

TOWARDS GREATER ACCESSIBILITY

2009/2010 ANNUAL REPORT



The St. Lawrence
Seaway Management
Corporation

Corporation de Gestion
de la Voie Maritime
du Saint-Laurent

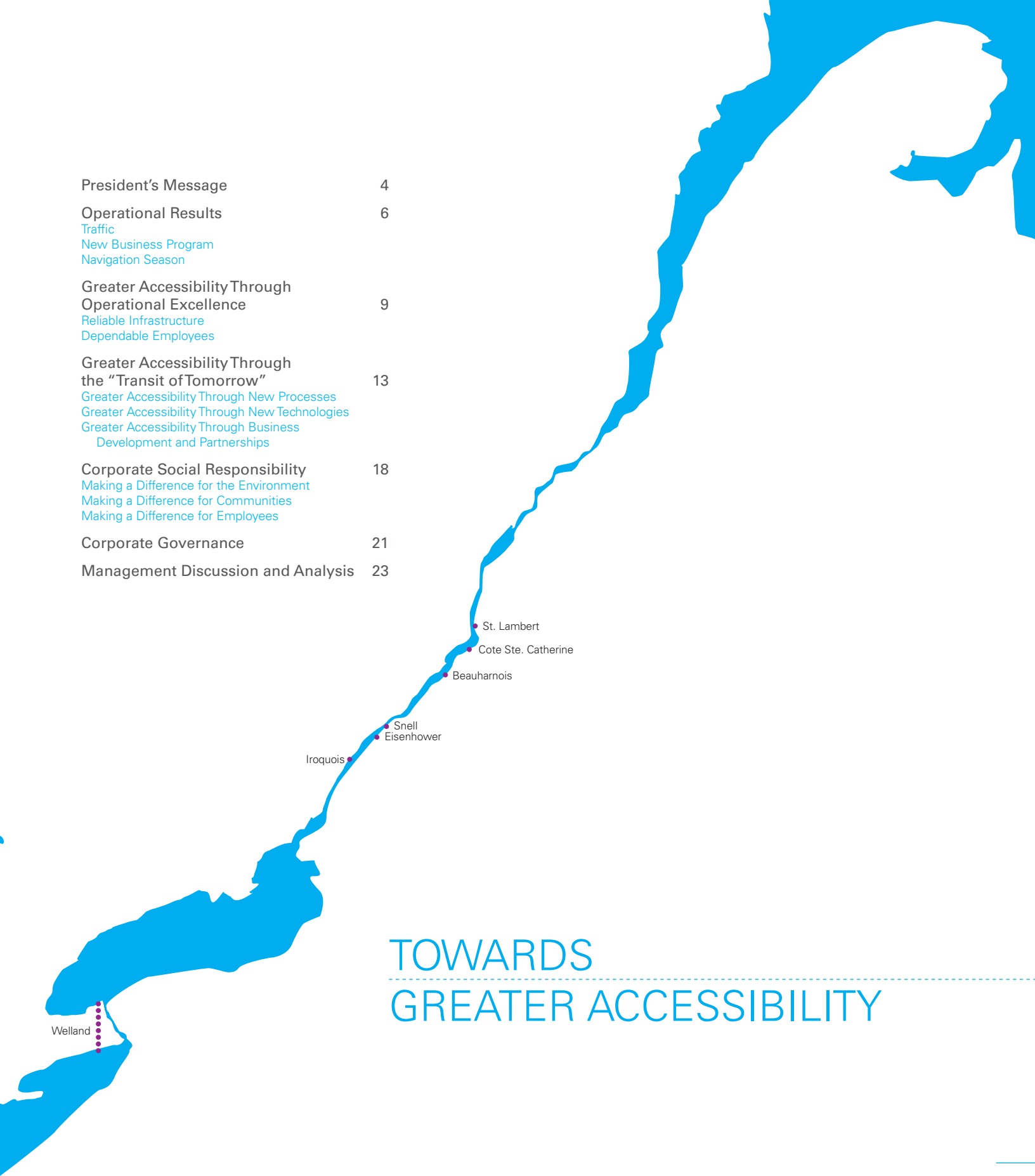




● Locks



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TOWARDS GREATER ACCESSIBILITY

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.

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 products from a vast network of inland ports to worldwide markets, and vice versa.

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

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

1/ a dedicated professional workforce that prides itself on providing excellent customer service;

2/ high-quality traffic management, using automatic vessel identification and real-time tracking;

3/ a reliable operation, with system availability consistently above 99.5%;

4/ 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;

5/ joint Canadian and U.S. government inspections at entry, thus eliminating duplication, including ballast water inspections which mitigate the spread of invasive species into the Seaway / Great Lakes system;

6/ 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;

7/ an excellent safety record.



/Lock 3, Welland Canal



/Flight locks 4, 5 and 6, Welland Canal



/St.Lambert Lock, South Shore Canal



/South Shore Canal



/Lock 2, Welland Canal

PRESIDENT'S MESSAGE



The 2009/10 year was a remarkable one for the Corporation, with the series of events that took place bringing us face-to-face with the key elements of 'sustainability' and pushing us to adjust, adapt and move forward with specific plans and actions.

It was the year in which the St. Lawrence Seaway celebrated its golden jubilee, both in Canada and in the United States, and we reconfirmed the bi-national cooperation that has been a keystone of the success of the Seaway system during these five decades. 2009 also heralded the 180th anniversary of the first Welland Canal, and we celebrated

the current version, the fourth canal, as part of the overall St. Lawrence Seaway. To commemorate the various events which took place during the year, we have included a pull-out in this report.

The slogan for the 50th was "A vital waterway – past present and future" and, while we re-visited our past achievements, we also had to take stock of the present situation in preparing for the future. And the 'present' was an economic downturn like no other during the history of the Seaway, one that had started towards the end of the previous year and that had us in its crushing grip for most of 2009.


As a mainly bulk transportation system, the Seaway tends to be a leading indicator with respect to industrial output and, with steel production slowing and in some cases stopping, our movements of iron ore, coal, coke and semi-finished steel dropped to near all time lows. The overall results for 2009/10 saw traffic levels and tonnage down by 25% compared to 2008. While the details of our operating performance are covered in the report, the magnitude of the downturn caused us to review our strategies and work to speed up those that would help address the short-term impacts of the loss of traffic.

In our Strategic Map we define 'sustainability' as – Maximizing benefits; Minimizing impacts; and Managing costs; building on the two key pillars of 'increased system use' and a 'reliable infrastructure'. In 2009/10 the Seaway infrastructure remained reliable but its use diminished considerably and, while little could be achieved to reverse this at the time, we moved to identify and prepare strategies to address the critical issues that the Corporation, and system, had to face going forward.

In identifying our critical issues as the *changing trade patterns*, the *environmental challenge*, the *common vision for the system's future* and the *cost and complexity of system use*, we have been working to increase system accessibility by removing barriers, improving operating efficiency, promoting awareness of the system's economic, environmental and social benefits and by bringing together the various stakeholders to look for common approaches into the future.

The slogan for the 50th was "A vital waterway – past present and future" and, while we re-visited our past achievements, we also had to take stock of the present situation in preparing for the future. And the 'present' was an economic downturn like no other during the history of the Seaway, one that had started towards the end of the previous year and that had us in its crushing grip for most of 2009.

On the environmental front, the year had its successes and frustrations. The application of the Seaway ballast water regulations, supported by the Joint Ballast Water Working Group from Transport Canada, U.S. Coast Guard and the two Seaway Corporations, ensured that no untreated ballast water was discharged into the Great Lakes. These regulations have shut down the introduction of invasive species from ship activities, with no introductions from this vector recorded since 2006. During this same period, proposed environmental legislation at the U.S. federal and state levels threatens our system, our marine industry and our economy without providing for any tangible returns. Collectively, we need to determine an approach that will enable us to rebuild our domestic fleet and attract more international users, thereby enhancing our already significant environmental benefits – a file to watch throughout 2010.



During 2009, the Corporation was an active supporter of industry-wide initiatives to improve both performance and image. The Corporation, as did many other Green Marine participants, increased its performance ratings against the key action items in the program, including greenhouse gas emissions. At the same time, we were front and center with the development of the industry's Marine Delivers awareness campaign and see this as one of the ways to integrate actions across a diverse industry.

In line with our strong history of collaboration and cooperation, and respecting our need to provide a seamless system to users, during 2009, we held joint strategic sessions between U.S. and Canadian Seaway management groups to ensure alignment on messaging to government and on actions on business development, technology and infrastructure. The output from these sessions positions us to engage both Governments in defining a common vision and determining the necessary actions to ensure sustainability through the next 50 years.

In conversations with both current and potential users of the system, we often hear that our system is costly and complex to use. Spurred by the traffic situation in 2009, we have delved into this area to determine where we can act directly and where we need to facilitate actions with other stakeholders. We have attempted to differentiate between what is fact and what is perception, recognizing that both need to be addressed, but through different mechanisms. We have determined that regulation is often at the basis of the issue and, in this area, have been working constructively with Transport Canada to advance possible solutions. And we have recognized that a good number of issues fall within our ability to resolve, and are doing so. This has led to a concept of increased accessibility through customization, and we have made significant progress in this area in 2009.

Our ability to transit vessels through our 'low lift' locks, without stopping and securing, provided significant time savings to our customers in 2009. Our deployment of vessel self-spotting across the complete Canadian system is being recognized by many of our users, who are already pushing for enhancements to make their transits even more efficient. Our testing of hands-free technology at Lock 7 on the Welland Canal has positioned us to be able to reduce costs and complexity for current users and provide the marketing basis for attracting new business.

In regards the infrastructure, 2009 was a transition year where we ensured that essential preparatory work is in place for the organization to achieve planning and execution of necessary rehabilitation work over the period 2010 to 2013. This included engineering studies and the hiring of additional engineering and technical resources. During the year, \$47 million of asset renewal work was carried out, \$4 million less than in 2008.

With reduced traffic resulting in toll revenues of only \$50 million, savings in operating expenses and in the above-noted asset renewal spending resulted in overall expenses being \$6 million below budget. While this 'belt-tightening' helped, the Corporation was unable to cover its operating expenses from revenue for the first time since its creation, posting a shortfall of \$11 million.

Against this backdrop of low traffic and reduced revenue, a major challenge for the Corporation was to engage the workforce in the direction of the future. We started this process with an 'employee engagement survey' and used this to identify improvement areas. As a result of this, and in recognizing the need to address our demographics and the changing workforce, we launched an overall review of the Human Resource strategy, including 'talent management', 'performance management' and 'knowledge management'. In effect, we have been on a continual recruiting campaign for the last two years, which has been a new challenge for us, and during 2009 we also revised our policy allowing employees to work beyond age 65. This overall approach responds to our 'look into the future' to determine our future requirements and the process of working to fill these by developing current employees and complementing this with external hiring, as required.

In 2009/10, we took the occasion to celebrate our 50th and we reacted in an effective manner to the external situation that we faced, but we are not unhappy in closing the book on the year. Some of the lessons learned will stand us in good stead for the next few years.

I hope you find the reading of this annual report both informative and interesting.



Richard J. Corfe
President and CEO

OPERATIONAL RESULTS

The transit of ships is the Seaway's "raison d'être," and operational results provide the primary means of measuring the Corporation's success in carrying out its mission.

While the 2009 shipping season unfolded without any major incidents, the dramatic drop in traffic demonstrates the urgency underlying the Corporation's efforts to attract more vessels into the system.

TRAFFIC

Tonnage in 2009 dropped significantly to levels not observed since the early 1960s. Total combined traffic through the Seaway system was 30.7 million tonnes (MT), down 24.7% from the 40.8 MT transported in 2008. More specifically, 20.70 MT transited through the Montreal / Lake Ontario section (MLO), down 8.65 MT or 29.5%, while the Welland Canal registered 26.38 MT of cargo, a reduction of 7.20 MT or 21.4%.

The world-wide recession had a profound effect on many transportation and industry sectors in 2009, including the Seaway / Great Lakes waterway. The North American steel industry was particularly hard hit, triggering sharp declines in deliveries of iron ore to mills in the Great Lakes basin. Compared to 2008, iron ore through the MLO fell 5.28 MT or 57.7% while, on the Welland Canal, volume was down 3.25 MT or 34.2%.

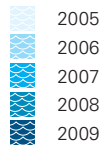
Coal shipments dropped 0.22 MT or 23.1% on the MLO and 0.78 MT or 21.4% on the Welland Canal, partly due to a slowdown in manufacturing and a drop in electricity demand. Shipments of other bulk commodities also posted significant decreases stemming from the recession, with reductions of 2.69 MT or 27% on the MLO section and 3.29 MT or 26.6% on the Welland Canal.

As for Canadian grain, shipments dropped 0.12 MT or 2.1% on the MLO section and 0.03 MT or 0.6% on the Welland Canal. Despite an average harvest, the steep decline in steel imports resulted in fewer vessels being available to export grain out of the system. Meanwhile, on the U.S. side, bumper crops in 2008 and 2009 resulted in large inventories and led to increased volumes of American grain through both sections of the Seaway. Compared to 2008, an additional 0.65 MT or 45.7% transited the MLO, while a similar percentage increase of 45.1% or 0.71 MT went via the Welland Canal.

General cargo also suffered setbacks due principally to the decline in iron and steel imports. This resulted in reductions of 1 MT or 52.3% in the MLO and 0.56 MT or 44.5% in the Welland Canal.

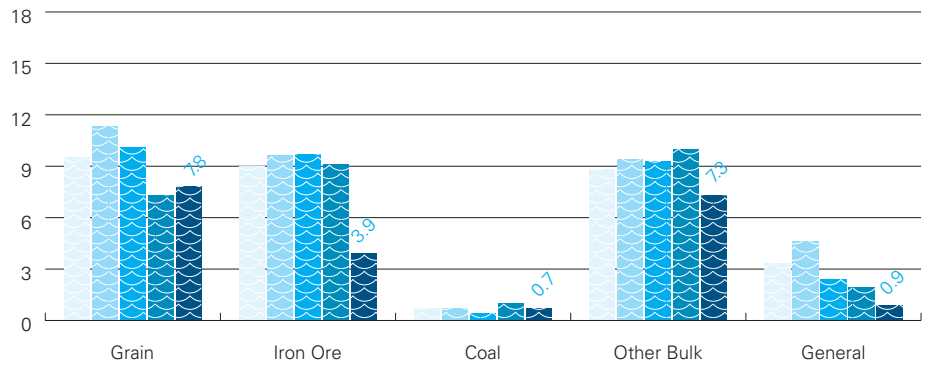
Along with decreased traffic, was a corresponding reduction in the number of transits. During the 2009 navigation season, there were 3,639 vessel transits of the Seaway, 596 fewer than in 2008. In the MLO, the overall reduction was 14.7%, with ocean vessels down 30.2% and inland vessels 8%. Transits in the Welland Canal were 19.1% lower, with ocean and inland vessels down 27.4% and 17.4%, respectively. The major drop in transits is symptomatic of both the recession and the continuing decline in the number of vessels within the world fleet that are "Seaway fitted" and thus able to transit the system.

Adapting the system to accommodate a wider range of vessels is a key element to the Corporation's plan to bring about greater accessibility, and thus raise system utilization to ensure a sustainable future for the Seaway.



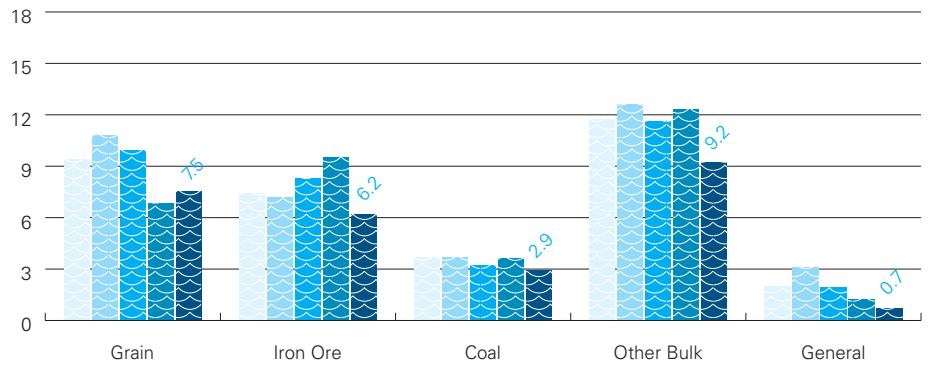
TRAFFIC RESULTS: MLO SECTION

(Total cargo in millions of tonnes)



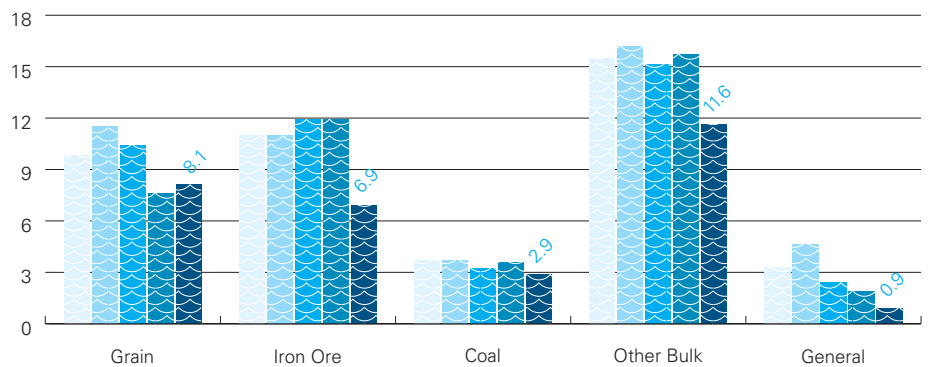
TRAFFIC RESULTS: WELLAND SECTION

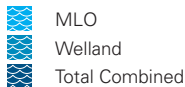
(Total cargo in millions of tonnes)



TRAFFIC RESULTS: COMBINED

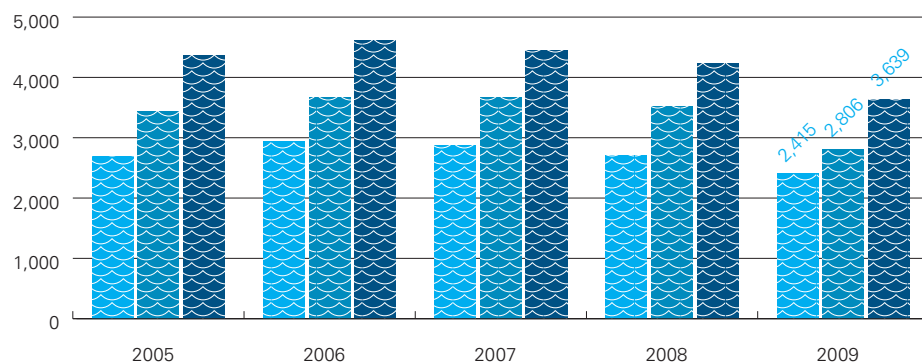
(Total cargo in millions of tonnes)





VESSEL TRANSITS

(Total number of transits)



NEW BUSINESS PROGRAM

Introduced in 2008, the New Business Program offers toll incentives for certain movements of cargo (cargoes between new origin / destination combinations, or cargoes that have not previously been shipped via the Seaway); volume discounts for meeting tonnage thresholds; and, for transits of the Welland Canal, offering variable lockage fees based on the vessel's gross registered tonnage (GRT). Once an application is approved, it is valid for three years; therefore, multiple shipments are able to move during the applicable time period. Of the 72 applications submitted in 2009, 64 were approved.

This year, the program brought in 1.73 MT of new cargo, with corresponding revenue of \$2.63 million, which served to partly mitigate the decline in tonnage triggered by the economic downturn. These results came from 229 shipments of new cargo, of which 59 were from applications approved in 2008 and 88 in 2009, with the remaining 82 from container traffic. Of note, there were 29 container movements between Hamilton and Montreal, under an initiative spearheaded by the Port of Hamilton, which translated into a 66.3% increase in containers through the MLO section.

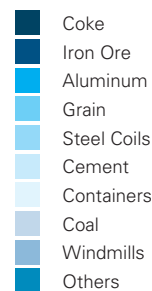
After two years, the new business toll incentive program has achieved 83% of its three-year objective.

NAVIGATION SEASON

When the first vessel entered the St. Lambert Lock on March 31st to kick off the 2009 navigation season, it was greeted with much fanfare as it also marked the Seaway's 50th year anniversary.

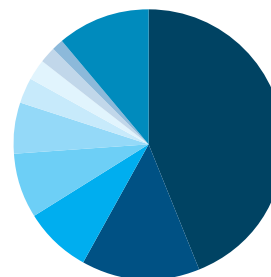
Although not a record breaking year, the system remained open 274 days and no major incidents were reported. The last vessel to travel the MLO section exited Iroquois Lock on December 28th, while the last Welland Canal ship transited Lock 1 on December 30th.

Reliable transit times are important to allow fleet operators to meet their customer commitments. The Seaway's objective is for 90% of transits to take place within the "standard time + two hours". In 2009, 87.4% of transits were completed within this timeframe, a 6% improvement over 2008.



NEW CARGOES

(Tonnage)



GREATER ACCESSIBILITY THROUGH OPERATIONAL EXCELLENCE

Maintaining system reliability is key to greater accessibility. Employees work diligently to ensure that infrastructure maintenance and operational practices result in the Corporation meeting its target performance measures.

RELIABLE INFRASTRUCTURE

The Seaway's 50th anniversary brought with it the recognition that, after decades of service, the infrastructure is aging. In fact, the MLO section is now more than a half-century old, while the Welland Canal is nearing its 80th anniversary. Even so, the Corporation's objective is to continue providing system availability at a level exceeding 99% and engineering staff use data gathered from inspection and preventative maintenance programs to assess and plan projects aimed at maintaining system integrity.

Inspection Program

Employees closely monitor the infrastructure to assess the condition of each asset, calculate the probability of failure, and derive a timeline for preventive maintenance. To this end, state-of-the-art, non-destructive testing and monitoring techniques are applied to evaluate key assets. The results contribute directly to the Corporation establishing and implementing a comprehensive Asset Renewal Plan to manage its risk exposure and build on its excellent record of system reliability.

Asset Renewal

A number of initiatives totalling nearly \$47 million were completed in 2009, the second year of the current five-year Asset Renewal Plan, which covers the period 2008 to 2013 and has a funding envelope of \$270 million. These include:

Maisonneuve:

- Replacement of the Kahnawake emergency dock
- Channel dredging between Locks 2 and 3
- Dry docking of the VM/S Hercules
- Replacement of Bridge 20 over the Beauharnois Pool discharge weir canal
- Reconditioning of taintor valves at Lock 1
- Upgrade of electrical power for the Beauharnois and Iroquois Locks

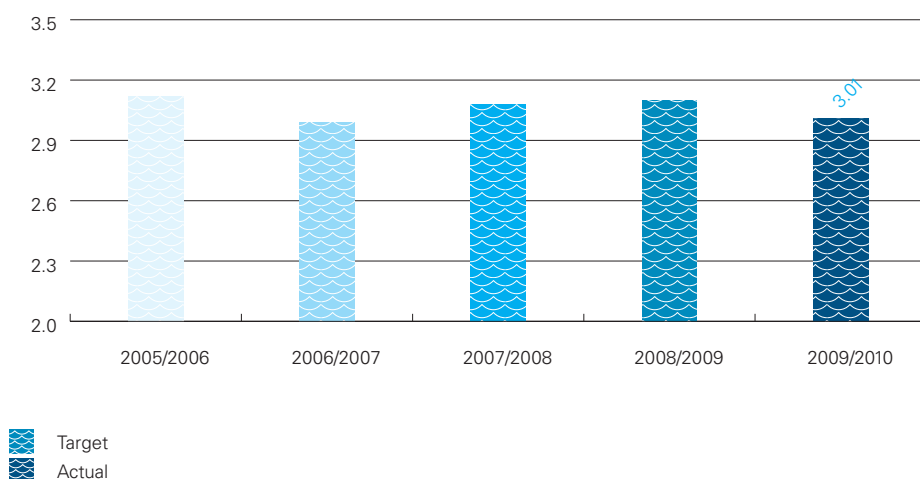
Niagara:

- East break wall concrete and armour stone repairs at Port Colborne
- Diagonal air curtain installations at Locks 1 and 3 and horizontal at Lock 7
- Emergency replacement of section of approach wall below Lock 2
- Lighting of east bank of bridge 10 area
- Replacement of festoon cable guide at bridges 11 and 21
- Protection of bank erosion at long reach 7
- Lock wall repairs at Locks 5 and 7
- Stabilization of lower wall at Lock 2

This year's planned activities included pre-engineering work for a major timber tie-up wall rehabilitation program. The need for this work became more critical following the collapse of 40 meters of tie-up wall at the Welland Canal's Lock 2 on January 26th. While a number of factors contributed to this failure, including a sustained period of heavy rainfall when Lock 2 was dewatered, this was a reminder of the deteriorated condition of walls of similar design throughout the Canal.

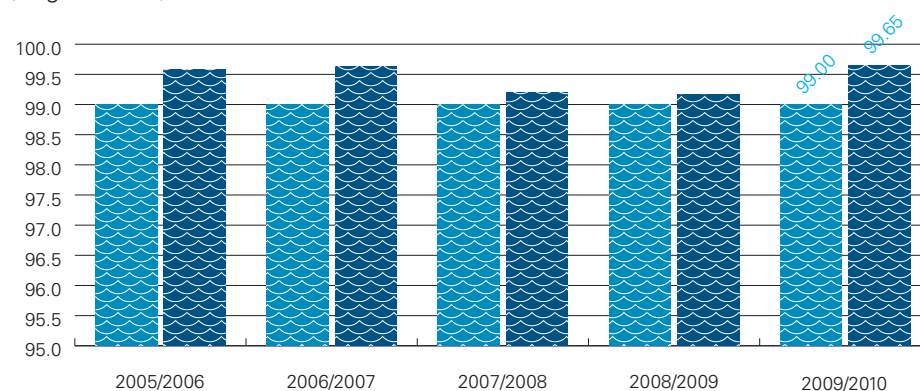
A work plan was rapidly established to repair the collapsed section and collaborative efforts between Corporation staff, consultants and contractors ensured the timely rehabilitation allowing the Welland Canal to open, as scheduled, on March 25th. Rather than a temporary fix, a permanent repair was carried out using a prototype design being considered by the engineering group for the full replacement program.

RELIABILITY INDEX



SYSTEM AVAILABILITY

(Target = 99%)



This failure reinforces the importance of the tie-up wall rehabilitation program already on the Corporation's books and the need to re-evaluate the timeline for carrying out the work.

Regular Maintenance Activities

Regular maintenance also has a major impact on system reliability. With the addition of Canal Service Technicians and ongoing efforts at improving execution of regular maintenance activities, fewer breakdowns are occurring and, consequently, less delays due to unplanned maintenance and repairs are being experienced.

System Availability and Reliability

The Corporation uses a number of indicators to measure the effectiveness of its infrastructure maintenance programs. In particular, a reliability index, which represents the physical health of its main assets, is calculated based on results from inspections and assessments. During 2009, the reliability index decreased from 3.1 to 3.01, showing a slight degradation in the condition of assets compared to 2008. This is due to the natural aging of the infrastructure, with most of the decrease attributed to lower ratings assigned to tie-up walls in the Welland Canal and operating cables at some vertical lift bridges. Projects have been initiated to remedy these situations.

A system availability indicator reflects the percentage of time the system is available for navigation, within the announced opening and clearance dates, and factors in all delays, including those not under Seaway control, with the exception of queuing time. The result for 2009 was 99.65%, which is above the target of 99%.

In terms of efficiency, the Corporation's goal is to keep average Seaway delays under 20 minutes per transit per region. This commitment to users was achieved in the Maisonneuve Region, with an average delay of 10 minutes per transit. In the Niagara Region, the average was 25 minutes, due

partly to testing of the hands-free mooring units at Lock 7. The 2009 results showed improvement in both Regions compared to the previous year.

Marine Safety

Marine transportation remains safe and secure, with minimal negative impact to the surrounding environment. In 2009, vessel incidents were down to twelve, which translates to 2.3 per 1000 transits, with no incidents of pollution and only minor delays to navigation.

DEPENDABLE EMPLOYEES

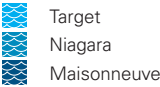
The Corporation strives to ensure its employees have the appropriate knowledge, training and equipment necessary to successfully perform their work.

Jobs of Today and Tomorrow

Reflecting the increasing role of technology, the organizational structure of the Seaway has changed over the last few years. In particular, the addition of Canal Service Technicians and the restructuring of the engineering group are directly linked to the need for highly-trained skills people to maintain and modernize the Seaway infrastructure into the future.

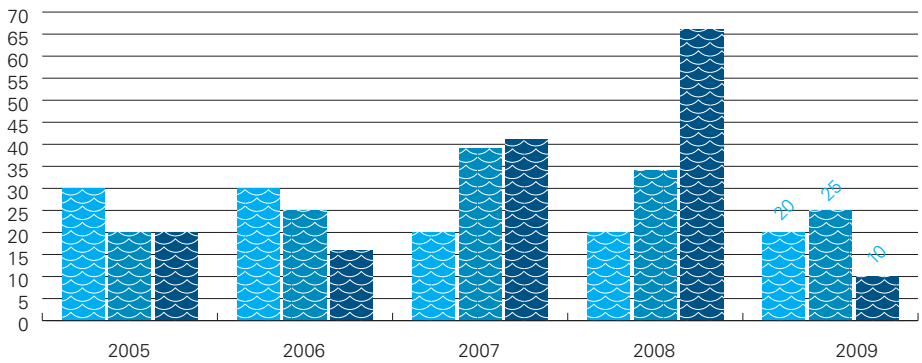
The Corporation now has a full complement of certified electrical and mechanical Canal Service Technicians trained to take on a greater portion of the day-to-day maintenance work, which has led to improvements in transit times and reduced delays. They, along with lock operators, work at getting vessels safely and efficiently through the waterway, with the least amount of disruption.

In addition to the regular level of work carried out throughout the year to maintain structures and ensure reliability, the increased level of asset renewal funding requires the engineering organization to undertake more ambitious winter work programs.



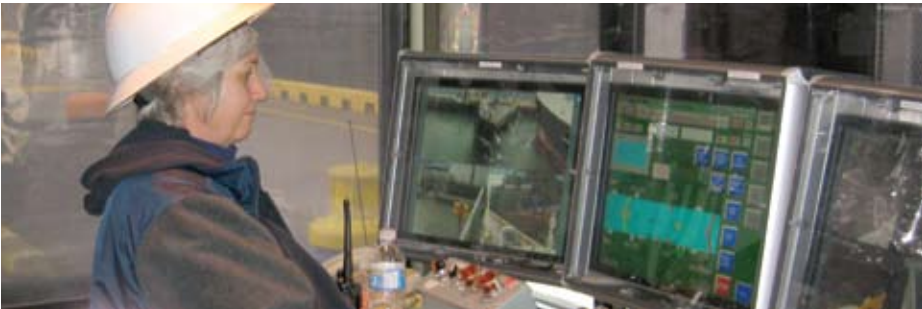
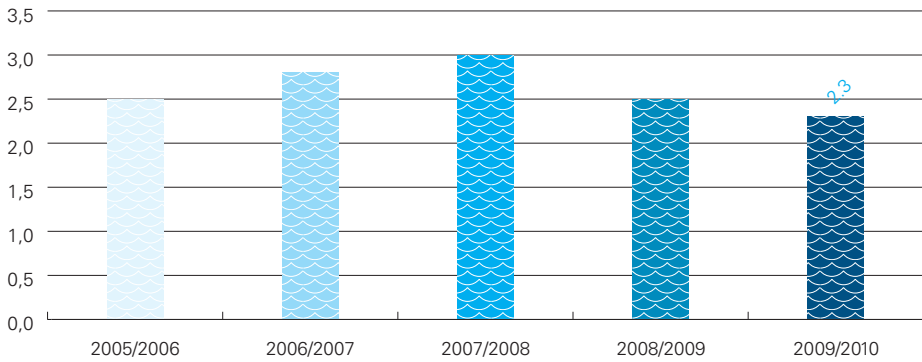
SEAWAY DELAYS PER TRANSIT, PER SECTION

(Target since 2007: less than 20 minutes per transit)



VESSEL ACCIDENT RATE

(Accidents per 1000 transits)



A Workforce in Transition

In addition to changes in its business environment, the Seaway is experiencing changes to its workforce. Between April 1, 2003, and March 31, 2010, 35% of the workforce at the start of the period had retired, including 37 during the last fiscal year. During the same time, 135 permanent employees were hired, including 25 since April 2009. The end result is that 24% of the Seaway workforce has been on the job less than seven years. By 2015, 197 more employees will be eligible for retirement, which suggests that the rate of departures and arrivals will continue to increase.

While staff turnover creates challenges for succession planning and knowledge management, it also provides opportunities as we adapt to new realities. In this vein, the Corporation is turning more and more to technology to render the system accessible to a wider customer base and to support employees to maintain the reliability of our aging infrastructure.

Succession Planning and Recruitment

Again this year, the Corporation's annual succession planning process identified areas in the organization where there is a lack of depth in terms of future replacement personnel. This gap is particularly evident in the areas of management and operations. To address this, a pilot project designed to prepare and implement development plans for a number of specific employees was initiated in 2009.

Furthermore, given the higher retirement rates, recruitment activities now occur on a continuous basis. By working with external firms and increasing the Seaway's visibility through participation at events, such as the Technology Career Show of the Réseau des ingénieurs du Québec, progress has been made in filling positions that have proven difficult in the past.

Ongoing Development

The Corporation promotes ongoing development as an effective means for employees to remain qualified to provide excellent service. Employees are encouraged to take part in personal or professional improvement programs related to their career path. In addition, training activities are held throughout the year, including pre-opening workshops addressing lockage practices, customer service, health and safety. In 2009 the Corporation provided new and refresher training in the area of health and safety to managers and other involved employees across the organization. This included policy updates for Alcohol and Drug Abuse and Violence in the Workplace.

Success Through People

Employee engagement is an essential ingredient to operational excellence and building a sustainable system. The employee survey carried out in the spring of 2009 confirmed the Seaway's strengths and indicated areas needing improvement. Follow-up focus group sessions were held to examine the results, and steps are now underway to respond to some of the issues identified.

A 'People Strategy' was developed in the fall of 2009 in response to the human resources challenges highlighted by the employee survey. The strategy focuses on three priorities: instituting a performance-based culture, completing and harmonizing existing strategies to satisfy current and future staffing demands, and introducing a new service delivery model between the Human Resources department and Managers to fulfil evolving needs within the workforce.

Communication

Internal communication is essential as the Corporation adapts to a changing business environment. The Corporation has launched various communication efforts aimed at informing staff on the steps underway for the transit of tomorrow, and involving them in the change process. These include more frequent communiqués, special edition newsletters and a dedicated intranet site where employees can quickly review the latest information available.

Emergency Preparedness

In 2009, employees took part in several emergency planning exercises to hone their skills and prepare for actual emergencies.

In the Niagara Region, Operation "Vigilant Guard" was carried out in coordination with the State of New York. The scenario entailed a simulated earthquake in which collateral damage occurred across the Niagara Region, bringing about the failure of certain structures and flooding of various neighbourhoods adjacent to the Welland Canal. Seaway employees worked in tandem with emergency responders and government officials to coordinate a response to the scenario as it unfolded.

A variety of drills were also held at each of the five locks in the Maisonneuve Region over the past year. The operations centre participated in simulations before the opening of navigation to prepare for a wide range of emergency scenarios.

In each instance, employees were able to test the Emergency Response Plan, and establish key relationships with local officials. Training exercises are important in preparing employees to respond effectively and in a timely manner in case of an emergency.

GREATER ACCESSIBILITY THROUGH THE “TRANSIT OF TOMORROW”

The Corporation is faced with substantial challenges in terms of re-engineering a 20th century marvel to ensure continued sustainability. To this end, it is working closely with stakeholders to position the Seaway as a key transportation artery in the future.

GREATER ACCESSIBILITY THROUGH NEW PROCESSES

Achieving greater system accessibility requires that the Corporation examine its existing processes for transiting vessels. A variety of changes were introduced throughout the year to address the needs of current Seaway users, and to attract new ones.

Customization

Customizing services means adapting to individual needs, rather than having a “one-size-fits-all” principle. Developing a more flexible transit process that adjusts to specific vessel characteristics and performance is one way to attract more users to the system.

Customization takes a variety of forms. It can be simplifying the equipment needed on board a vessel to transit the system or adapting procedures. For example, the use of steel cables, which are non-standard equipment on most ocean vessels, represents additional costs that have been eliminated for vessels up to 150 metres in overall length, without compromising safety. Another example is the use of two or three mooring lines, instead of the usual four, to secure vessels in the lock, thereby reducing lockage times for qualifying vessels. As demonstrated at Iroquois Lock during 2009, this saved an average 10 minutes per transit and, as an added benefit, lock operators handled 5,700 fewer cables, thus reducing significantly the risk of injury.

Walk-Through Lockage



This lockage procedure, whereby the vessel does not come to a stop in the lock, was successfully employed at Iroquois Lock and at Lock 8 in the Welland Canal. At Iroquois, two-thirds of transits used this method, which resulted in average time savings of 27 minutes per transit. At Lock 8, 55% of transits between July 14th and the end of the navigation season used the walk-through method, saving an average 17 minutes per vessel compared to the conventional method of four mooring cables.



John Chalmers

Senior Coordinator, Canal Services,
Niagara Region

John's position within the Seaway allows him to act as a liaison between maintenance and operations groups, as well as between customers and the Corporation. Because of his many years of service and his level of engagement, this position suits him very well.

“Working at the Seaway since 1978, I can say we have come a long way in the past 32 years. Back in 1978, there were ships everywhere and we very much had a “one size fits all mentality”. Today, we are much more customer focused. The Canal Services Group, of which I am a part, has shown real leadership in this regard; we routinely meet with customers, listen to their needs and take appropriate action. My role also allows me to serve our customers by being able to contribute directly to the development of the “Transit of Tomorrow.” Unfortunately, with retirement looming, I may not be around to see this initiative come to full fruition. It is however gratifying to know that I have had the opportunity, along with many others, to participate in its development.”

Draft Optimization

The Seaway has been working with shippers on draft optimization to allow eligible vessels to transit the waterway at deeper drafts. Successful testing of vessels at drafts of 8.15 m (26'9") was carried out in 2009. Deeper drafts mean vessels can load more cargo, which makes the trips more cost-effective, and enhances the marine mode's energy efficiency and low carbon footprint.

GREATER ACCESSIBILITY THROUGH NEW TECHNOLOGIES

The Corporation is implementing a number of new technologies to enhance accessibility to the Seaway and facilitate transits for both current and future clients.

Hands-Free Mooring

An important component of the "transit of tomorrow" strategy is the vacuum mooring system, which has been undergoing various trials since 2007. The Corporation is the first to apply this type of technology in a lock environment, and a successful system-wide implementation would allow more of the world fleet to enter the Seaway system without investing in specialized equipment.

In 2009, two winch-type vacuum mooring units were installed to complement the two floating units already in use at Lock 7 of the Welland Canal. The winch units can position the mooring pads to avoid obstacles such as wear bars on vessel hulls. From October to the end of the navigation season, the hands-free mooring system was used for 168 lockages, of which 110 (65%) were successful.

More than 890 trials of vessel stopping and positioning without using wires were carried out last year at Lock 3 in Beauharnois and Lock 7 in the Welland Canal, with success rates of 76% and 60%, respectively. Vessels must be positioned within 850 mm of the lock wall for the hands-free units to be able to attach. Trials will continue in 2010 to identify the main challenges related to vessel positioning, and to devise solutions.

Vessel Self-Spotting

In 2009, seven locks were equipped with vessel self-spotting systems. Improvements were made to the previous prototype and, consequently, the success rate rose from 55% in June to 95% at the end of the navigation season. Installation and commissioning of all the self-spotting systems will be completed during 2010.

System Security

With a greater use of technology, comes the ever-present threat of cyber-attacks and hostile electronic intrusion. To reduce inherent risks, protect employees and partners, maintain the integrity of assets, and safeguard against service interruptions, a network security shield has been implemented across the Corporation.



Richard Lemieux
Lock Leader, Beauharnois

Richard's position allows him, on a daily basis, to meet and discuss with ship captains and crews. These interactions keep his job stimulating in addition to being a tremendous source of learning.

"In 2009, the vessel self-spotting system was implemented at the Beauharnois Locks. If there were questions on the precision of the system then, there are no longer any doubts today: it is accurate and reliable. I was, in fact, surprised by the degree of precision of the readings from the moment it was implemented. The self-spotting system is a tool that can facilitate vessel transit and, while this system is still being tested, I believe we can already talk about success!"



/Mooring pad attaching to vessel



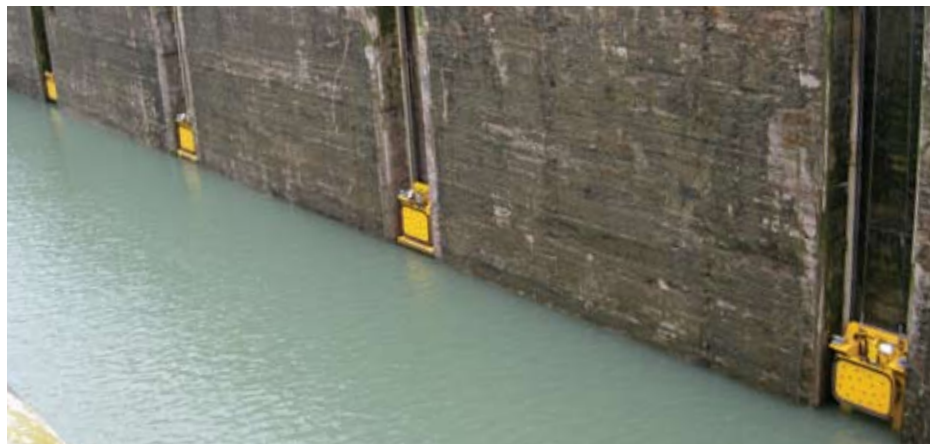
/Vessel entering Lock 7, Welland Canal



/Winch unit



/Vessel Self Spotting System



/The four units at Lock 7, Welland Canal

GREATER ACCESSIBILITY THROUGH BUSINESS DEVELOPMENT AND PARTNERSHIPS

The Corporation has been spearheading a number of marketing and promotional activities in an effort to attract additional traffic to the Seaway.

Hwy H₂O

The Corporation is the steward of the Hwy H₂O brand and program, which strives to promote the Seaway and attract both new cargoes and new users, and is supported by a broad coalition of stakeholders from the Great Lakes / St. Lawrence Seaway system. As part of ongoing efforts to enhance the value of the Hwy H₂O program among current and potential members, the annual Hwy H₂O conference brought 129 people to Mississauga on November 3-4, 2009, under the theme "Optimizing Today, Positioning for Tomorrow."

A promotional campaign, with the tagline "Go Hwy H₂O" also ran in 2009 utilizing radio and print advertising, and served to highlight the strategic location of the Seaway and its capacity to transport goods of all kinds.

Conferences and Exhibitions

In concert with other industry members of Hwy H₂O, the Corporation participated in a number of transportation events to raise industry awareness of the scope and capacity of the Great Lakes / Seaway system. The events included breakbulk conferences and exhibitions in Antwerp, Belgium, and New Orleans, as well as the annual conference of the Canadian Wind Energy Association in Toronto.

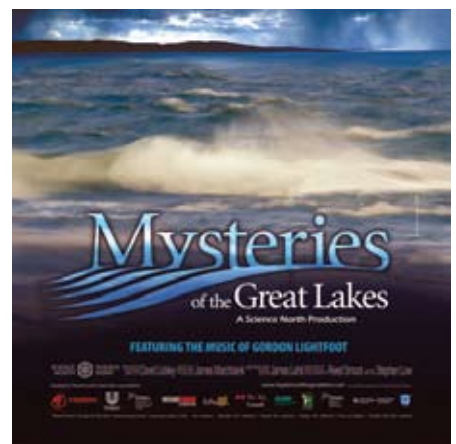
IMAX – Mysteries of the Great Lakes

Again in 2009, the Corporation co-sponsored viewings of the IMAX film *Mysteries of the Great Lakes*, which provides audiences with exposure to the Great Lakes / Seaway system. These included showings in New Orleans, Milwaukee and Niagara Falls.

Trade Mission

The regular Trade Mission was not held in 2009 due to the worldwide economic recession and its impact on many Seaway stakeholders. Instead the Corporation, along with its U.S. counterpart, the Saint Lawrence Seaway Development Corporation, traveled to Amsterdam, Rotterdam, Duisburg and London in September to meet short sea operators and benchmark their operational best practices, and look for opportunities to integrate these practices in the North American model. The development of short sea shipping remains one of the Corporation's key strategies to attract new vessels and cargoes into the Seaway system.

The Corporation continues utilizing overseas trade representatives to promote the Seaway and to encourage shippers and carriers to take advantage of opportunities provided by the Seaway.



Vessel Plan Review

One service offered by the Seaway is the review of ship drawings for new buildings or retrofits, to enable ship owners to incorporate necessary “Seaway-specific” requirements during construction when it is less expensive to do so. This year, at the request of a carrier, a Seaway marine inspector travelled to China to view a vessel under construction. He was able to suggest improvements to fittings which will enable that type of vessel to comply with Seaway requirements, thus broadening the range of vessels that can ply our waters in the future.

Sphere of Influence

By working with various levels of government and other stakeholders, we are able to raise awareness of the Seaway’s potential to serve the interests of provinces and states in North America.

In 2009, the marine sector study commissioned by the Ontario Marine Transportation Forum in partnership with the Ontario Ministry of Transportation was issued. It revealed some very positive conclusions pertaining to the role that marine transportation can fulfill in the future, and the Corporation will be joining forces with the Forum to publicize the study’s findings.

Communications and Public Relations

The Canadian and U.S. Seaway Corporations were sponsors of the 16th Annual International Conference on the St. Lawrence River / Great Lakes Ecosystem held in Cornwall, Ontario in May 2009. At the conference, the two Corporations made a joint presentation on ballast water management, and the unified approach adopted by the two countries to prevent future introductions of aquatic invasive species.

As part of the Seaway’s 50th anniversary celebrations, the Corporation also entered into a joint venture with Canadian Geographic magazine, resulting in the Seaway being featured as the cover story for the July / August issue. This collaboration also entailed preparing content for Canadian Geographic’s Online Atlas website and a series of lesson plans published by the Royal Canadian Geographical Society, which were distributed to over 15,000 schools across Canada. This project was an opportunity to raise public awareness of the Seaway, and promote the advantages of shipping cargo via the marine mode.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation is committed to the principle of sustainability, strives to balance the interests of many stakeholders as it carries out its operations and manages the Seaway system in a responsible manner. In particular, special consideration is given to communities and the environment.

MAKING A DIFFERENCE FOR THE ENVIRONMENT

Marine transportation provides important environmental benefits. As the most energy-efficient mode of transportation, shipping cargo via the marine mode provides one of the best options to lower the transportation sector's carbon footprint, while leveraging economic growth within North America. Together with its partners, the Corporation is continually taking steps to improve the system's environmental performance.

Green Marine

The Corporation is a member of Green Marine, an alliance of St. Lawrence and Great Lakes marine industry stakeholders. Members assess their environmental performance based on a set of guiding principles supported by concrete evaluation metrics. The Corporation participates in this initiative each year by performing reviews on a number of aspects of its operation, including aquatic invasive species, greenhouse gas emissions, and its overall environmental footprint. Solid progress in these areas has been recorded in recent years, and work will continue on many fronts as the Seaway seeks to advance its sustainable practices.

Ballast Water Management

Measures have been introduced by both the Canadian and U.S. Seaway Corporations to eliminate the introduction of invasive aquatic species into the Great Lakes / Seaway system. Ballast water management procedures put in effect in 2006 and 2008 have proven very effective. No new aquatic invasive species have been found in Seaway waters in the past three years.

In 2009, some 295 ocean vessels were subjected to ballast tank inspections. Of the 5,576 tanks inspected, 115 tanks were found to be non-compliant with the saltwater flushing standard. All non-compliant vessels were issued letters of retention, ordering the non-compliant ballast water to be sequestered and retained on board. As a consequence, 100% of ballast water discharged into the Great Lakes / Seaway system was fully compliant with Seaway standards.

Greenhouse Gas Emissions

Continued efforts to reduce greenhouse gas emissions generated by Seaway operations have yielded good results. The level of emissions is heavily influenced by climatic conditions during the start and end of the navigation season. Given warmer conditions during the 2009 navigation season, the Corporation's emissions were reduced by nearly 1,000 tonnes of CO₂ equivalent to 2,314 tonnes. This 31% decrease, compared to 2008, was principally due to less energy being consumed to prevent ice formation in the locks.

Average emissions for the 2007 to 2009 period were 2,884 tonnes per year, a reduction of 10%, from the 2003 to 2005 reference period, compared to a target of 15%. Plans to achieve the remaining reduction have been developed and include the use of electric compressors at the Beauharnois Locks to replace diesel units, improving energy efficiency of buildings and purchasing more efficient vehicles.

Icebreaking Study

The three-year Joint Observation Study which was launched as part of the May 2006 Memorandum of Understanding between the Mohawks of Akwesasne, Transport Canada, and the U.S. Saint Lawrence Seaway Development Corporation concluded in 2009. The study was developed to determine the physical effects of icebreaking during the



Shirley Bissonnette
Payroll and Pension Officer,
Finance Services

Shirley fulfills an important and appreciated role within the Corporation, as her job is to pay employees. But she is also well known for her community involvement and her efforts at creating a lively workplace for the benefit of her colleagues and friends.

"A member of the Seaway family since 2003, I am proud to see people showing their support to various charitable organizations whether it is through food drives, various activities such as Mission: Possible! or a charity putting contest during the annual golf event. However, the event that I enjoy the most is the Canadian Cancer Society – Relay for Life, in which I have been involved for the past three years. Sadly, this year, one of our team members and colleagues lost her battle with cancer and, unfortunately, this was not the only case of an employee battling this disease in the Corporation. Although we will be walking with a heavy heart, this will again be an occasion for me and my colleagues to get together and make a difference."

period leading up to the opening of navigation, and it concluded that no negative effects were observed on the shoreline as a result of this activity. These observations established baselines for natural ice clearing against which ice-breaking operations will be compared in the future. Some of the main benefits coming from this three-year study are the solid lines of communication that have developed between the parties and a better understanding of respective needs and impacts. The Seaway entities have committed to continuing the consultation process with the Mohawks when determining opening dates.

Lessee Environmental Compliance

Expanding its sphere of influence, the Corporation introduced in 2007 an Environmental Conformance Verification (ECV) program for its industrial and commercial lessees. Over the course of 2009, the Corporation carried out nine initial ECVs; five with lessees in the Maisonneuve Region and four in the Niagara Region. These procedures serve to ensure that lessees are informed of their responsibilities concerning stewardship of the lands they are using. In addition to the new verifications, follow-up on recommendations from past ECVs was carried out.

Threatened Species and Protected Habitats

The Corporation was approached by the Quebec Ministry of Natural Resources and Wildlife to take part in the development of a conservation plan for the Western chorus frog, a species that inhabits the southern edge of the Beauharnois Canal and is deemed vulnerable by the Ministry. The conservation plan seeks to protect the existing habitat zones and create corridors linking them, to ensure the long-term survival of the meta-population.

MAKING A DIFFERENCE FOR COMMUNITIES

Recognizing that the St. Lawrence River is a shared resource, the Corporation is actively engaged in community-based activities to foster stronger relationships with stakeholders.

Corporate and Employee Involvement

During 2009, the Corporation contributed to the fund for a new health centre in St. Catharines. At the local level, employees remain very involved in their communities. Participation in activities such as the Canadian Cancer Society's *Relay for Life*, the *Défi Vélo Onco* (cancer bike challenge) to raise money for the Charles-Lemoyne Hospital, *Bowl for Kids* for Cornwall Big Brothers and Big Sisters, a sugar bush day with students from REACH school, and *Safe Communities* and *Canal Days* celebrations in Port Colborne are examples of employee commitment to the communities where they live and work.

Employees also opened their hearts and their wallets during the Christmas period, providing more than 100 new toys to needy children and contributing approximately \$3,000 to local charitable organizations. Money was also donated to the Red Cross to help earthquake victims in Italy and Haiti.

The United Way – A Joint Effort

Each year, the Corporation supports the United Way by hosting campaigns in each of its work locations. Employees have always been generous towards the organizations under this umbrella group and, to provide greater assistance to the individual communities, the Corporation, in 2009, matched total employee donations of more than \$33,000.

Social responsibility is also about creating a healthy work environment where people can grow both professionally and personally and, over the years, the Seaway has implemented programs in support of this.

MAKING A DIFFERENCE FOR EMPLOYEES

Safe and Healthy Workplace

The Corporation is committed to maintaining a safe and healthy workplace for its employees and achieves this through the work of a Corporate Health and Safety Committee, as well as local committees, who are involved in developing safe work practices and policies. Health and safety committee members, union and lock leaders are all involved in process changes and the development of procedures.

During Occupational Safety & Health week, at the beginning of May, Regional and Head Office staff held events to promote safe behaviours at work and at home. Employees in the Niagara Region also participated in a Safe Driving Campaign in early December, aimed at increasing awareness and reminding employees to prepare for changing weather conditions.

The Corporation's good safety record continued in 2009, with Iroquois Lock employees reaching 17 years without a reported loss-time injury, and the entire Beauharnois Lock team celebrating one year without any loss-time incidents. The management group is encouraged to find occasions to celebrate these types of achievements with their employees, through recognition events such as the distribution of "Safe Worker Stickers", congratulatory letters or other events.

Employment Equity

The Corporation continues to actively promote employment equity initiatives with both internal and external candidates. In 2009, a new Employment Equity Consultation Group was formed and a revised three-year plan was developed in order to remove possible barriers found in our employment systems.

The comparison between Corporation figures and those in the external market are shown for each of the four designated groups as of December 31, 2009.

Designated Group	SLSMC Data	External Availability
Women	113	110
Aboriginals	10	4
Visible Minorities	40	39
Persons with disabilities	39	23

Mission: Possible!

For the first time in 2009, the Corporation launched a corporate-wide program which combined wellness and community involvement. A total of 16 teams (5 members each) participated in the Seaway-wide challenge "Mission: Possible!" Over a period of five months, the teams adopted healthy lifestyle choices, organized wellness activities for their fellow teams and Seaway colleagues, and engaged co-workers to support activities within their respective communities.

As wellness can also be enhanced via the adoption of healthy habits outside the workplace, the Corporation encourages employees to remain fit through a physical fitness reimbursement program. A total of 204 employees took advantage of this very popular measure in 2009.

CORPORATE GOVERNANCE

(as of March 31, 2010)

The St. Lawrence Seaway Management Corporation is governed by a nine-member Board that is responsible for ensuring the long-term viability of the Seaway as an integral part of Canada's transportation infrastructure. The Board oversees many aspects of the Corporation's mandate, including strategic planning, risk management, succession planning, the communications policy and the integrity of internal controls. It also reviews financial results 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 (top): Paul A. Gourdeau, Richard Gaudreau, William Keays, Peter G. Cathcart
From left to right (bottom): William D. Mooney, Richard J. Corfe, Guy C. Véronneau, David F. Mothersill, Ian MacGregor

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, Corporate Sustainability
Corporate Environment Officer

Guy Yelle

Vice-President, Maisonneuve Region
Corporate Health and Safety Officer

Karen Dumoulin

Director of Finance

Yvette Hoffman

Counsel and Secretary

INDUSTRY MEMBERS 2009/2010

Domestic Carriers

Algoma Central Corporation
St. Catharines, Ontario

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

Groupe Desgagnés Inc.
Quebec City, Québec

Lower Lakes Towing Ltd.
Port Dover, Ontario

McKeil Marine Limited
Hamilton, Ontario

St. Marys Cement Inc.
Toronto, Ontario

Upper Lakes Group Inc.
Toronto Ontario

Grain

ADM Agri-Industries Company
Windsor, Ontario

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

Bunge du Canada Ltd.
Quebec City, 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 & Global
Agency Inc.**
Montréal, Québec

Gresco Ltée.
Montréal, Québec

Inchcape Shipping Services
Dorval, Québec

McLean Kennedy Inc.
Halifax, Nova Scotia

Montréal Marine Services Inc.
Longueuil, Québec

Montship Inc.
Montréal, Québec

Navitrans Shipping Agencies Inc.
Montréal, Québec

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

Other Members

Columbia Grain, Inc.
Minneapolis, Minnesota

Essroc Italcementi Group
Mississauga, Ontario

Keystone Canada Inc.
Montréal, Québec

Lafarge Canada Inc.
Concord, Ontario

OmniSource Corporation
Burlington, Ontario

Redpath Sugar Ltd.
Toronto, Ontario

The Canadian Salt Company Ltd.
Pointe-Claire, Québec

The Mosaic Company
Colonsay, Saskatchewan

Voyageur Marine Transport Limited
Ridgeville, Ontario

Steel and Iron Ore

ArcelorMittal Dofasco Inc.
Hamilton, Ontario

Iron Ore Company of Canada
Montréal, Québec

U.S. Steel Canada
Hamilton, Ontario