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The St. Lawrence Seaway Authority:
40 YEARS OF SERVICE

THE BEGINNINGS...

1951

The *St. Lawrence Seaway Authority Act* and the *International Rapids Power Development Act* allow Canadians to begin navigation works on the Canadian side of the river from Montreal to Lake Ontario, as well as in the Welland Canal. At the same time, a joint U.S. Canadian project begins power works in the International Rapids section of the St. Lawrence. The U.S. also begins work on the Wiley-Dondero Canal that will bypass the International Rapids. Co-operation and consultation on the elements of the modern Seaway commences.

1954

The St. Lawrence Seaway Authority is established by an Act of Parliament, with the mandate to acquire lands for, construct, operate and maintain a deep draft waterway between the port of Montreal and Lake Erie, along with the international bridges that cross it and other lands and structures. Work on the Seaway begins in September. Four Montreal area bridges are modified without disrupting traffic, new channels are dug and existing ones dredged. The related power development will flood 259 square km (100 square miles); land is expropriated and entire communities are resettled. Some 6,500 people are moved to new homes and some 550 dwellings are transported to waiting foundations in the new towns of Long Sault, Ingleside and Iroquois.

1958

The new Iroquois Lock is in regular use by May. On July 4, the Snell and Eisenhower Locks built by the U.S. at Massena, New York are opened and the power is switched on at the international Moses-Saunders generating station.

THE ST. LAWRENCE SEAWAY – SOME HIGHLIGHTS

1959

On April 25, the icebreaker “D’Iberville” begins the first through transit of the St. Lawrence Seaway, officially opened by Queen Elizabeth and President Eisenhower on June 26.

1973

The Welland Canal realignment to bypass the City of Welland opens to navigation.

1978

Seaway operations become self-supporting, depending on revenue from tolls and investments. The federal government still contributes to major capital works.

1983

The Seaway carries its billionth tonne of cargo.

1986

The Authority begins a seven-year program to rehabilitate the Welland Canal, at a cost to the federal government of $175 million.

1991

The Authority starts a land disposal program, selling off land holdings not required for operations or future expansion.

1993

The Seaway’s draft increased from 26 feet (7.90m) to 26 feet, 3 inches (8.0m), enabling vessels to carry more cargo per voyage, and wide-beam vessels, exceeding the 76 foot (28.8m) limit by up to 2 feet are first admitted through the locks. The transfer of non-navigational structures such as bridges to other jurisdictions begins.

1995

The Welland Canal section of the Seaway had the longest operating season ever – 280 days, from March 24 to December 28. There were 277 days of navigation on the Montreal/Lake Ontario section.

1996

May 10 marks the passage through the Seaway system of two billion tonnes of cargo, valued at more than $400 billion. The ship that puts the cargo statistics over the two billion tonne mark is the Canadian self-unloader *Algosoo*, carrying a load of iron ore from Quebec to Ohio.

In June 1996, the *Canada Marine Act* that will commercialize the Seaway is first introduced in the House of Commons. Parliament is dissolved for a federal election before the Act passes, it is reintroduced in August 1997, and receives royal assent in June 1998.

1998

On October 1, operational control of the Canadian portion of the Seaway is officially transferred from The St. Lawrence Seaway Authority to The St. Lawrence Seaway Management Corporation, a new not-for-profit corporation.

SOME STATISTICAL COMPARISONS

Vessel Transits

The total number of vessel transits through the Seaway system decreased from 9,078 in 1960 to 4,061 in 1997, reflecting the disappearance of small canalers. However, in 1960 the average vessel had a gross registered tonnage (GRT) of 2,800 and carried 3,400 tonnes of cargo. Today, the average GRT is 12,250, and the average cargo is 12,000 tonnes. While the Seaway processes 55% fewer vessels, they each carry on average 3.5 times more cargo.

Cargo

Total cargo tonnage on both sections of the Seaway rose from 30.6 million in 1960 to a high of 74.3 million in 1979. As transportation trends and needs changed over time, the amount of cargo passing through the Seaway decreased, and tonnage in recent years have settled consistently in the 48 to 50 million tonne range.

Various types of cargo have also undergone fluctuations over the years. Agricultural products formed 31.6% of cargoes in 1960 and 28.3% in 1997. Mine products also remain fairly consistent – 45.5% of cargoes in 1960 and 47.2% in 1997. Manufactured and miscellaneous products (mostly steel and related products) have taken an increasing share of overall traffic, from 18.8% in 1960 to 24.3% in 1997. The key individual commodities passing through the Seaway and their relative share of cargoes in 1960 and 1997 are as follows: coal – 14.4% and 9.4%; iron ore – consistent at around 24%; fuel oil – 5.2% and 2%; manufactured steel – 2.2% and 6.8%.

Revenue

In 1959, the Canadian portion of the Seaway generated revenues of $8.3 million; in 1997, revenues were $73.2 million. A more meaningful comparison results if both figures are adjusted to August 1998 dollars, using the Consumer Price Index. The revenue in 1959 then becomes $49.7 million, and average costs to shippers are $1.50 per tonne. In 1997, although adjusted revenue has risen to $74 million, the average costs to shippers have dropped to $1.39 per tonne – a remarkable achievement after nearly 40 years of rising prices in every other sector of the economy. The outlook for toll revenue in 1998 is very promising.

PRESIDENT'S MESSAGE AND PERFORMANCE REVIEW

This report, covering the period April 1, 1998 to September 30, 1998, is the last annual report of The St. Lawrence Seaway Authority. It marks a major milestone in the history of the Canadian operations of the Great Lakes / St. Lawrence Seaway System: the transition from stewardship by a crown corporation to management by the private sector.

Canada's new national marine policy, first announced in 1995, called for the commercialization of the Seaway. The *Canada Marine Act*, the legislation that gave life to this policy, received royal assent in June 1998. Official transfer of responsibility for the Canadian operations of the St. Lawrence Seaway to a not-for-profit corporation established by Seaway users, under a renewable 20-year agreement with the Canadian government, took place in a ceremony in Welland, Ontario, on October 2, 1998. The management agreement for the new not-for-profit corporation includes incentives to encourage greater efficiency without reducing the quality of service. The federal government continues to act as regulator for the Seaway System and retains ownership of the Seaway's infrastucture.

Under the terms of the new management agreement, the Authority's responsibility for the international bridges on its route, the tunnel at Melocheville, and the Great Lakes Pilotage Authority ended with its dissolution. The Great Lakes Pilotage Authority became a crown corporation in its own right. The Melocheville Tunnel and the Mercier Bridge were transferred to The Jacques Cartier and Champlain Bridges Incorporated, which in turn, together with The Seaway International Bridge Corporation, Ltd., and the Canadian side of the Thousand Islands Bridge now operates under The Federal Bridge Corporation Limited. The St. Louis de Gonzague Bridge, the Valleyfield Bridge, and the Townline Tunnel remain government-owned assets, and are managed by The St. Lawrence Seaway Management Corporation on behalf of Transport Canada.

In the last year of its operation as a crown corporation, to meet the requirements of the *Canada Marine Act*, The St. Lawrence Seaway Authority carried a double workload. We dealt with business as usual, enabling the smooth passage of vessels through the Seaway System and continuing to implement planned operational improvements. In addition, we had to prepare for life as a new private sector corporation. We accomplished both sets of tasks efficiently and on schedule, thanks to a spirit of co-operation and goodwill among management, unions and staff that cannot be commended enough; and thanks also to the generous help and advice from Transport Canada.

This report winds up the business of the Authority and documents the state of the organization at handover.

PRESIDENT'S MESSAGE AND PERFORMANCE REVIEW

THE COMMERCIALIZATION MANDATE

A major part of my mandate for 1998 was to ensure that the myriad tasks of the commercialization process were properly completed. The Authority was an equal partner in the complex negotiation process for commercialization, participating in all meetings between Government and the user consortium, as well as carrying out the tasks that these negotiations identified as crucial for the transition to new management. Our goal throughout was to hand over a healthy organization, with all the necessary new systems and procedures in place so that the Seaway could function efficiently in the private sector.

It was a demanding and busy period for the Authority, as changes in structure and systems evolved and had to be dealt with, along with the usual operational tasks, in a climate of staff cuts and insecurity about the future. The additional pressures of the transition period required a conscious and continuous effort on our part to enhance motivation and productivity. One means we used to accomplish this was to maintain an open process, concentrating on communication with staff and with users as the commercialization agenda took shape. Staff was kept informed of developments through the Authority's newsletter, a series of memos, and various briefings at the regional and local levels between March and August 1998. On several occasions during the process, I met personally with all employees and with Union representatives to bring them up to date and answer questions about what was happening.

And, indeed, a great deal was happening, at a relentless pace. The Authority established a Strategic Committee to manage the multi-layered process, and a number of teams to handle the numerous tasks involved in making the transition a reality. An indication of the amount of work these teams accomplished is the closing agenda for commercialization, which involved the tabling of 133 separate documents, each of which represented an underlying pyramid of negotiations, planning and execution that involved many people and sometimes weeks and even months of effort. Teams worked in the areas of human resources, finance, and legal issues; there was also a capital committee, which worked with an engineering consultant to ensure all capital assets would be properly covered. The work of the teams covered the whole spectrum of the organization's activities and responsibilities, from the new Letters Patent and bylaws to a transferred assets report, lists of motor vehicles and their transfer documents, and a host of government certificates, permits and licences. Included were agreements relating to Seaway management, operation and maintenance, to the Seaway bridges, to security, and to the managed assets of the new corporation; resolutions regarding fees and tolls; financial estimates and balance sheets; bills of sale and registration certificates for vessels transferred to the new corporation; start-up and business plans, matters relating to leases, and funding arrangements.

Offers of employment from the new corporation to employees had to be prepared, and arrangements made to transfer personnel files. Special negotiations with the Union were necessary, as initially Union members were unwilling to give up their established benefits by transferring out of the Public Service Alliance. In the course of developing a new and more co-operative working relationship among Union, management, and excluded employees over the last year, we also established the parameters for agreements that would ensure that employees did not lose out in the transition to the private sector. New employee benefits were created, a new pension agreement was struck, new employment policies were developed, the employee termination benefits fund was established, and arrangements were made for employee group insurance, dental care, and other benefits.

As stipulated in the *Canada Marine Act*, The St. Lawrence Seaway Management Corporation will maintain its headquarters in Cornwall, Ontario. Accordingly, the Authority made arrangements to close its Ottawa head office on September 30, 1998, and selected employees were transferred to Cornwall.

I would like to express my personal thanks for the hard work and creativity of the Strategic Committee, and the teams working on human resources, finance, legal, and SAP tasks. A heartfelt thanks goes also to the Authority's employees who, despite their anxieties about the future, and the knowledge that many of them would be gone by March 1999, continued to offer quality service to Seaway users while implementing dramatic organizational changes. And finally, a very special thank you to the Minister of Transport, the Honorable David Collenette, the Deputy Minister of Transport Canada, the Assistant Deputy Minister, and the Transport Canada staff who were always available with innovative ideas, information and problem-solving help throughout the whole commercialization process.

STATE OF THE ORGANIZATION AT HANDOVER

For a number of years now, "business as usual" at the Seaway had involved an unusual amount of change, as we experimented with the various stages of our Quality Service Initiative. The pace of change did not diminish, despite staff cuts and the pressures of impending commercialization. A full description of Seaway operations in the 1998-99 fiscal year will follow in The St. Lawrence Seaway Management Corporation's first annual report. In this report, I will cover only events and achievements during the first six months of the 1998-99 fiscal year, ending with the dissolution of the Authority.

Traffic Management Improvement Project

We continued to make progress on our quality service initiatives. The Traffic Management Improvement Project is on schedule and the projected start-up date for the new traffic management system (TMS) is April 1, 1999. The work is being done in co-operation with user teams and the Saint Lawrence Seaway Development Corporation. During 1998, a new Traffic Control Centre was completed in the Niagara Region, and construction began on a new traffic centre in St. Lambert. Software development is being completed in phases; modules are delivered to project user teams as they are completed, so that they can be tested before they are required for use. A Wide Area Network (WAN) now links the TMS development centres in St. Lambert, Cornwall, St. Catharines and Toronto (where the consultant is located). These local development centres house operational work stations and overview display systems, so that user teams and the traffic control centre staff can review and comment on the latest software updates quickly and efficiently, thus eliminating the need to travel. An added benefit in testing the new software in situ, using Seaway equipment and communications technology is that communications and other technical issues can be identified and resolved prior to the actual system start-up.

ISO 9002 (1994) certification

The ship inspection and marine services of both The St. Lawrence Seaway Authority and the St. Lawrence Seaway Development Corporation obtained ISO 9002 (1994) certification in July 1998 from Lloyd's Register, meeting the requirements of the International Safety Management (ISM) Code, which was imposed for vessels effective July 1, 1998, by the International Maritime Organization. Certification was completed in six months. Lloyd's Register was chosen to oversee the approval process because of its international reputation for high quality standards. The quality management initiative will now be extended to other areas, such as operations and traffic control. ISO 9002 certification reinforces the Seaway's commitment to a safe and reliable system, beginning with the services most closely linked to the operational needs of customers.

SAP – Integrated Management Processes

Development work was also completed in 1998 on SAP—the new information management system that integrates all the Authority's business functions into one database—and became functional in November. With SAP, every employee's task fits into the framework of a defined business process—it becomes part of a whole, part of a Seaway business process that has a beginning, an end, and often may include many participants. Business processes were defined so as to focus all units on improved customer service; provide a safe and reliable system at least cost; standardize structure, processes and systems, based on best practices; maximize benefits and minimize duplication; promote clear accountability; and ensure the right support for teams at all levels.

The accelerated implementation process took six months and involved identifying and documenting each of the Seaway's business processes, selecting and organizing the six key processes to be used as the basis of the system, creating work procedures, creating training sessions in both official languages for users, and developing a program to move information from the old computer systems to the SAP system. The system links all corporate divisions within a framework of six business processes: Ship Transit, Infrastructure Planning and Maintenance, Customer Service, Financial Accounting and Reporting, Human Resources Management, and Governing Processes. It will also interface with specialized systems such as the Traffic Management System, the Infrastructure Management System, and the Measurement System.

Re-engineering and Business Plan Continue to Develop

The SAP software includes a library of more than 1,000 pre-defined processes spanning each function. These pre-defined processes, our best business practices, will help to guide the organization as it fine-tunes and finalizes operational re-engineering. This may evolve further under the new management, concurrently with the new job evaluation and compensation program with which it is linked.

PRESIDENT'S MESSAGE AND PERFORMANCE REVIEW

The Seaway's new long-term (5-year) business plan is now in place, as agreed with the new corporation's representatives prior to the handover. Essentially, the plan pursues the course the Authority has so far taken, emphasizing quality customer service while seeking cost efficiency. It will, of course, continue to evolve under the new management.

Human Resources Issues

The Authority's departure incentive program has been implemented, at a cost of $5.24 million in termination benefits. As of September 30, 1998, 74 employees have already left as per the plan provisions; an additional 31 will leave by the end of March 1999, for a total of 119 employees or 17% of the March 1997 staff complement. Fourteen employees had left through normal attrition before the program was implemented. As this figure more than meets the Authority's planned employee reduction commitment, no further large-scale staff cuts are expected, although some minor adjustments will be necessary.

A major achievement last year for both the Authority and its employees was the establishment of a negotiated co-operative relationship among management, Union and excluded employees. This agreement, with its well-defined areas of responsibility, interaction patterns and communication lines, has increased trust and is creating more synergistic working relationships and a positive climate for the incoming management.

In August 1998, a balanced sample of Seaway staff was asked to complete a survey to help assess how far the Authority had progressed towards the employee satisfaction goals we set after the 1996 Hay Survey. The results indicated a number of significant improvements from the 1996 results, especially in 5 of the 15 factors measured: corporate direction, communication effectiveness, training and career development, rewards and recognition, and quality customer service. It is by no coincidence that these were the specific areas where the Authority was conscious of the need for improvement and had established a plan of action.

In particular, our work to ensure effective communication with employees over the past year has been critical to the success of the transition to private sector management, and this was reflected in the survey results. Employees felt that the Authority's commitment to communicating with them had improved. Credibility of information and effectiveness of upward and downward communication have all improved by more than 10 percent. Approximately half the employees felt that face-to-face meetings with the President, discussions with regional management, and written publications all helped them understand the Seaway's goals and plans, although some improvements are still needed, particularly in communication among the regions, and between head office and the field.

Given the continued climate of change in the last several years and the demands the Authority has made on its staff as a result, it is not surprising that some improvements are still necessary. The organization has not yet reached the Hay norm on any of the measured factors (though we are close on some), and there has been a decline since 1996 in overall opinions of team leadership, employee satisfaction/commitment, management of change and working conditions. Once the new corporation has become firmly established and the pace of change slows, some indices should automatically rise.

PRESIDENT'S MESSAGE AND PERFORMANCE REVIEW

Customer Service Survey

A survey of a different kind, undertaken during the 1998 navigation season, will provide customer service feedback to assist the new corporation in developing its plans for 1999. Survey forms were distributed to the shipmasters of both lakers and ocean-going vessels as they exited the Seaway system, from the beginning to the end of the navigation season. Results will be tabulated and ready for the new corporation's first annual report, but the indications so far show improvement in several areas over the last survey in 1995.

FINANCIAL MATTERS

In June 1998, the Seaway implemented a 2 percent increase in cargo tolls and vessel charges, the first such increase since 1993. The impact on total transportation costs for users is minimal, adding about 2.7 cents to the average $80 cost of transporting a tonne of grain to its destination. Modest as it is, the increase will help ensure that inflation does not erode the Seaway's ability to maintain lock facilities and navigation channels in a safe and reliable condition. The toll increase was enabled in April 1998, when the federal government rescinded the 1959 Cabinet Order that established the Canadian toll structure and ended the requirement for U.S. agreement to revise toll charges on the Canadian section of the Seaway. This change was considered a prerequisite for commercialization.

The details of the Authority's financial condition at handover are outlined in the following Financial Statements. It also details the distribution of assets and liabilities among Transport Canada, the new corporation, and the Federal Bridge Corporation Limited. The Authority distributed $591,698,100 in assets on dissolution. The direct costs of commercialization in 1998 were $1.076 million, including studies of the feasibility of the not-for-profit corporation and the necessity for changes to the employee pension plan.

Closing

The St. Lawrence Seaway Authority has now completed nearly 40 years of successful operation. In our final year, we have maintained and improved our high standards of service, and re-organized ourselves to meet the needs of our new management.

In our 1997-1998 annual report, we recorded nine new organizational priorities for the short- to medium-term:

- complete the commercialization of Seaway operations
- develop a long-term business plan with the Users Group
- rationalize the organization through a Departure Incentive Program
- implement re-engineering recommendations submitted by a consulting firm
- develop a partnership with our employees
- implement a new integrated information technology management system
- create a single-desk traffic control centre
- implement Phase II of the Quality Service Initiative
- develop a new job evaluation and global compensation plan

PRESIDENT'S MESSAGE AND PERFORMANCE REVIEW

Plans for some of these priorities called for completion within the past year; others are longer-term initiatives that will require more time to complete. On all of them, we have achieved what we promised, on time and on budget; it is now up to the new corporation to carry on the good work. The Seaway employees demonstrated their commitment through the time and energy they have spent in the past year dealing with changes and challenges, and I am confident that they will continue to help the organization prosper in the future. My best wishes for success to the new St. Lawrence Seaway Management Corporation.

Michel Fournier