



**Great Lakes Pilotage
Authority**

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A **ANNUAL REPORT**

Canada 

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GREAT LAKES PILOTAGE AUTHORITY

BOARD OF DIRECTORS

Chair	*MR. B. DUCHARME Public Interest Representative
Member	MR. G. BELLEY Pilot Representative
Member	*MR. D. LANGLOIS Pilot Representative
Member	MR. I. LANTZ Shipping Industry Representative
Member	*MR. R. J. PATERSON Shipping Industry Representative
Member	MISS J. GETTINGS Public Interest Representative

EXECUTIVE OFFICERS

Chief Executive Officer	MR. R. F. LEMIRE
Secretary/Treasurer	MR. R. R. MÉNARD
Director of Operations	MR. F. H. WADE
Assistant Director of Operations	MR. D.R. TROTTIER
Office Manager – Port Weller	MR. S. HINCHLIFFE

* Members of the Audit Committee.

February 2, 2002

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, 2001.

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 seven (7) 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 tariff freeze and 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 \$13,408,004 a decrease of 13.7% from the previous year. Expenses amounted to \$15,684,106 resulting in an operation deficit of \$2,276,102. This planned 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 decreased by 17% from 2000 and vessel arrivals at St. Lambert Lock, the entry of the system, decreased by 18% compare to 2000.

The 2001 navigation season commenced March 23, 2001 and the last ship requiring a pilot exited the Seaway on December 25, 2001. The opening of the season was complicated with weather that was colder than usual and lower than usual water levels as well as heavy ice conditions. Renegotiation of the four pilots' collective agreements is now underway and new agreements should be in place by the Summer of 2002. The North American economy has been in a recession since the Spring of 2001 and has been reflected in the economic slow down of the steel, automotive and manufacturing industries of the Great Lakes. Traffic volume has decreased dramatically in 2001 and is not expected to increase in 2002. The Authority's cost base is fixed in nature due to the fact that the pilots are all employees. Therefore, the reduction in traffic for 2001 significantly increased the Authority's operation deficit. The Authority is now in the process of addressing the effects of the traffic reduction so that it can return to a breakeven position in 2002.

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

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles 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 applied on a basis consistent with that of the preceding year that are appropriate in the circumstances. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis. These controls provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that the transactions are in accordance with the *Pilotage Act* and its regulations, the *Financial Administration Act* and its regulations, and the by-laws and policies of the Authority.

The Board of Directors is comprised of Directors who are not employees of the Authority except for the two pilot Board members. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee oversees the entity's systems of internal accounting and administration control. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Authority on the recommendation of the Audit Committee.

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



B. Ducharme
Chair.



R.F. Lemire,
Chief Executive Officer.

Cornwall, Ontario
February 1, 2002.

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 Chair

On the recommendation of the Minister of Transport, the Chair is appointed by the Governor in Council. The Chair presides at all meetings of the Board of Directors, provides leadership and guidance to the CEO of the Authority and on behalf of the Board, advises the Minister of Transport on all issues involving the Authority and Pilotage in the Great Lakes.

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 Authority is operating with a full compliment except for one vacancy which is expected to be filled in early 2002. 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.

Role of the Audit Committee

The Audit Committee is a core committee of the Authority's Board and represents the engine of the Authority as it will improve the quality of the financial reporting, ensure the key risks are identified and managed, enable the directors to contribute their independent judgement, create a climate of discipline and control that will reduce the opportunity for fraud and increase stakeholder confidence in the credibility and objectivity of corporate performance.

The committee has the authority to investigate any activity of the Authority. The committee ensures the financial oversight and the oversight of the corporate books, records, general and management control and information system and management practices.

OPERATING SUMMARY

(000's)

	Budget	ACTUAL				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue	\$14,150	\$13,408	\$15,542	\$14,818	\$17,249	\$13,251
Operating costs	<u>14,823</u>	<u>15,684</u>	<u>16,635</u>	<u>15,171</u>	<u>15,548</u>	<u>12,041</u>
Surplus (deficit)	<u>\$ (673)</u>	<u>\$ (2,276)</u>	<u>\$ (1,093)</u>	<u>\$ (353)</u>	<u>\$ 1,701</u>	<u>\$ 1,210</u>
Budget	<u>\$ (673)</u>	<u>\$ 30</u>	<u>\$ 40</u>	<u>\$ 10</u>	<u>\$ 250</u>	<u>\$ 200</u>

AVERAGE HUMAN RESOURCES

	Budget	ACTUAL				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Administrative	10.5	10.5	9.5	9.5	10	10
Pilots	67.5	69	69	67	64	63
Dispatchers	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
	87	88.5	87.5	85.5	83	82

PILOT ASSIGNMENTS PERFORMED

	Budget	ACTUAL				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number	7,300	7,151	8,605	8,108	9,085	7,192
Planned	7,300	8,100	7,300	7,200	7,400	5,500

ACCIDENT FREE ASSIGNMENTS

	Budget	ACTUAL				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number	7,300	7,128	8,585	8,081	9,052	7,165
Percentage	100%	99.7%	99.8%	99.7%	99.7%	99.6%

AVERAGE COST OF PERFORMING AN ASSIGNMENT

	Budget	ACTUAL				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number	\$2,030	\$2,200	\$ 1,933	\$ 1,871	\$ 1,711	\$ 1,674

2001 PERFORMANCE REVIEW

Actual Compared to Budget

	2002 <u>Budget</u>	2001 <u>Actual</u>	2001 <u>Budget</u>	2000 <u>Actual</u>
Total Assignments	7,300	7,151	8,100	8,605
Total Incident Free Assignments-%	100%	99.7%	99.5%	99.8%
Net Income (loss)	<u>\$ (673,000)</u>	<u>\$(2,276,102)</u>	<u>\$ 30,000</u>	<u>\$(1,093,181)</u>
Cash Provided from Operations	<u>\$ (796,000)</u>	<u>\$(2,769,497)</u>	<u>\$ (746,000)</u>	<u>\$(1,032,470)</u>
Capital Expenditures	<u>\$ 120,000</u>	<u>\$ 118,105</u>	<u>\$ 100,000</u>	<u>\$ 70,383</u>
Cash Position at Year End	<u>\$2,466,452</u>	<u>\$ 3,262,452</u>	<u>\$6,541,000</u>	<u>\$ 6,031,949</u>
Average Assignments per Pilot	<u>107</u>	<u>106</u>	<u>119</u>	<u>125</u>
Tariff increases (decreases)	<u>3%</u>	<u>-%</u>	<u>-%</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 and \$112,000 in 2001 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 attended the course in the Winter 2001. The Authority spent \$112,000 on training for 2001 and will spend the same amount in 2002.

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 expire 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 invested in 2001 a further \$60,000 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:

2002 -no retirements
2003 - 3 pilots District No. 2
 2 pilots Cornwall District
2004 -2 pilots Cornwall District
 2 pilots District Nos. 2
2005 -1 pilot District No. 2

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

The Authority held examinations in 2001 to establish a hiring list for District No. 2 and can report, at this time, that a great deal of interest was shown enabling the Authority to establish an eligibility list of 5 candidates. 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) Apprentice Pilot Program

The Authority, in cooperation with the pilots and l'Institut Maritime du Québec, designed and implemented a comprehensive training program for all future apprentice pilots. The program lists all the skill sets required by a pilot for discharging his duties as well as an objective evaluation system to assure the Authority and its users that the pilot has acquired the skill sets necessary.

The Authority has hired four (4) apprentice pilots to follow this new program and is pleased to report that three (3) apprentice pilots have successfully completed the program. The Authority will review the training program in light of the experience acquired with the four above apprentices and will make changes accordingly.

(vi) 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 is now undertaking its first review which should be completed by the Summer of 2002.
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 finalized and will be implemented in the Winter of 2002. This process was undertaken with the full cooperation of the pilots.
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 is following the risk based methodology to address the request and should complete the study by Summer 2002.
The Minister recommends that the Authority, in partnership with pilots and all legitimate interested parties, regularly examine all aspects of its operations on a	This exercise has been done in 2001 and will be repeated in year 2002

continuing basis and report to the Minister the specific steps that have been taken to achieve the goal of improved efficiencies 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 was repeated in 2001.

A structural methodology for handling complaints has been established in 2000 and was continued in 2001. The Authority received a few inquiries from users but all complaints were properly addressed.

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 2002 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 2002 and report it in the 2002 Annual Report.

(vii) Incident Report

MARINE OCCURRENCE STATISTICS

<u>OCCURRENCE</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Collision	1	0	1
Foundering	0	0	0
Fire/Explosion	1	0	0
Grounding	1	4	2
Striking	1	0	3
Contact with Lock Wall	13	14	18
Touching Bank/Bottom	4	2	2
Ice Damage	0	0	0
Ship Arrestor	<u>2</u>	<u>1</u>	<u>0</u>
TOTAL	<u>23</u>	<u>21</u>	<u>26</u>
Percentage of Accident Free Assignments	99.7%	99.8%	99.7%

2001 Synopsis

As expected, the majority of marine occurrences within the Great Lakes Pilotage Authority Region continue to involve ship contacts with tie-up walls and lock wall faces.

The sole fire for the past 3 years occurred in October of last year when a ruptured fuel line caused a flash fire in the engine room of a tanker while transiting the St. Mary's River.

The only collision in 2001 occurred when a foreign vessel was manoeuvring to its berth in Hamilton Harbour and struck the after end of another vessel secured to a dock.

The incidents of vessels touching the bottom increased in 2001 probably due to the prevailing low water levels. Despite this; groundings decreased, possibly attributable to prudent mariners sticking to the centres of channels.



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Transport

I have audited the balance sheet of Great Lakes Pilotage Authority as at December 31, 2001 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, 2001 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.

A handwritten signature in black ink, appearing to read 'R. Flageole'.

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

Ottawa, Canada
February 1, 2002

GREAT LAKES PILOTAGE AUTHORITY

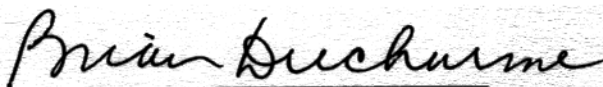
Balance Sheet as at December 31, 2001

	<u>2001</u>	<u>2000</u>
ASSETS		
Current		
Cash and short-term investments (Note 3)	\$ 3,262,452	\$ 6,031,949
Accounts receivable (Note 3)	<u>2,998,735</u>	<u>3,524,954</u>
	6,261,187	9,556,903
Long-term		
Investments (Note 3)	1,149,999	1,400,000
Segregated investments (Note 3)	2,999,482	2,805,408
Capital assets (Note 4)	<u>186,078</u>	<u>166,340</u>
	<u>\$10,596,746</u>	<u>\$13,928,651</u>
LIABILITIES		
Current		
Accrued salaries and benefits	\$ 4,149,441	\$ 5,503,777
Other accounts payable and accrued charges (Note 3)	255,702	152,969
Employee future benefits	<u>168,512</u>	<u>-</u>
	4,573,655	5,656,746
Long-term		
Employee future benefits	<u>2,817,996</u>	<u>2,790,708</u>
	<u>7,391,651</u>	<u>8,447,454</u>
EQUITY		
EQUITY OF CANADA		
Contributed capital	82,074	82,074
Retained earnings	<u>3,123,021</u>	<u>5,399,123</u>
	3,205,095	5,481,197
	<u>\$10,596,746</u>	<u>\$13,928,651</u>

Commitments (Note 5)

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, 2001

	<u>2001</u>	<u>2000</u>
Revenues		
Pilotage charges	\$ 12,844,025	\$ 14,933,164
Interest and other income	432,224	529,512
Dispatching and pilot boat income	<u>131,755</u>	<u>79,425</u>
	<u>13,408,004</u>	<u>15,542,101</u>
Expenses		
Pilots' salaries and benefits	10,962,639	12,262,799
Transportation and travel	1,479,530	1,451,871
Operation staff salaries and benefits	1,054,871	796,353
Pilot boat services (Note 6)	617,828	555,099
Administration staff salaries and benefits	491,679	461,390
Employee future benefits	368,260	352,892
Utilities, materials and supplies	135,955	140,629
Pilot training costs	111,799	111,964
Amortization	98,367	78,803
Purchased dispatching services	94,082	79,188
Professional and special services	88,682	154,444
Communications	83,090	84,360
Rentals	66,101	75,675
Repairs and maintenance	<u>31,223</u>	<u>29,815</u>
	<u>15,684,106</u>	<u>16,635,282</u>
Net loss for the year	(2,276,102)	(1,093,181)
Retained earnings at beginning of the year	<u>5,399,123</u>	<u>6,492,304</u>
Retained earnings at end of the year	<u>\$ 3,123,021</u>	<u>\$ 5,399,123</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, 2001

	<u>2001</u>	<u>2000</u>
Cash provided by (used in):		
<u>Operating activities</u>		
Net loss for the year	\$ (2,276,102)	\$ (1,093,181)
Items not requiring cash		
Employee future benefits	195,800	112,820
Amortization	98,367	78,803
Net change in working capital components other than cash and short-term investments	<u>(725,384)</u>	<u>333,470</u>
	<u>(2,707,319)</u>	<u>(568,088)</u>
<u>Investing activities</u>		
Decrease (increase) in investments	250,001	(293,790)
Increase in segregated investments	(194,074)	(100,209)
Acquisition of capital assets	<u>(118,105)</u>	<u>(70,383)</u>
	<u>(62,178)</u>	<u>(464,382)</u>
Decrease in cash	(2,769,497)	(1,032,470)
Cash and short-term investments, beginning of year	<u>6,031,949</u>	<u>7,064,419</u>
Cash and short-term investments, end of year	<u>\$ 3,262,452</u>	<u>\$ 6,031,949</u>

The notes are an integral part of the financial statements

GREAT LAKES PILOTAGE AUTHORITY

Notes to Financial Statements
December 31, 2001

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

Investments

Investments 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 \$1,032,798 (\$753,251 in 2000).

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. Financial Instruments

The Authority invests in Government of Canada Treasury Bills, government guaranteed bonds and Canadian chartered bank products (bankers acceptance, term deposits and certificates of deposit). Investments are at fixed rates of interest until maturity. The nature of the Authority's investments is not considered to have any significant exposure to credit risk.

	2001		2000	
	<u>Carrying value</u>	<u>Yield(%)</u>	<u>Carrying value</u>	<u>Yield (%)</u>
Cash	\$ 966,529		\$ 51,721	
Maturing within 1 year:				
Bankers acceptance	---		2,675,269	5.50 – 5.72
Certificates of deposit	1,200,000	6.20	---	
Government of Canada bonds	200,000	5.05	1,049,999	4.18 – 5.55
Provincial bonds	895,923	5.40 – 6.04	2,254,960	4.79 – 6.09
<hr/>				
Total cash and short term investments	3,262,452		6,031,949	
Maturing beyond 1 year:				
Certificates of deposit	---		1,200,000	6.20
Government of Canada bonds	199,941	5.26	---	
Provincial bonds	3,949,540	4.45 – 5.65	3,005,408	5.04 – 6.05
<hr/>				
Total long term and segregated investments	4,149,481		4,205,408	
Total cash and investments	\$ 7,411,933		\$10,237,357	

Segregated investments have been established to provide funding for employee future benefits.

The carrying value of investments approximates both their market value and fair value.

Accounts receivable and accounts payables are incurred in the normal course of business. Both are due on demand. The carrying amounts of each financial instrument approximate fair values because of their short maturity. There are no concentrations of accounts receivable with any one customer.

4. Capital assets

	2001		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Buildings	\$ 71,846	\$ 64,436	\$ 7,410
Furniture and equipment	255,703	217,497	38,206
Software and computer equipment	<u>497,877</u>	<u>357,415</u>	<u>140,462</u>
	<u>\$825,426</u>	<u>\$ 639,348</u>	<u>\$ 186,078</u>

	2000		
	<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>

5. 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:

2002	51,564
2003	51,564
2004	4,297
2005	<u>-</u>
	<u>\$107,425</u>

In addition, the Authority has contract commitments of approximately \$420,000 for pilot boat services for the year 2002 and contract commitments of approximately \$345,000 for land transportation services for 2002.

6. 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.

7. 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.

8. Comparative Figures

Certain 2000 amounts have been reclassified to conform with current year's presentation.

