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GREAT LAKES PILOTAGE AUTHORITY

BOARD OF DIRECTORS

Chair	*B. DUCHARME Public Sector Representative
Member	*R. DUGAL Pilot Representative
Member	D. LANGLOIS Pilot Representative
Member	*F.C. NICOL Shipping Industry Representative
Member	R. J. PATERSON Shipping Industry Representative

EXECUTIVE OFFICERS

Chief Executive Officer	R. F. LEMIRE
Secretary/Treasurer	R. R. MÉNARD
Director of Operations	H. WADE
Assistant Director of Operations	D.R. TROTTIER

* Members of the Audit Committee.

February 2, 2001

The Honourable David Collenette, P.C., M.P.,
Minister of Transport,

Dear Minister:

As required by the *Financial Administration Act*, the Great Lakes Pilotage Authority is pleased to present its Annual Report for the year ended December 31, 2000.

The Authority completes another very successful navigation season as it has been able to meet its objectives of providing an economic, safe, reliable and comprehensive marine pilotage service within a commercially orientated framework in a financially self-sustained fashion at the least cost to the users.

The Authority has frozen pilotage tariffs for the last six (6) years since 1994 as well as lowering tariffs by 5% in 1999 and 2000. This 5% tariff reduction translates into a direct cost savings to the users of \$800,000 for the two year period. This cost reduction is a concrete step taken to help render the St. Lawrence Seaway a more cost effective transportation system.

Revenue to the Authority for the twelve month period amounted \$15,542,101 an increase of 4.8% from the previous year. Expenses amounted to \$16,635,282 resulting in an operation deficit of \$1,093,181. This deficit will be funded from the Authority's surplus earnings established by surplus realized in the 1993 to 1998 operating period. Total Canadian pilotage assignments increased by 6% from 1999 and vessel arrivals at St. Lambert Lock, the entry of the system, increased by 1% compare to 1999.

The 2000 navigation season commenced March 28, 2000 and the last ship requiring a pilot exited the Seaway on December 26, 2000. The closing of the season was complicated with weather that was colder than usual and lower than usual water levels causing early ice formation. Ocean ship traffic in the Seaway, which represents 95% of the Authority traffic maintained its strong volume due to the continued economic expansion of the North American steel industry in 2000. Collective agreements granting 3% annual wage increases are in place until the end of the 2001 navigation season.

The Authority adopted a new governance model in 1999 which transferred the day to day activities of the Authority to the Chief Executive Officer and the Board activities to the part-time Chair. This change in governance model is a direct result of the 1998 Marine Act. It has permitted cost savings to be realized while maintaining effective control over the organization. The Authority will continue to implement means of economy and efficiency while at the same time meeting its objectives.

The Authority recognizes and is appreciative of the efforts and dedication of all its employees.

On behalf of the members of the Authority.

Brian Ducharme
Chair

Robert F. Lemire
Chief Executive Officer

MANAGEMENT REPORT

The Great Lakes Pilotage Authority management is responsible for the preparation, integrity and fair presentation of the financial statements and other information in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgement in establishing reasonable and accurate estimates in accordance with generally accepted accounting principles applied on a consistent basis and as appropriate in the circumstances. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

The Authority's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that the company assets are adequately accounted for and safeguarded. The Board of Directors is comprised of Directors who are not employees of the Authority except for the two pilot Board members. The Directors have established an Audit Committee that oversees the entity's systems of internal accounting and administration control.

The external auditor, the Auditor General of Canada, is appointed under the Pilotage Act as the Auditor and has audited the financial statements according to generally accepted auditing standards. His report outlines the nature of the audit and expresses his opinion on the financial statements of the entity.

B. Ducharme
Chair.

R.F. Lemire,
Chief Executive Officer.

Cornwall, Ontario
February 2, 2001.

MANDATE

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Marine Act*, which received Royal Assent on June 11 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*. On October 1st, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

OBJECTIVES

The Authority's corporate objectives are summarized as follows:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.
- To provide the above services within a commercially-oriented framework directed toward achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.

POWERS

To carry out its responsibilities the Authority has made regulations, approved by Order-in-Council, pursuant to the Pilotage Act for:

1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services.

In addition, the Authority is empowered by the Pilotage Act to:

1. Employ such officers and employees, including licensed pilots, as required.
2. Contract with a body corporate for the services of licensed pilots.
3. Make by-laws respecting the management of its internal affairs.

4. Purchase, lease or otherwise acquire land, buildings, pilot boats and such other equipment and assets as may be required and to dispose of any such assets acquired.
5. Borrow money for the purpose of defraying the expenses of the Authority.
6. With the approval of the Minister of Finance invest any money not immediately required for the purposes of the Authority in bonds or other obligations of or guaranteed by Her Majesty in right of Canada.

DESCRIPTION OF THE OPERATIONS

The Authority operates in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments on those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled through Pilotage Headquarters at Cornwall and/or the district office at Port Weller, Ontario.

The Authority must co-ordinate its efforts and operations with a number of other organizations such as The St. Lawrence Seaway Management Corporation and the United States Seaway Development Corporation, who operate the lock facilities, and maintain traffic control systems within the Region; the Canadian Coast Guard, who provide aids to navigation and the United States Coast Guard, who are responsible for the United States pilotage matters in international waters.

The Great Lakes Pilotage region is divided as follows:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba

CORPORATE GOVERNANCE

The Great Lakes Pilotage Authority's approach to Corporate Governance is fully consistent with the philosophy and objectives of the Department of Finance and the Treasury Board's Guidelines for Crown Corporations.

Role of the Board of Directors

Corporate Governance at Great Lakes Pilotage Authority is the responsibility of the Board of Directors. The Board's role is to guide and supervise the affairs of the entity on behalf of the Government of Canada, by whom the Directors are appointed.

The Board is composed of the Chair and up to six other members chosen to ensure that an appropriate mix of expertise, experience and marine perspective is reflected in its decision-making. The specific function of the Board includes reviewing and recommending to the Minister of Transport, Great Lakes Pilotage Authority's policies, corporate plan, capital and operating budgets. The Board has input in and approves the Authority's Strategic and Corporate Plans. It also reviews and approves all major contracts, operational plans, financial statements, the auditors' report and the annual report. The Board ensures that the Authority maintains the highest standards in operating a safe, efficient and cost effective pilotage service.

Role of the Chief Executive Officer

On the recommendation of the Board and the Minister of Transport, the Chief Executive Officer is appointed by the Governor in Council. The CEO has the responsibility to plan, organize, direct and control the business of the Authority. The CEO reports to the Chair and the Board of Directors.

OPERATING SUMMARY

(000's)

	Budget	ACTUAL				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenue	\$15,270	\$15,542	\$14,818	\$17,249	\$13,251	\$12,659
Operating costs	<u>15,240</u>	<u>16,635</u>	<u>15,171</u>	<u>15,548</u>	<u>12,041</u>	<u>11,643</u>
Surplus (deficit)	<u>\$ 30</u>	<u>\$ (1,093)</u>	<u>\$ (353)</u>	<u>\$ 1,701</u>	<u>\$ 1,210</u>	<u>\$ 1,016</u>
Budget	<u>\$ 30</u>	<u>\$ 40</u>	<u>\$ 10</u>	<u>\$ 250</u>	<u>\$ 200</u>	<u>\$ 240</u>

AVERAGE MANPOWER RESOURCES

	Budget	ACTUAL				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Administrative	9.5	9.5	9.5	10	10	10.5
Pilots	69	69	67	64	63	57
Dispatchers	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>
	87.5	87.5	85.5	83	82	75.5

PILOT ASSIGNMENTS PERFORMED

	Budget	ACTUAL				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Number	8,100	8,605	8,108	9,085	7,192	6,903
Planned	<u>8,100</u>	<u>7,300</u>	<u>7,200</u>	<u>7,400</u>	<u>5,500</u>	<u>5,330</u>

ACCIDENT FREE ASSIGNMENTS

	Budget	ACTUAL				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Number	8,585	8,585	8,081	9,052	7,165	6,876
Percentage	99.8%	99.8%	99.7%	99.7%	99.6%	99.6%

AVERAGE COST OF PERFORMING AN ASSIGNMENT

	Budget	ACTUAL				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>

Number \$1,883 \$ 1,933 \$ 1,871 \$ 1,711 \$ 1,674 \$ 1,687

2000 PERFORMANCE REVIEW

Actual Compared to Budget

	2001 <u>Budget</u>	2000 <u>Actual</u>	2000 <u>Budget</u>	1999 <u>Actual</u>
Total Assignments	8,100	8,605	7,300	8,108
Total Incident Free Assignments-%	99.5%	99.8%	99.5%	99.1%
Net Income (loss)	<u>\$ 50,000</u>	<u>\$(1,093,181)</u>	<u>\$ 40,000</u>	<u>\$(353,098)</u>
Cash Provided from Operations	<u>\$ (716,000)</u>	<u>\$ 738,680</u>	<u>\$(869,000)</u>	<u>(1,732,692)</u>
Capital Expenditures	<u>\$ 100,000</u>	<u>\$ 70,383</u>	<u>\$ 100,000</u>	<u>\$ 66,161</u>
Cash Position at Year End	<u>\$6,541,000</u>	<u>\$7,431,949</u>	<u>\$9,927,000</u>	<u>\$8,170,629</u>
Average Assignments per Pilot	<u>119</u>	<u>125</u>	<u>106</u>	<u>120</u>
Tariff increases (decreases)	<u>5%</u>	<u>-5%</u>	<u>(-5%)</u>	<u>(-5%)</u>

Corporate Objectives

- Provide economic, safe, reliable and comprehensive marine pilotage and related service.
- Promote effective utilisation of Authority's assets including equipment and human resources.
- Promote pilotage within a commercially oriented framework to achieve self-sufficiency at least cost to users.
- To be responsive to the Government of Canada's environmental, social and economic policies.

Activities Followed to Achieve Objectives

(i) Safe, Economic and Reliable Pilotage Service

The Authority invested \$112,000 in training pilots in 2000 to use state of the art electronic navigation system (ECDIS) to facilitate their duties and reduce the risks of collisions and grounding of ocean vessels transiting the St. Lawrence Seaway.

The Authority has set up a Bridge Resource Management course which has been approved by Transport Canada for all its pilots to further reduce the risk of errors on the navigation bridge when the pilots and the captains of the vessels navigate the restricted waters of the St. Lawrence River and the Great Lakes. Half of the Authority's pilots attended the one week BRM Certification course in Quebec City during the Winter 2000 and the other half will be attending the course in the Winter 2001. The Authority spent \$112,000 on training for 2000 and will spend the same amount in 2001.

The Authority introduced pilots to special courses explaining issues surrounding sleep deprivation related problems found in this type of work.

The Authority has introduced in all pilotage sectors working rules that allow all pilots the chance of regaining proper rest after consecutive night time assignments. This measure will assure the Authority that difficult pilotage assignments will be performed by well rested pilots therefore reducing the risk of fatigue.

The Authority recently negotiated and put into place in the Pilots' Collective agreements a no strike no lockout provision that will settle disputes therefore eliminating any chance of work stoppage. This agreement has been extended to 2006.

The Authority has frozen tariffs since 1994 and implemented a tariff reduction of 5% for all Canadian pilotage sectors for 1999 and 2000. The reduction in tariff represents \$800,000 in direct savings to the users.

The Authority successfully renegotiated a three year collective agreement for all its pilots which expires March 31, 2002 yielding annual wage increases of 3% for each of the three years.

(ii) Effective Utilization of Authority's Assets

The Authority invested in 1997 \$160,000 in developing and implementing a computerized scheduling system for its pilots. This initiative will allow more timely dispatches and operation reports as well as increase the accuracy in tracking pilots and vessels. This system will also increase the Authority's capacity in dispatching allowing it to be able to dispatch all pilots without increasing the number of dispatchers in the event traffic increases significantly.

The Authority invested in 1998 a further \$75,000 in designing and integrating its billing and reporting systems into the computer dispatch system which will allow increased accuracy and shorter billing cycles in its pilotage fee receivable system.

The Authority has planned on investing a further \$150,000 in the next two years to upgrade the dispatching system and make it compatible to internet users.

(iii) Maintain Self-Sufficiency in its Operations

The Authority completed its restructuring of the Administration which began in 1994 with the overall effect of reducing 2.5 full time equivalent positions. This reduction saves the entity \$195,000 a year.

The Authority continues to follow past practices of contracting out pilot boat services for the Welland Canal. These contracts cost the Authority approximately \$500,000 a year for the two pilot boats stationed at the Welland Canal. The Alternative would be to invest over \$2,000,000 for each pilot boat and increase staffing levels by 16 pilot boat operators as well as incurring high repair and maintenance costs. The contracting out practice has proved to be cost beneficial for the Authority and a change in practice is not anticipated.

(iv) Pool of Qualified Pilot Candidates

In the 1999 Canadian Transportation Agency report to the Minister of Transport on pilotage issues a recommendation was made that the Authority report on the pool of qualified pilot candidates in the Annual Report. The Authority has examined its manpower requirements for the next five years and has determined that pilot number reductions due to retirements of pilots at age 65 will be as follows:

2001 -	1 pilot District No. 2
2002 -	no retirements
2003 -	3 pilots District No. 2 2 pilots Cornwall District
2004 -	2 pilots Cornwall District 2 pilots District Nos. 2

The Authority does not expect any retirements for its Lake Ontario and District No. 1 pilots in the next five years.

The Authority will be holding examinations in 2001 to establish a hiring list for District No. 2 and can report, at this time, that a great deal of interest has been shown. With only 10 scheduled openings due to retirement, in the next five years, the Authority is satisfied that there exists a sufficient pool of qualified candidates for all districts.

This analysis is based on traffic levels being maintained at their current levels. These levels correspond to traffic forecasts received by the Authority from the Marine and Surface Statistics and Forecast Branch of Transport Canada.

(v) Update of Authority's Actions Undertaken to Satisfy 1999's CTA Recommendation

The following recommendations were made in the Minister of Transport's letter to the Chair of the Authority on November 15, 1999 and make specific reference to the CTA's recommendation found in the report to parliament "Ministerial Review of Outstanding Pilotage Issues."

<u>Recommendation</u>	<u>Status</u>
The Authority is to develop and adopt a risk based methodology to be used for the designation or re-assessment of compulsory pilotage area. The Authority will be required to publish a Regulation stipulating that reviews of the factors and circumstances related to compulsory designation will take place every five years.	Transport Canada has designed a risk based methodology for the four Canadian Pilotage Authorities to follow in the review of compulsory pilotage areas. GLPA will now begin the process of reviewing its compulsory pilotage areas and will report its progress in the 2001 Annual Report.
The Authority is to develop and implement a fair and reasonable system for assessing pilots' competence and quality of service. This assessment process will have to take place regularly and not less than every five years.	The process to design a system for assessing pilots' competence and quality of service has been initiated and will be developed further in 2001. This process is undertaken with the full cooperation of the pilots and should be ready in 2001.
The Great Lakes Pilotage Regulations must be amended to enhance requirements for exempting vessels from compulsory pilotage in the Great Lakes Pilotage region.	The Authority has held three consultation meetings with stakeholders and will publish in Part I of the Canada Gazette the CTA's required changes to the Regulation.
The Minister recommends that the Authority, in partnership with pilots and all legitimate interested parties, regularly examine all aspects of its operations on a continuing basis and report to the Minister the specific steps that have been taken to achieve the goal of improved efficiencies	This exercise has been done in 2000 and will be repeated in year 2001.

and further cost reductions. Although most of the work has been done in this regard, it would be a constant objective.

The Minister requests that a formal system of consultation with interested parties on financial, operational and planning issues be initiated and that the Authority report on its plan for consultation and the implementation of the plan in the Annual Report to Parliament.

The Minister asks that the Great Lakes Pilotage Authority establish a structural methodology for handling complaints and report on its implementation in the 2000 Annual Report.

The Minister request that GLPA and industry establish a system for the early release of practical information with respect to safety incident.

The Authority should provide reasons when a request for a waiver is denied as to add greater transparency to the waiver process.

The Authority must begin to report in the Annual Report on the pool of qualified pilot candidates.

The Authority has initiated in 2000 a yearly meeting with all interested parties and will repeat this exercise for 2001.

A structural methodology for handling complaints has been established in 2000 and will be continued in 2001. The Authority did not receive any form of complaints for 2000.

The Authority and industry have discussed this recommendation and have yet to finalized a formal system. The Authority will report the progress on this initiative in the 2001 Annual Report.

This recommendation has been so acted upon by the Authority.

The Authority has reported on the pool of qualified pilot candidates In the 1999 and 2000 Annual Report. The Authority will examine this issue further in 2001 and report it in the 2001 Annual Report.

AUDITOR'S REPORT

To the Minister of Transport

I have audited the balance sheet of Great Lakes Pilotage Authority as at December 31, 2000 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

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

Ottawa, Canada
February 2, 2001

GREAT LAKES PILOTAGE AUTHORITY

Balance Sheet as at December 31, 2000

	<u>2000</u>	<u>1999</u>
ASSETS		
Current		
Cash and short-term deposits (Note 3)	\$ 7,431,949	\$ 8,170,629
Accounts receivable (Note 4)	<u>3,524,954</u>	<u>3,099,851</u>
	10,956,903	11,270,480
Long-term		
Segregated investments (Note 3)	2,805,408	2,705,199
Capital assets (Note 5)	<u>166,340</u>	<u>174,760</u>
	<u>\$13,928,651</u>	<u>\$14,150,439</u>
LIABILITIES		
Current		
Accrued salaries and benefits	\$ 5,503,777	\$ 4,767,861
Other accounts payable and accrued charges	152,969	130,312
Employee future benefits	<u>-</u>	<u>191,350</u>
	5,656,746	5,089,523
Long-term		
Employee future benefits	<u>2,790,708</u>	<u>2,486,538</u>
	<u>8,447,454</u>	<u>7,576,061</u>
EQUITY		
EQUITY OF CANADA		
Contributed capital	82,074	82,074
Retained earnings	<u>5,399,123</u>	<u>6,492,304</u>
	<u>5,481,197</u>	<u>6,574,378</u>
	<u>\$13,928,651</u>	<u>\$14,150,439</u>

Commitments (Note 7)

The notes are an integral part of the financial statements

Approved by the Board:

Director

Director

GREAT LAKES PILOTAGE AUTHORITY

Statement of Operations and Retained Earnings for the year ended December 31, 2000

	<u>2000</u>	<u>1999</u>
Revenues		
Pilotage charges	\$ 14,933,164	\$ 14,263,441
Interest and other income	529,512	477,667
Dispatching and pilot boat income	<u>79,425</u>	<u>77,197</u>
	<u>15,542,101</u>	<u>14,818,305</u>
Expenses		
Pilots' salaries and benefits (Note 6)	12,262,799	10,997,775
Transportation and travel	1,451,871	1,391,005
Operation staff salaries and benefits (Note 6)	796,353	738,806
Pilot boat services (Note 8)	555,099	531,578
Administration staff salaries and benefits (Note 6)	461,390	362,676
Employee future benefits	352,892	451,064
Professional and special services	154,444	168,026
Utilities, materials and supplies	140,629	152,116
Purchased dispatching services	79,188	70,858
Pilot training costs	111,964	14,312
Communications	84,360	108,270
Amortization	78,803	77,104
Rentals	75,675	71,977
Repairs and maintenance	<u>29,815</u>	<u>35,836</u>
	<u>16,635,282</u>	<u>15,171,403</u>
Net loss for the year	(1,093,181)	(353,098)
Retained earnings at beginning of the year	<u>6,492,304</u>	<u>6,845,402</u>
Retained earnings at end of the year	<u>\$ 5,399,123</u>	<u>\$ 6,492,304</u>

The notes are an integral part of the financial statements

GREAT LAKES PILOTAGE AUTHORITY

Statement of Cash Flows for the year ended December 31, 2000

	<u>2000</u>	<u>1999</u>
Cash provided by (used in):		
<u>Operating activities</u>		
Net loss for the year	\$ (1,093,181)	\$ (353,098)
Items not requiring cash		
Employee future benefits	327,254	425,518
Amortization	78,803	77,104
Net change in working capital components other than cash and short-term deposits	333,470	(1,490,239)
Employee future benefits payments	<u>(214,434)</u>	<u>(132,145)</u>
	<u>(568,088)</u>	<u>(1,472,860)</u>
<u>Investing activities</u>		
Decrease in segregated investments	(100,209)	(193,671)
Acquisition of capital assets	<u>(70,383)</u>	<u>(66,161)</u>
	<u>(170,592)</u>	<u>(259,832)</u>
Decrease in cash	(738,680)	(1,732,692)
Cash and short-term deposits, beginning of year	<u>8,170,629</u>	<u>9,903,321</u>
Cash and short-term deposits, end of year	<u>\$ 7,431,949</u>	<u>\$ 8,170,629</u>

The notes are an integral part of the financial statements

GREAT LAKES PILOTAGE AUTHORITY

Notes to Financial Statements
December 31, 2000

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. and was a subsidiary of the St. Lawrence Seaway Authority. Pursuant to the *Marine Act*, which received Royal Assent on June 11 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority was deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is exempt from any income taxes.

2. Significant accounting policies

Short-term deposits

Short-term deposits are recorded at cost.

Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years
Software and computer equipment	5 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account. The Authority's current year's pension expense is \$753,251.

Employee future benefits

The Great Lakes Pilotage Authority is required to recognize certain non-pension post employment benefits over the periods which the employees render services to the Authority through a severance benefit plan. The Authority recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees. The current portion of the liability

reflects the accrued termination benefits of only those employees who have indicated their intention to terminate their employment within the coming year.

3. Short-term deposits and segregated investments

The Authority invests in short-term deposits, and provincial and federal bonds. As at December 31, 2000, these investments yield between 4.18% and 6.20% (4.30% and 5.64% in 1999). The maturity of these varies between 2001 and 2005 and the fair market value of all these investments as at December 31, 2000 approximates the net book value.

The Authority sets aside certain of those investments, in order to provide for the funding of future employee termination benefits. Those investments are presented as segregated investments:

	<u>2000</u>	<u>1999</u>
Bonds that yield between 4.92% and 6.20% and mature after 2001 (1999: yield between 4.90% and 5.64%, maturity date after 2000)	<u>\$2,805,408</u>	<u>\$2,705,199</u>

4. Accounts receivable

These amounts arise from pilotage services rendered in the normal course of business. They are collectible within a month and are non-interest bearing. The fair value approximates the book value.

5. Capital assets

	<u>2000</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Buildings	\$ 66,446	\$ 63,991	\$ 2,455
Furniture and equipment	247,887	213,405	34,482
Software and computer equipment	<u>392,988</u>	<u>263,585</u>	<u>129,403</u>
	<u>\$707,321</u>	<u>\$ 540,981</u>	<u>\$ 166,340</u>
	<u>1999</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Buildings	\$ 66,446	\$ 63,817	\$ 2,629
Furniture and equipment	236,872	210,094	26,778
Software and computer equipment	<u>333,620</u>	<u>188,267</u>	<u>145,353</u>
	<u>\$ 636,938</u>	<u>\$ 462,178</u>	<u>\$ 174,760</u>

6. Employee Life Insurance Plan

Effective January 1, 2000 the GLPA was designated as a participating employer under the Public Service Group Benefit Plans. In prior years, the GLPA could receive reimbursements as a result of surplus contributions to the employee life insurance plan (\$39,866 for 1999). This amount would be

deducted from the salaries and benefits for pilots, operation and administrative staff and retired employee benefits. As a result of the change in plans, no such adjustment will be applied in the future.

7. Commitments

The Authority has a lease agreement with the St. Lawrence Seaway Authority for the rental of office space which is managed by the St. Lawrence Seaway Management Corporation. Future minimum rental payments are:

2001	\$ 51,564
2002	51,564
2003	51,564
2004	4,297
2005	-
	<u>\$158,989</u>

In addition, the Authority has contract commitments of approximately \$410,000 and \$420,000 for pilot boat services for the year 2001 and 2002 respectively and contract commitments of approximately \$325,000 for land transportation services for 2001.

8. Dispatching and pilot boat services to U.S. District No. 1 pilots

As per a letter of understanding, the Authority provides without charge all dispatching services and pilot boat services in Port Weller to the U.S. District No. 1 pilots. The St. Lawrence Seaway Pilots Association (U.S. Pilots Association) provides without charge pilot boat services for the Authority at Cape Vincent, New York.

9. Related party transactions

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