. At the end of the year, more than 99% of all vessel ballast tanks had been physically inspected for compliance and, as a result, we can state that since March of 2008, no untreated ballast water has been discharged in the Seaway or Great Lakes.



This year was a challenge in respect to infrastructure upkeep and reliability. It was a year when Asset Renewal funding increased significantly while construction resources, both inside and on the external market, were at a premium. The Corporation met this new reality with a restructuring of our engineering resources and completion of the year's work, on time and budget. This work included the conversion of the final two locks on the Welland Canal to hydraulic operation.

In respect to employees, 2008/09 was another year of substantial change. The generational transition continued with retirements from the "baby boomers" and a lot of new faces boosting the representation of "Xs and Ys". With this turnover, losses of knowledge and expertise are being experienced and our ability to adapt and to ensure continuity is being put to the test. The Corporation has taken on these challenges during the year and, with the development of the "jobs" and the "skills" of the future, is positioning itself to blend the best of the old with the best of the new to meld the workforce for the future.

And then there was the meltdown! I could not complete my message this year without recognizing the dramatic changes that have occurred in the last six months. The economic downturn, loss of confidence and lack of credit have caused a significant drop-off in the cargoes traditionally shipped in the Seaway. While we obtained almost 5% of our revenue from new business, attesting to the success of the initiatives we have been promoting as a Corporation, the end results for 2008/09 are lower than our Business Plan.

AdaptAbility, as this annual report is titled, will be a critical element as the Corporation, the Great Lakes - St. Lawrence Seaway system and the North American economy recover from the current situation. We have started to structure our actions and will provide whatever support we can to others.

From our strong base of dependable service, we are looking at ways to add value to different user groups by offering customized services. We are also looking at diversification to offset changing markets and to bring new business to the system.

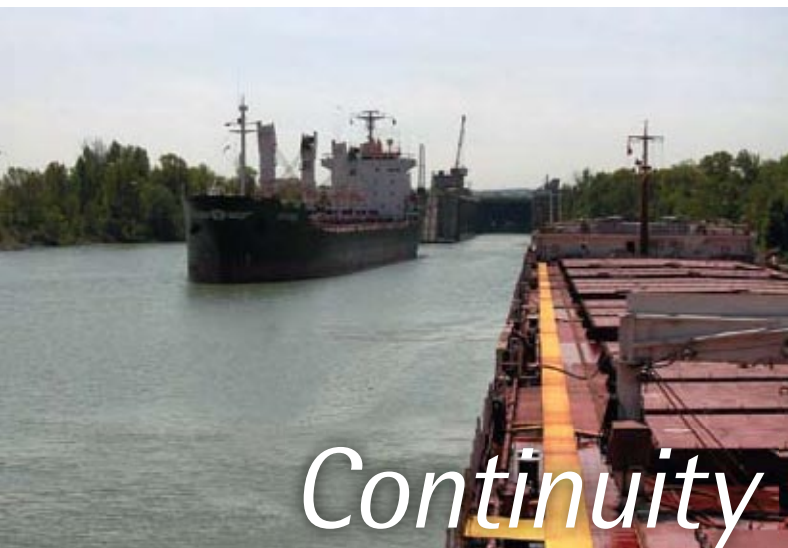
With our employees, we are looking to ensure we have the required blend of talent and skills going forward, and that we offer challenging jobs where employees can fully employ their abilities to contribute to the Seaway's success.

With our partners, we are looking at removing barriers to the further use of the system and we are continuing to raise awareness of the significant benefits that flow from our inland waterway.

With governments, we are looking to position the Seaway and the overall system as part of an integrated transportation network, where incentives exist for shippers to use individual modes to their full potential, and to do so inside a trade corridor strategy.

With our community and other stakeholders, we are looking to ensure that we minimize any impact of our operation, while maximizing the overall benefits that come with water transportation.

As we close the book on 2008/09 and move forward with celebrations commemorating our 50th anniversary, we look forward to another 50 years of service to all stakeholders of this unique bi-national treasure.



The year leading to its 50th anniversary provided the Corporation with an opportunity to look back on the past and to contemplate the future. We must adapt to the realities of tomorrow, while preserving the values that have allowed the Seaway to maintain its 50-year record of safely and reliably passing ships through our lock system.



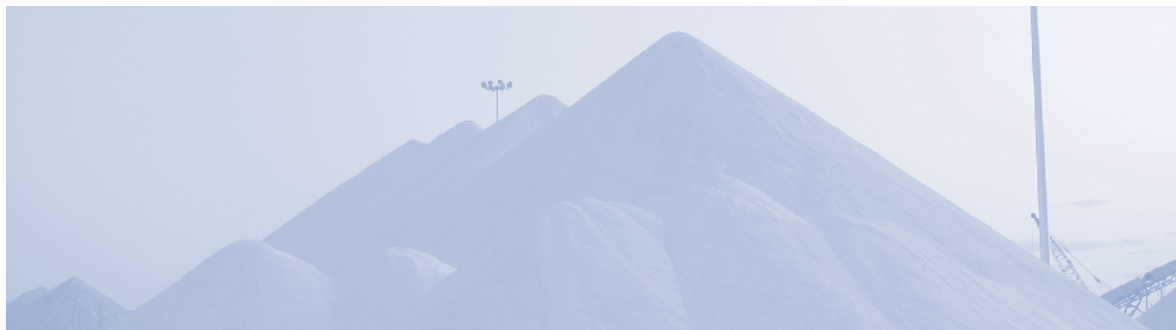
OPERATING RESULTS

TRAFFIC RESULTS

Total combined traffic through the Seaway system in the 2008/09 navigation season reached 40.8 million tonnes (mt), 5.1% below 2007/08 results. On the Montréal-Lake Ontario (MLO) section, traffic was down 8.1% to 29.35 mt, while comparable figures for the Welland Canal were 3.9% and 33.58 mt. The total number of transits was down 215 in 2008.

In 2008/09, we had good success in attracting new cargoes into the system, despite fundamental changes to traffic patterns due to global commodity shifts and the fallout in the latter part of the year from the worldwide financial crisis. The economic crisis resulted in lower demand for raw materials, steel and steel products, mainly by the automotive manufacturing industry. Moreover, globalization of the steel industry triggered new traffic patterns and export movements.

Another consequence of industry reorganizations was the emergence of new traffic flows, including iron ore being exported out of the Great Lakes. This led to an increase in iron ore movements of 14.7% or 1.22 mt in the Welland Canal and a decrease of 6.1% or 0.59 mt in the MLO.



MONTREAL / LAKE ONTARIO SECTION

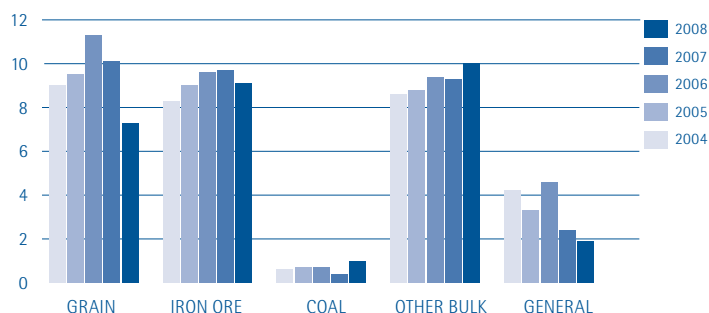
(TOTAL CARGO IN MILLIONS OF TONNES)

Coal shipments were up in both Regions, with the MLO registering an increase of 128.1% or 0.54 mt and the Welland Canal 15% or 0.47 mt. The upsurge was due to newly developed domestic movements to the East Coast, as well as export coal shipments.

Canadian grain shipments were impacted by higher downbound bulk movements and closed slightly below 2007/08 results, with a reduction of 1.0% or 0.06 mt in the MLO and of 5.3% or 0.29 mt in the Welland Canal. Meanwhile, U.S. grain was impacted by the large reduction of steel and slab imports through the system, ending the season down 65.7% or 2.72 mt in the MLO and 63.9% or 2.79 mt in the Welland Canal.

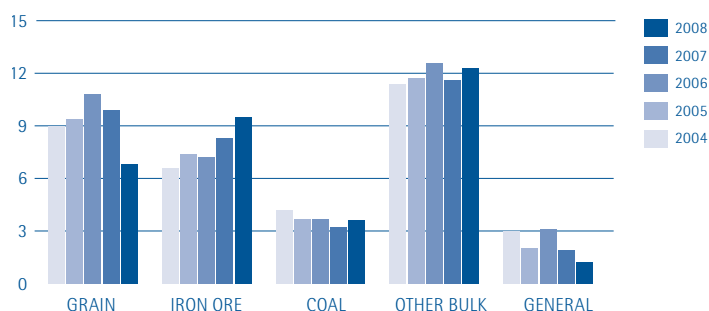
In 2008/09, other bulk commodities increased by 7.8% or 0.72 mt in the MLO and by 6.2% or 0.72 mt in the Welland Canal. Coke exports, along with new shipments to the East Coast, resulted in substantial increases of 107.8% or 1.12 mt in the MLO and 84.4% or 1.16 mt in the Welland Canal. Salt shipments also increased, while almost all other cargoes registered decreases.

General cargo was also impacted by low steel imports and showed a decline of 20.4% or 0.49 mt in the MLO and 35.8% or 0.69 mt in the Welland Canal. Steel decreased by 5.2% and 18.5%, while steel slabs fell 84.9% and 96.1% in the MLO and the Welland Canal, respectively. Finally, other general cargo ended the year down 25.6% in the MLO and 31% in the Welland Canal.



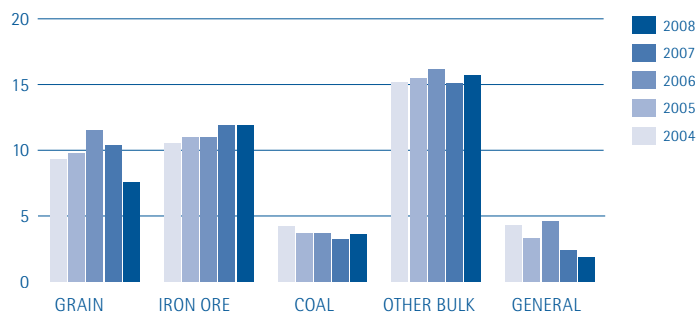
WELLAND CANAL SECTION

(TOTAL CARGO IN MILLIONS OF TONNES)



FIVE-YEAR REVIEW COMBINED TRAFFIC / COMMODITY

(TOTAL CARGO IN MILLIONS OF TONNES)





2008 NEW CARGO/NEW BUSINESS

The new toll structure, which was introduced in March 2008, had a positive impact in developing new business. By the end of the navigation season, 88 new business applications had been received, of which 72 were approved. Some applications had multiple commodity/origin/destination combinations, which brought 1.9 mt of new business into the system, generating \$3.387 million of additional revenue.

LENGTH OF NAVIGATION SEASON

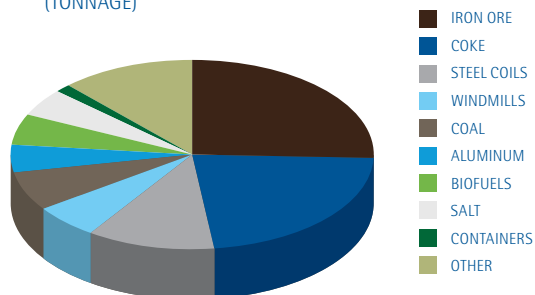
The 2008 navigation season, the 50th since the Montréal-Lake Ontario section was inaugurated in 1959, opened on March 22nd. For the third consecutive year, the locks and canals were opened for 283 days, with the last vessel transiting the MLO section on December 30th. In the Niagara Region, the final ship went through on December 31st.

MARINE SAFETY AND SECURITY

Marine transportation remains a safe, secure mode, with minimal pollution. In 2008, the Seaway registered 2.5 ship accidents per 1,000 transits, for a total of 15. The incidents reported ranged from contact with Seaway structures to minor ship collisions. There were no incidents of pollution and no damage to our structures. The ship incidents/accidents did not cause any undue delay and navigation was stopped only to allow for investigations.

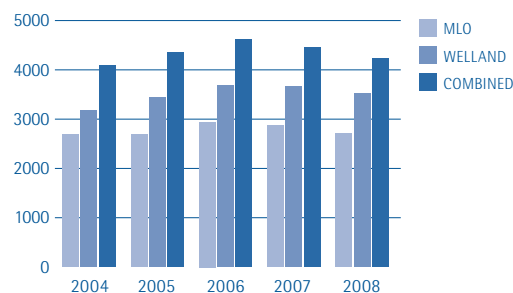
NEW CARGOES

(TONNAGE)



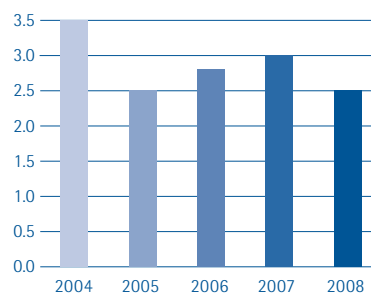
VESSEL TRANSITS

(TOTAL NUMBER OF TRANSITS)



VESSEL ACCIDENT RATE

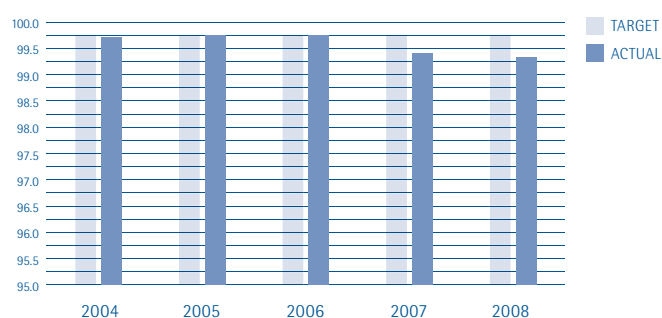
(ACCIDENTS PER 1000 TRANSITS)





SYSTEM RELIABILITY

(TARGET = 99.75%)



SYSTEM RELIABILITY AND DEPENDABILITY

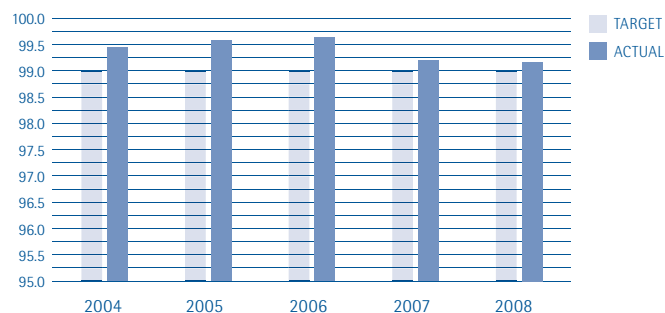
Reliability and dependability are two essential elements in achieving sustainability, and they become increasingly more critical as our infrastructure ages. The Corporation's rigorous preventive maintenance and inspection programs allowed us to maintain system availability above 99% during 2008.

DEALING WITH CHALLENGES

One incident, that led to the closure of the MLO for a period of time, occurred at the St. Louis Bridge. On December 12th, the bridge ran through its brakes when being lowered, resulting in stretched and broken operating cables. Under extreme weather conditions, SLSMC employees, together with a specialized contractor, worked around the clock to replace both uphaul and downhaul cables. They had the bridge back in operation early in the morning on December 16th. By the time navigation resumed, the system had been closed for 92 hours, causing 1,681 hours of navigation delay to 30 vessels. Road traffic was suspended for seven days, reopening on December 19th.

SYSTEM AVAILABILITY

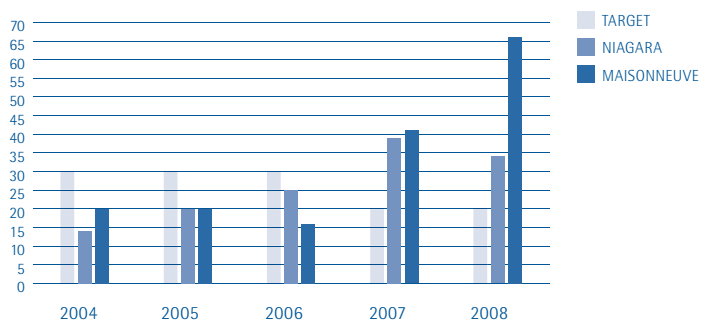
(TARGET = 99.0%)



Following the bridge incident, a thorough internal investigation was carried out to establish the cause. The investigating team, with the assistance of key Corporation personnel and lift bridge specialists, determined that there were three areas of improvement required: technical knowledge transfer, training methods and control system design. The Corporation will be using the lessons learned from this experience in both Regions to ensure this type of incident is avoided in the future.

SYSTEM DELAYS PER TRANSIT, PER SECTION

(TARGET SINCE 2007 = LESS THAN 20 MINUTES PER TRANSIT)





PROMOTION AND AWARENESS

The Corporation continues working with other stakeholders in developing market opportunities and gaining as much traction as possible through joint promotional activities. To this end, the Hwy H₂O initiative continues to bring more organizations into the fold and to extend its reach in Canada, the United States and global markets.

As part of our efforts at raising awareness and developing business, the Corporation attended a number of domestic and international conferences and exhibitions, including Halifax Port Days, Breakbulk Europe and Breakbulk New Orleans. We continue encouraging our Hwy H₂O partners to join us at these types of events to make contact with potential new business segments.

In addition to attending events organized by others during 2008, we hosted the 4th annual Hwy H₂O Conference in November. The conference was well attended and we were successful in attracting speakers from well-recognized companies such as Walmart, Siemens, and Mammoet. This year's conference focused on the changing world markets and the subsequent impact on the Great Lakes - Seaway system and stakeholders. It was broken into four modules: An Overview of Major Markets, Alberta's Oil Sands (Project Cargo Potential), Short Sea Shipping and Supply Chain (Better Servicing Customers). Overall, we received positive feedback on the excellent networking opportunities and quality of presenters. The conference is gaining a reputation as a source of information and news about the Great Lakes - St. Lawrence Seaway system which reinforces the Hwy H₂O brand.

Along with our U.S. counterpart, the Saint Lawrence Seaway Development Corporation, we organized a bi-national Trade Mission to Italy and Turkey in November. The 18-member delegation, which included government officials, maritime executives, port directors and marketing managers, spent the week-long mission in Genoa, Italy, and Istanbul, Turkey, reviewing opportunities offered by the regions.



The objective of the mission was to promote the use of the Great Lakes - St. Lawrence Seaway system as a safe, reliable, and cost-effective route for exporting and importing goods to and from North America. In Genoa and Istanbul, the delegation had productive meetings with ship owners, shipbrokers, and shippers. These meetings allowed the delegation to receive direct feedback on their performance, as well as to provide customers with information about infrastructure improvements, technology upgrades, and business development initiatives.

EXTERNAL COMMUNICATION

In keeping with SLSMC's commitment to be responsive to the needs of its clients and stakeholders, the Corporation completed a number of revisions to its communication strategy.

These include the addition of an on-line video library to the www.greatlakes-seaway.com web site. Students, teachers, media and other stakeholders can now access, at one convenient location, information on a variety of topics such as the Seaway's commitment to ballast water management and sustainability.

The web site's most popular resource, the "live" Seaway map, has been enhanced to reflect suggestions received from clients. The map is now larger, featuring improved navigation between the various geographic regions making up Hwy H₂O.

In March, the 2009 Seaway handbook was distributed via DVD. Clients now receive a single DVD containing the full text of the Seaway Handbook, accompanied by the *Landing Boom* video, our Interactive Tour of the Seaway, and a number of other publications. This change will be beneficial to our users and will translate into ongoing cost savings and productivity gains.





The St. Lawrence Seaway:
**GATEWAY TO
NORTH AMERICA**

La Voie maritime du Saint-Laurent :
**PORTE D'ENTRÉE DE
L'AMÉRIQUE DU NORD**

INCREASING PUBLIC AWARENESS

Getting the Seaway's safety message out — in particular the importance of safety measures for pleasure craft operators while transiting our locks, docked or navigating close to commercial vessels — is an ongoing challenge. In our efforts to find new ways of educating the public, Seaway employees joined world renowned fishing personality Bob Izumi in filming an educational segment at Lock 1 of the Welland Canal. The safety messages have already started airing on local television stations.

In 2008, Normand Latour, commentator and producer of the Radio-Canada program "C'est ça la Vie", filmed a series on maritime transportation, including several programs on the Seaway and its employees. Mr. Latour was interested in showing the public the types of jobs, the challenges and the positive impacts of using Hwy H₂O. He also interviewed a number of stakeholders and various partners who use the Seaway to transport cargoes. Magnificent images were filmed for each of these reports... from Québec to Niagara. The last episode included an interview with Seaway President Richard Corfe, who discussed the Corporation's mission, vision, various current and future challenges, and reiterated the message that we have a vital Seaway... past, present and future.

SPHERE OF INFLUENCE

FEDERAL GOVERNMENT GATEWAY STRATEGY

The Corporation has been an active participant in the development of a transportation strategy for the Ontario-Québec Continental Gateway and Trade Corridor, part of the Government's overall Gateway Strategy. Involvement in determining key strategic initiatives, as a member of the Private Sector Advisory Committee, was supplemented by contributions through key gateway councils in Québec and Ontario, the St. Lawrence and Great Lakes Trade Council and the Southern Ontario Gateway Council.

The Corporation sees this integrated approach as a critical component to obtaining the appropriate mix of modes and inter-modal collaboration into the future, as well as to ensuring full utilization of the system's capacity.

ONTARIO MARINE TRANSPORTATION FORUM

As part of the Ontario Marine Transportation Forum (OMTF), the Corporation joins ports, carriers and other key stakeholders working to integrate marine transportation into Ontario's transportation infrastructure. We have been an active member of OMTF since its inception and serve on its Executive. OMTF met with Members of the Ontario Provincial Parliament at Queen's Park, and provided industry input on issues such as ballast water management and the proposal to withdraw the 25% import duty on vessels. The Forum has also been working with the Province of Ontario in preparing a comprehensive study outlining the economic impact of the Ontario marine industry on the province and Canada. This work is expected to be completed during 2009.

ST. LAWRENCE ECONOMIC DEVELOPMENT COUNCIL (SODES)

The Seaway Corporation is also a member of the St. Lawrence Economic Development Council (SODES) based in Québec. This membership allows us to participate with other organizations that have an interest in the economic development of the St. Lawrence River. In addition to working on files dealing with inter-modal policies and the Ontario-Québec Gateway corridor, since January 2008, SODES has managed Green Marine, an organization working to implement a program to reduce the marine industry's environmental impact.

The Corporation also contributed financially to research underway at the Institut Maritime du Québec in Rimouski. This includes marine transportation research in the following areas: policies for the St. Lawrence River; its public image in Québec; a multi-criteria tool to assist in developing industry policies; the effects of climate change on container traffic in the St. Lawrence River and a study on marine manpower initiatives.



STAKEHOLDER RELATIONS

GOVERNMENT

Central to the theme of continuity was the successful conclusion to negotiations with Transport Canada of a revised Management, Operations and Maintenance Agreement (MOMA) in 2008. This agreement provides a framework for managing the Seaway in line with the Corporation's vision, and supports many of the initiatives essential to maintaining sustainability of the system. Along with the renewed MOMA, a five-year Business Plan, which includes \$270 million in asset renewal funding, was finalized.

The future success of the Corporation will be measured by its ability to attract new business to the system. In support of this, a toll freeze is in place for the first three years of the agreement and a revised tariff structure was implemented at the start of the 2008/09 season, which included incentives, volume discounts and the introduction of variable lockage fees for the Welland Canal.

Transport Canada is also providing separate funding for a study on the application of new technologies at the Seaway, which will focus on cost-benefit factors of new technologies including, but not limited to, hands-free mooring.

EMPLOYEES

The long-term viability of the Seaway depends, of course, on the maintenance and inspection of the infrastructure, but sustainability is impossible without our employees. The signing of a three-year collective agreement during 2008 is important as we prepare for the Seaway of the future. The negotiated changes will allow the Corporation to move ahead in adapting to new operating technology to meet business needs, while protecting current employees.

COMMUNITY

Over the last few years, the Seaway has taken steps to become more visible in the communities along the waterway. One area where employees have long been involved is in giving to charitable organizations and, with an ever increasing need by many in our communities, 2008 was no different. Included in the charitable activities which the Corporation and employees supported during the year were donations to local United Way campaigns, as well as funds, food and gifts to various organizations for distribution to families during the holiday season.

50TH ANNIVERSARY OF LOST VILLAGES (IROQUOIS)

Celebrations for our 50th anniversary started in 2008 at Iroquois since it was the first lock to be completed and began functioning in May 1958. Canada Day marked inundation day, the day in 1958 when the cofferdam holding back water in the Long Sault area was detonated, submerging six villages and three hamlets and creating Lake St. Lawrence. An event to mark this milestone was held on July 1, 2008, at the Iroquois Park.

SCHEDULE ON THE INTERNET SITE

As a steward of the bi-national resource, the Corporation interacts with numerous stakeholders. We recognize the interests of municipalities that border the Seaway system and the thousands of local residents and recreational boaters who enjoy the beauty and nature of the water. Open communication with communities along our waterway contributes to the understanding of what the Corporation does and how it does it.

In order to better communicate with motorists waiting for the passage of vessels at bridge locations, we now have on our www.greatlakes-seaway.com site a bridge status report which, at a glance, outlines bridge availability. As well, estimated commercial vessel arrival times are posted, enabling viewers to gain some insight into when specific bridges will be raised to permit passage of a ship, and thus be temporarily unavailable to motorists.





The St. Lawrence Seaway Management Corporation continually strives to add value for both internal and external stakeholders. This ongoing objective takes hold in the many activities and procedures we have in place to ensure a safe, reliable system and to ensure our employees have challenging work in a safe and healthy work environment.



HEALTH AND SAFETY

The SLSMC is committed to maintaining a safe and healthy workplace. In addition to a Corporate Health and Safety Committee, there are local committees at all work locations. We continue our efforts throughout the organization to be consistently accident free. During 2008, the Head Office staff marked five years without any loss-time accidents, while Iroquois is now at sixteen years without any recorded loss-time injuries. Training is an important element in ensuring that employees work safely at all times and are prepared to take appropriate action should they face situations of potential risk.

During Health and Safety week in early May 2008, events were held to train employees in rescue equipment deployment and fire safety. Along with these training events, tree planting, barbeques and sporting events were held.

Another aspect of the Seaway's healthy workplace involves employee wellness. In addition to the reimbursement plan available for employees who register for fitness programs or activities, during 2008 employees in all locations participated in events either on site or in the local communities.

The 2007 *Survivor Niagara* employee challenge ended early in 2008. In addition to individual and team fitness challenges, funds were given to local schools and charities designated by the participating teams. The success of this initiative has led to a corporate-wide challenge for 2009/10 named *Mission: Possible*. Along with components dealing with health and well-being, the program will have an element of community involvement included in the challenge.

In addition to our Corporate Wellness Day, which was held on September 24th, employees participated in a variety of activities throughout the year. These included the Cancer Society's *Relay for Life*, *Big Bike Ride* for Heart and Stroke, the *Défi Vélo Onco* bike ride to raise money for the Charles LeMoine hospital in Longueuil, *On the Go Ontario* and Weight Watcher programs.

Community recognition of the Corporation's commitment to wellness in the workplace continues. In Cornwall, the Eastern Ontario Health Unit awarded the Seaway its "Gold Wellness in the Workplace Award" for the second consecutive year. Meanwhile, the Niagara Region received both the "Gold Healthy Living Niagara Award" and the "Platinum Culture Award".



OUR EVOLVING WORKFORCE

In the face of baby-boomer retirements, the Corporation has taken steps to prepare for the workforce of the future. The introduction of new technologies means that the operational jobs of the future will require skilled employees able to operate lock structures and maintain the infrastructure. In 2008/09 we continued to increase the number of Canal Service Technicians (CST) in the workforce and, already, the Corporation is seeing benefits from their integration into our operational teams. Training programs have been developed for current employees and external hires interested in the new CST positions.

The current Canal Service Operators are an essential component of our workforce and the knowledge and experience they have is essential to ensure we maintain our focus on customer service. While our workforce continues to adapt to new technology, as it comes on-line in our lock and operations centre processes, their commitment to providing outstanding service is firmly engrained.

Much has changed in the world, and we have not been left out of this experience. Our operational employees have adapted to changing times and continue to provide safe and efficient vessel transits. Controllers, many of whom are long-term employees, provide a strong foundation of operational knowledge, value creation and guide new employees so they develop a commitment to attention and customer satisfaction.



LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING

Preparing the organization for the future requires that the Corporation has plans to ensure that the necessary talent is available within the organization to meet the changing needs in the operating, technical and management functions. The Corporation's succession planning process has provided us with an analysis of future needs, the possibility of internal development and the potential gaps that would need to be filled by external recruitment.

During 2008/09, we have taken action to strengthen both the general and technical management areas by promoting internal candidates, who have been developed through our succession planning process, and by hiring expertise from outside. The transition manager development program resulted in the promotion of two individuals into manager roles in 2008, with the third successful candidate assuming a line manager role as of the start of the 2009 navigation season.

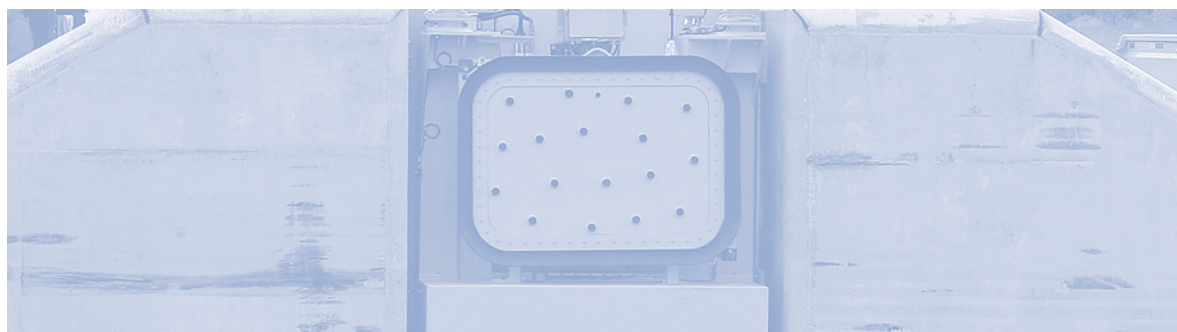
EMPLOYMENT EQUITY

The Corporation continues to promote employment equity opportunities to internal and external candidates. To help increase awareness this year, we added several banners and articles on our intranet site, promoting various cultural or designated events honouring Canada's designated groups - women, Aboriginals, members of visible minorities and persons with disabilities.

The number of women in our workforce, including those in non-traditional roles, is increasing. In September 2008, we had our first woman graduate as a Canal Service Technician.

STATISTICS

DESIGNATED GROUP	SLSMC FIGURES (as of March 31, 2009)	EXTERNAL AVAILABILITY
Women	124	110
Aboriginals	9	4
Visible Minorities	32	39
Persons with Disabilities	43	23



APPLYING TECHNOLOGY

HANDS-FREE MOORING

The Corporation conducted the second phase of testing of the vacuum mooring prototype during the last navigation season. Tests were conducted at the Welland Canal's Lock 7 between June and December 2008 using two floating units. This technology, which uses vacuum pads to secure the vessel during lockage, reduces the health and safety risks to employees by limiting physical effort required during tie-up. In addition, this technology could allow ships to transit the system without the need to outfit with Seaway-specific equipment, making it more cost competitive.

Transport Canada, through the Management, Operation and Maintenance Agreement, is providing support to the Corporation for the third vacuum mooring prototype. For the 2009 navigation season, two additional units will be installed, which should improve the quality performance of the hands-free mooring system. The main difference from the prototype tested last year is the ability of the new units to be positioned vertically to avoid obstacles on vessel hulls. The industry is receptive to this new technology and continues demonstrating its support.

VESSEL SELF-SPOTTING SYSTEM

The vessel self-spotting system uses innovative three-dimensional laser scanning and image recognition techniques to detect and track the position of the most forward portion of the vessel as it enters the lock and positions itself. The system will provide ship masters with visual and audio indication of their vessel position relative to their mooring position. It will reduce lockage times for customers by having all lock personnel available for mooring operations sooner in the process. Ultimately, in conjunction with the hands-free mooring system, it sets the stage for the locks of the future.

Development of the production system was completed in 2008/09 and the system is now installed at three locks. In 2009/10, final adjustments will be completed to the units already installed and two additional systems will be installed. The remaining deep locks will be equipped with the system by 2010.

The vessel self-spotting technology won the Graphical System Design Achievement Award in the Industrial Measurement and Controls category at the National Instrument Week International Conference. The Corporation and Avera, our partner in the development of this system, jointly presented the system at this conference.

REMOTE BRIDGE OPERATION

In July 2008, the Maisonneuve Region implemented remote control of the Valleyfield Bridge from its St. Lambert operations centre, approximately 60 kilometres to the east. This bridge is the second one to be remotely operated in the Region and the sixth for the entire Corporation. For the Valleyfield Bridge, the operator has nine cameras, including one that uses new thermal detection technology to detect vessels and other craft in the fog or in bad weather. New radar equipment is also available to confirm the information.



ASSET RENEWAL PLAN

As noted earlier, part of the negotiations with Transport Canada included establishing funding for the next five-year Asset Renewal Plan under the Business Plan. Due to the age of our infrastructure, more funding was needed for the five-year period 2008/09 to 2012/13 to ensure we maintain system integrity. The Asset Renewal Plan envelope was increased to \$270 million, a full \$100 million more than the previous five-year plan.

The increased Asset Renewal funding means significantly more engineering projects, as well as the need for increased monitoring and assessment of our infrastructure. In 2008/09, the revised organizational structure for engineering responsibilities within the Corporation was implemented. The Corporate Technical Services Group was strengthened, with a mandate to provide leadership in engineering to ensure consistency in the Seaway's processes, technical standards and systems, as well as responsibility for infrastructure inspection and assessment. Within the operating regions, technical services were restructured by engineering discipline to provide improved support for maintenance and operation delivery.

In the first year of the current plan, a number of projects, totalling \$51.0 million, were carried out to ensure system reliability. These major projects included:

NIAGARA REGION

- ✓ Conversion of lock equipment drives at Locks 1 and 8
- ✓ Dredging of inner Port Weller Harbour to restore canal draft to chart limits
- ✓ Replacement of motor drives and power distribution for Bridge 6
- ✓ Repair of timber tie-up walls
- ✓ New bubbler system for lock gates

MAISONNEUVE REGION

- ✓ Replacement of the superstructure and anchoring of the abutments on Bridge 16 at St. Lambert
- ✓ Replacement of the contact assemblies of Gates 1 and 2 on the upper Beauharnois Lock
- ✓ Replacement of the operating cables of Bridges 2, 3 and 10
- ✓ Replacement of the electrical power sub-station at the St. Lambert Lock

HYDRAULIC CONVERSION PROJECT

The sixth season in the Niagara Region hydraulic conversion project was successfully completed in the winter of 2008/09. The latest phase of the program included conversion of Lock 1 and Lock 8 to hydraulic drive systems. Our ongoing commitment to protecting the environment is reflected through the use of biodegradable synthetic hydraulic oil for the systems at Locks 1 and 8. This concludes the major work on the hydraulic conversion project, with the two remaining spare mitre gates at Lock 6 East scheduled for 2009/10.

Key elements to completing the 2008/09 Hydraulic Conversion project were the teamwork and professionalism of our employees, of Bosch Rexroth Canada, supplier of all hydraulic equipment and control systems, as well as of Trade-Mark Industrial Inc., the main contractor over the last three years.



Adapting to changing customer needs requires the Corporation to re-think the way in which it provides service. For the "transit of tomorrow", we are striving to have vessels transit the system without tying up or using lines or wires, when possible.



MOORING OF VESSELS

While the application of operating technology plays a major role in hands-free mooring, the same concept can be achieved by modifying operating procedures at some locks. This is so for Iroquois in the Maisonneuve Region and for Lock 8 in the Niagara Region, where vessels can "walk through" without tying up, by coordinating the timing of ships entering the lock and gate operations. This type of customization provides value to users by reducing lockage times, and also improves safety for our employees and vessel crews. In 2008/09, over 70% of vessels took advantage of this process, and 1,300 transits were processed in this manner in Iroquois alone.

To further improve our services, we have been tying up vessels with fewer lines at the Iroquois Lock when a standard lockage is required, where possible. Depending on the dimensions, vessels are tied up with either two or three lines, rather than the standard four lines. Combined with the walk-through initiative at Iroquois Lock, the more than 200 tie-ups using less than four mooring lines eliminated some 5,500 mooring wire deployments and provided safer working conditions for our employees.

DRAFT OPTIMIZATION

During 2008/09 work continued on optimizing the use of the system by maximizing permissible draft. The sounding results for all dredged and excavated areas of the MLO section and in the Welland Canal have been converted to S57 chart format, allowing vessels equipped with enhanced electronic navigation equipment to test the feasibility of increasing drafts.

In the last navigation season, ten tests were conducted at 26'9" draft in the MLO section under normal operating conditions and two tests were carried out at 26'9" in the Welland Canal under controlled water conditions. Results so far are favourable and further development will continue in 2009.



Sustainability

The SLSMC recognizes that, as stewards of the St. Lawrence Seaway, we operate within a shared resource. Minimizing the impact of marine transportation on the environment and having a positive impact on the St. Lawrence - Great Lakes region is part of our sustainability path. This is why, in 2008/09, the SLSMC took another step towards its strategic vision with the creation of a Corporate Sustainability department, thenomination of a Corporate Sustainability Officer and the recruitment of a Corporate Sustainability Specialist.



MATERIALITY ANALYSIS

The Materiality Matrix shown in this section is intended to cover the sustainability issues the Corporation believes are most significant. These issues are defined as those business considerations that received attention on one or a combination of three criteria:

- Having significant current or potential impact on the Corporation
- Of significant concern to Stakeholders
- Over which the Corporation has a reasonable degree of control

The Materiality Matrix, while being a simplification of our complex reality and involving an element of subjectivity, provides a powerful visual presentation of our Corporate Sustainability.

The *AdaptAbility* theme of this annual report can be summarized as follows: "Continuity" reflects the main attributes of reliability, dependability and professionalism as the foundation of the strategy of maximizing benefits, minimizing impacts and managing costs. The leverage of setting the stage for employees to succeed is a key driver of "Value enhancement" activities. Finally, ensuring future business sustainability requires "Customization" to allow flexibility in adapting to challenges and changes from the economic, environmental and social realities.

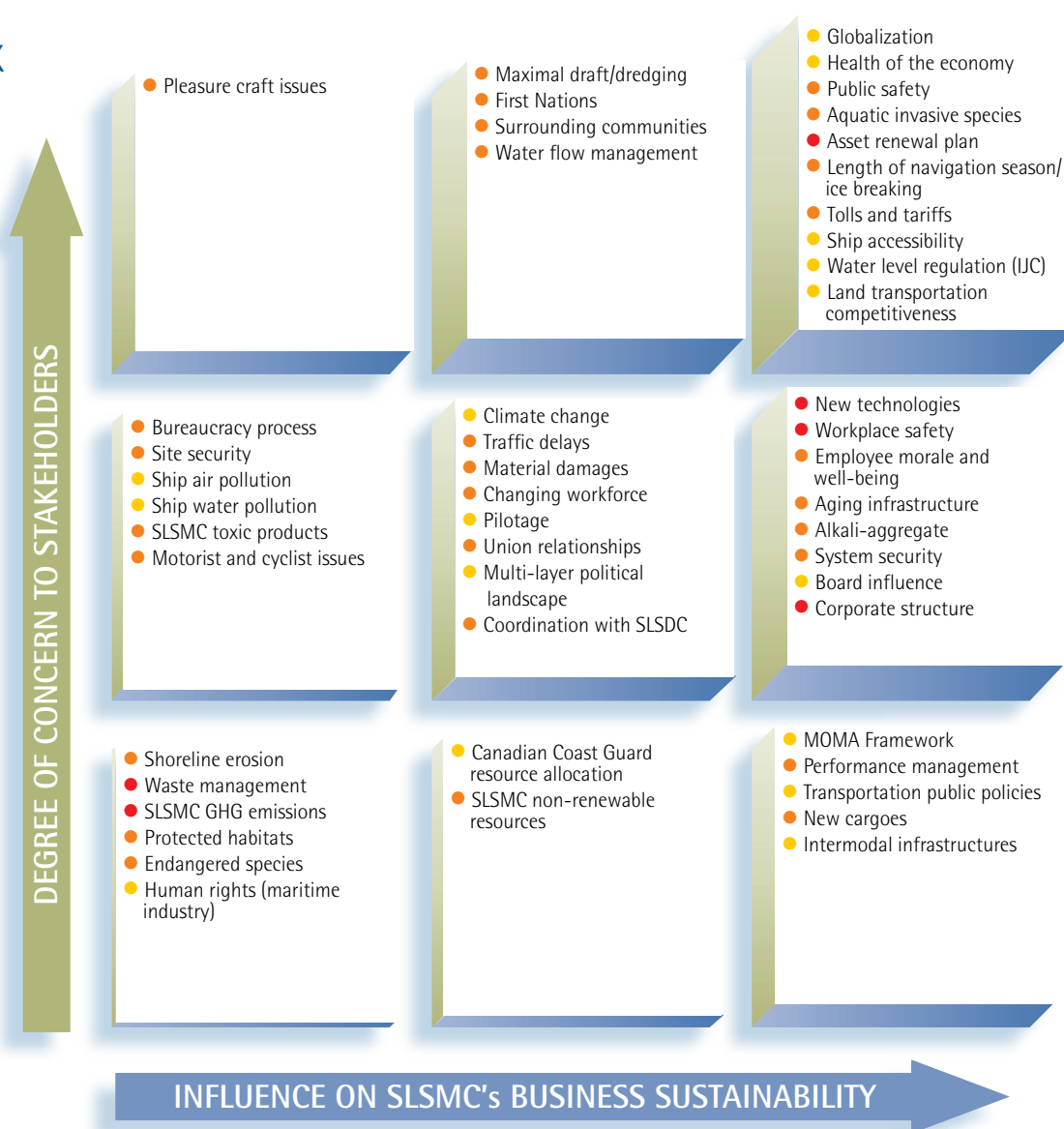
More than twenty factors from the Materiality Matrix have been covered under these headings with the other principal issues discussed in this section.

WHAT IS MATERIALITY IN A SUSTAINABILITY REPORTING CONTEXT?

With the multitude of sustainability reports, corporations have depended on sustainability experts and others to focus their reporting on the most significant or material aspects of their business activities. For the purposes of this report, "materiality" is that information of greatest interest to the Corporation and its stakeholders that has the potential to affect the perception of those who wish to make informed decisions and judgments about the Corporation's commitment to social, human rights, environmental and economic progress. The term "materiality" as used in this sustainability section does not have the same meaning as when used in financial reporting.

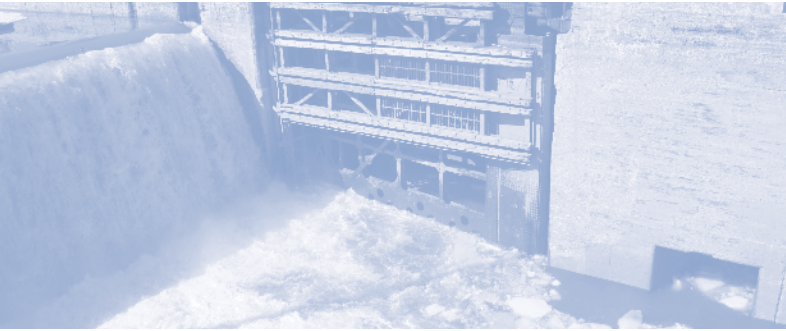


MATERIALITY MATRIX



Level of SLSMC's control over the issues

- LOW
- MEDIUM
- HIGH



WORKING WITH FIRST NATIONS

The year 2008/09 marked a key period in our relations with First Nations. During the year, there was increased co-operation with First Nation community members, particularly those of Akwesasne and Kahnawake. Meetings were held with a number of representatives to discuss issues regarding the environment and public safety, and advances were made on matters surrounding the opening of the navigation season, ice management and shore erosion.

BALLAST WATER MANAGEMENT

With the start of the 2008/09 navigation season, ballast water inspections were carried out on all ships entering the Great Lakes – St. Lawrence Seaway system from outside the Canadian Exclusive Economic Zone.

In May 2008, we joined the Saint Lawrence Seaway Development Corporation in co-hosting a ballast water inspection event in Montréal which included media and stakeholders from the Great Lakes – St. Lawrence Seaway region. Participants were able to view a ballast water inspection up close and had an opportunity to question the ballast water working group members and ship representatives on best management practices.

The 2008 results showed the significant progress made in ballast water management over the last year. In 2008, 99% of vessels bound for the Great Lakes – St. Lawrence Seaway system had ballast water tank exams. A total of 6,704 ballast tanks from 364 different vessels were sampled and had a 98.6% compliance rate. Only 97 tanks were found non-compliant, of which 31 tanks were considered "high risk". These "high risk" vessels were mandated to retain the non-compliant ballast water onboard and they were re-inspected on their outbound transit to ensure compliance with Seaway regulations. As a result, no untreated ballast water was discharged in the Great Lakes – St. Lawrence Seaway system, resulting in 100% compliance with the new SLSMC ballast water regulations.

GREENHOUSE GAS (GHG) EMISSIONS REDUCTION PLAN

In 2008/09, the Corporation pursued its GHG emissions reduction plan. So far, however, results have been mixed given that our emissions are very dependent on weather conditions during the opening and closing of the navigation season. This fact is especially obvious when comparing our current results with 2006, when emissions were 1,979 CO₂ ton equivalents due to exceptionally good weather conditions. With a late spring and an early winter, the SLSMC's greenhouse gas emissions reached 3,212 CO₂ ton equivalents in 2008. The Corporation had to use diesel powered air curtains, air bubblers and gate recess heating devices for a record period of time to control ice conditions in the MLO section.

Compensating for this static situation is the increased generation of hydro power from the waters under the Corporation's control, providing the following benefits:

- GHG emissions avoided by production of electrical power at the Niagara Region Lock 4 powerhouse are estimated at more than twice the Corporation's emissions.
- GHG emissions avoided by the powerhouses installed at weirs in St. Lambert and Côte Ste-Catherine are estimated at 14 times the Corporation's emissions.

In 2008/09, the Iroquois Maintenance Centre's heating system was converted from oil to electric. Projects have been budgeted for the next two years to reduce emissions from fuel usage at buildings and for ice control equipment at the MLO locks. Also, new hybrid vehicles have been purchased for the corporation's fleet to minimize emissions from transportation.

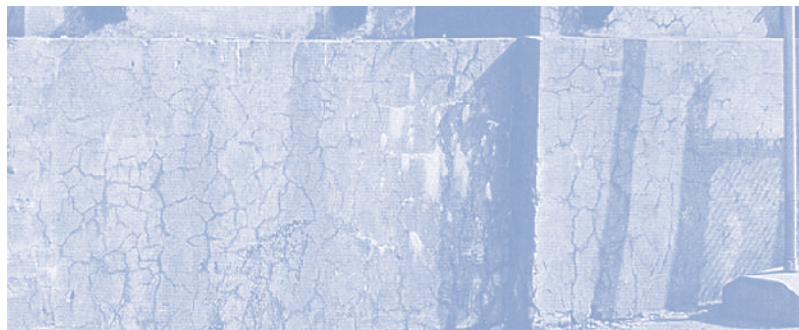


WEIR POWER GENERATION

In 2007/08, SLSMC entered into a twenty-five-year contract with Rankin Renewable Power Inc. for the lease of properties and the construction of three hydro-electric generating facilities along the Welland Canal in the Niagara Region at weirs 1, 2 and 3. Construction and commissioning of the two first generating stations built under this contract was completed by December 31, 2008, and both units are now operating at full production levels of 1.8 mega-watts each during peak energy price periods of the day. Work on the third generating station located at weir 3 started this past winter, and commissioning is set for the end of 2009.

GREEN MARINE

In 2008/09, the Corporation conducted a self-assessment of the priority issues under this program resulting in the Corporation being a certified Green Marine participant. Over and above this, the work done by the two Seaway organizations has allowed other marine participants to significantly improve their ratings for aquatic invasive species.



AGING INFRASTRUCTURE

In their 1996 anniversary review, the Ordre des ingénieurs du Québec identified the construction of the St. Lawrence Seaway as one of the ten greatest engineering feats in its engineering history. Although the system has performed reliably over the past five decades, key strategies are now being developed to ensure success of the Corporation's sustainability objectives over the next five decades. Challenges such as bridge fatigue in the Niagara Region and the impact of concrete expansion due to alkali aggregate reaction in the MLO locks are driving initiatives to improve monitoring of the infrastructure and develop long-term major maintenance plans.

LESSEE ENVIRONMENTAL COMPLIANCE

In 2007/08, as part of its lands management strategy, the Corporation implemented an environmental conformance verification (ECV) program of industrial and commercial lessees which examined potential, significant environmental impact and/or site contamination. Since the program started, ECVs were conducted on eight lessees in the Maisonneuve Region, and on eleven lessees in the Niagara Region. Reports with recommendations were issued to the lessees and a follow-up visit of each Niagara Region site was conducted, showing significant action on recommendations in most cases.

The audit of Baillargeon Wharf and outstanding Maisonneuve Region lessees was postponed to 2009/10. Thus, all at-risk lessees will have been verified over three years. Visits to follow up on recommendations will be conducted on an annual basis. A complete audit of each site will be done every five years.

Corporate Governance

AS OF MARCH 31, 2009

The St. Lawrence Seaway Management Corporation (SLSMC) is governed by a nine-member board that is responsible for ensuring the long-term viability of the Corporation and of the Seaway as an integral part of Canada's transportation infrastructure. The Board oversees many aspects of the SLSMC's mandate, including strategic planning, risk management, succession planning, communications policy and the integrity of the Corporation's internal controls. It also reviews SLSMC's financial results and future direction and sets limits on management authority, accountability and unforeseen expenditures. Individual Board committees oversee governance, human resources, audit, and asset renewal.



*From left to right (front row):
William D. Mooney, Richard J. Corfe, Guy C. Véronneau,
David F. Mothersill, Ian MacGregor*

*From left to right (back row):
Paul A. Gourdeau, Richard Gaudreau, William Keays,
Peter G. Cathcart*

BOARD OF DIRECTORS

Peter G. Cathcart
Ontario Provincial Government Representative

Richard J. Corfe
President and Chief Executive Officer

Richard Gaudreau
Federal Government Representative

Paul A. Gourdeau
International Carrier Members' Representative

William Keays
Québec Provincial Government Representative

Ian MacGregor
Domestic Carrier Members' Representative

William D. Mooney
Grain Members' Representative

David F. Mothersill
Steel and Iron Ore Members' Representative

Guy C. Véronneau
Chair
Other Members' Representative

CORPORATE GOVERNANCE

OFFICERS

Richard J. Corfe
President and Chief Executive Officer

Jean Aubry-Morin
Vice-President, Niagara Region
Corporate Environment Officer

Guy Yelle
Vice-President,
Maisonneuve Region
Corporate Health and
Safety Officer

Serge Bergeron
Chief Financial Officer
and Director of Support
Services

Yvette Hoffman
Counsel and Secretary

INDUSTRY MEMBERS 2008/2009

DOMESTIC CARRIERS

Algoma Central Corporation
St. Catharines, Ontario

Canada Steamship Lines,
A Division of The CSL Group Inc.
Montréal, Québec

Groupe Desgagnés Inc.
Québec, Québec

Lower Lakes Towing Ltd.
Port Dover, Ontario

McKeil Marine Limited
Hamilton, Ontario

St Marys Cement Co.
Toronto, Ontario

Upper Lakes Group Inc.
Toronto, Ontario

Voyageur Marine Transport
Limited
Ridgeville, Ontario

GRAIN

ADM Agri-Industries Company
Windsor, Ontario

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

Bunge du Canada Ltd.
Québec, Québec

Cargill Limited
Winnipeg, Manitoba

Louis Dreyfus Canada Ltd.
Calgary, Alberta

Richardson International
Limited
Winnipeg, Manitoba

The Canadian Wheat Board
Winnipeg, Manitoba

Viterra Inc.
Regina, Saskatchewan

INTERNATIONAL CARRIERS

Colley Motorships Ltd.
Montréal, Québec

Fednav International Ltd.
Montréal, Québec

Gibson Canadian Et Global
Agency Inc.
Montréal, Québec

Gresco Ltée.
Montréal, Québec

Inchcape Shipping Services
Dorval, Québec

Montréal Marine Services Inc.
Longueuil, Québec

Montship Inc.
Montréal, Québec

Navitrans Shipping Agencies
Montréal, Québec

Robert Reford,
A Division of MRRM (Canada) Inc.
Montréal, Québec

SMK Tanker Agency Inc.
Montréal, Québec

OTHER MEMBERS

Essroc Italcementi Group
Mississauga, Ontario

Keystone Canada Inc.
Montréal, Québec

Lafarge Canada Inc.
Concord, Ontario

OmniSource Corporation
Burlington, Ontario

Petro-Canada
Oakville, Ontario

Redpath Sugar Ltd.
Toronto, Ontario

The Canadian Salt Company Ltd.
Pointe-Claire, Québec

The Mosaic Company
Colonsay, Saskatchewan

STEEL AND IRON ORE

ArcelorMittal Dofasco Inc.
Hamilton, Ontario

Iron Ore Company of Canada
Montréal, Québec

U.S. Steel Canada
Hamilton, Ontario