



**Great Lakes Pilotage
Authority**

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A **ANNUAL REPORT**

Canada 

GREAT LAKES PILOTAGE AUTHORITY

Head Office

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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. GETHINGS 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.

GREAT LAKES PILOTAGE AUTHORITY



Members of the Authority, from left to right,
seated, Captain Donald Langlois, Mr. Brian Ducharme (Chair), Miss Jenny Gethings,
standing, Captain Ivan Lantz, Mr. Robert Lemire, Mr. Robert Paterson,
Mr. Réjean Ménard, Captain Gérard Belley.



Management of the Authority, from left to right,
seated, Harvey Wade, Robert Lemire, Daniel Trottier,
standing, Nancy McAteer, Réjean Ménard, Christine Doherty.
Absent from the picture, Steve Hinchliffe.

CHAIR AND CHIEF EXECUTIVE OFFICER'S REPORT

January 31, 2003

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

Dear Minister:

As required by paragraph 150 of the Financial Administration Act, the Great Lakes Pilotage Authority is pleased to present its 2002 Annual Report for the year ended December 31, 2002.

The Authority has been able to meet all of the objectives set out in the Pilotage Act which are:

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

The Authority implemented its first tariff increase (3%) since 1993 after freezing rates for eight (8) years and reducing rates by 5% in 1999 and 2000. These tariff freezes and reduction allowed the users of the Great Lakes Seaway system to save over \$8 million in the period contributing to making the Seaway a cost effective transportation route.

Revenue to the Authority for the twelve month period amounted to \$13,289,303 a decrease of 1% from the previous year. Expenses amounted to \$14,849,821 a decrease of 5.3% from the previous year resulting in a deficit of \$1,560,518. The Board of the Authority had anticipated this deficit and agreed to use some of the Authority's accumulated surplus to fund the shortfall in revenue after extensive consultations with the users of the system. Canadian pilotage assignments decreased 4.7% in 2002 from 2001 mainly due to the slower than expected American economy as well as the continued limitations put on imported steel in North America and the effects on the Western Canada grain crop caused by the drought in 2002.

The Authority has been able to reduce costs in 2002 to match the reduction in traffic and will continue to monitor the traffic situation in 2003 so that unnecessary costs can be reduced or eliminated. The Authority will continue to implement the November 1999 recommendations of the Canadian Transport Agency and address all stakeholders' concerns of reducing costs and increasing efficiencies.

The success of this Authority is directly related to the efforts, dedication and cooperation demonstrated by all of its employees and the Board recognizes this and wishes to commend all of its employees for the good work.

On behalf of the members of the Authority



Brian C. Ducharme
Chair



Robert F. Lemire
Chief Executive Officer

MANAGEMENT REPORT

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 for all other information presented in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgement in establishing reasonable estimates. 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 systems and practices 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 one pilot Board member. 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 in accordance with 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
January 31, 2003.

GREAT LAKES PILOTAGE AUTHORITY

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.

GREAT LAKES PILOTAGE AUTHORITY

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 2003. 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.

CORPORATE GOVERNANCE

Governance Initiatives

The Board of Directors held a two day retreat in September 2002 to deal solely with the issue of Governance and requirements for Governance found in the Auditor General 2000 Report (Chapter 18). Accountability to the appointing entity (Government of Canada) is crucial, as the Authority must always act in the best interest of the public. This is indeed the central theme of Chapter 18 of the 2000 Auditor General's Report. The Board has clearly seized the importance of the Chapter and the issues which it covers. The Board has indicated that it will be reviewing governance matters on a cyclical basis because of the commitment to this area.

The Auditor General of Canada in its January 2003 Special Examination Report indicates that in their opinion "there is reasonable assurance that the Authority uses good governance and accountability practices".

GREAT LAKES PILOTAGE AUTHORITY

OPERATING SUMMARY

(000's)

	Budget	ACTUAL				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenue	\$13,895	\$13,289	\$13,408	\$ 15,542	\$14,818	\$17,249
Operating costs	<u>13,887</u>	<u>14,850</u>	<u>15,684</u>	<u>16,635</u>	<u>15,171</u>	<u>15,548</u>
Surplus (deficit)	<u>\$ 8</u>	<u>\$ (1,561)</u>	<u>\$ (2,276)</u>	<u>\$ (1,093)</u>	<u>\$ (353)</u>	<u>\$ 1,701</u>
Budget	<u>\$ 8</u>	<u>\$ (673)</u>	<u>\$ 30</u>	<u>\$ 40</u>	<u>\$ 10</u>	<u>\$ 250</u>

AVERAGE HUMAN RESOURCES

	Budget	ACTUAL				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Administrative	10.5	10.5	10.5	9.5	9.5	10
Pilots	62.5	63	69	69	67	64
Dispatchers	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
	82	82.5	88.5	87.5	85.5	83

PILOT ASSIGNMENTS PERFORMED

	Budget	ACTUAL				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Number	6,800	7,510	7,879	8,605	8,108	9,085
Planned	6,800	7,300	8,100	7,300	7,200	7,400

ACCIDENT FREE ASSIGNMENTS

	Budget	ACTUAL				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Number	6,800	7,492	7,128	8,585	8,081	9,052
Percentage	100%	99.8%	99.7%	99.8%	99.7%	99.7%

AVERAGE COST OF PERFORMING AN ASSIGNMENT

	Budget	ACTUAL				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Number	\$ 2,042	\$1,977	\$1,991	\$ 1,933	\$ 1,871	\$ 1,711

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Actual Compared to Budget

	2003 <u>Budget</u>	2002 <u>Actual</u>	2002 <u>Budget</u>	2001 <u>Actual</u>
Total Assignments	6,800	7,510	7,300	7,879
Total Incident Free Assignments-%	100%	99.8%	100%	99.7%
Net Income (loss)	<u>\$ 8,000</u>	<u>\$(1,560,518)</u>	<u>\$ (673,000)</u>	<u>\$(2,276,102)</u>
Cash Provided from Operations	<u>\$ (98,000)</u>	<u>\$ (639,311)</u>	<u>\$ (796,000)</u>	<u>\$ 914,808</u>
Capital Expenditures	<u>\$ 100,000</u>	<u>\$ 91,102</u>	<u>\$ 120,000</u>	<u>\$ 118,105</u>
Cash Position at Year End	<u>\$2,663,000</u>	<u>\$ 327,218</u>	<u>\$2,466,452</u>	<u>\$ 966,529</u>
Average Assignments per Pilot	<u>109</u>	<u>119</u>	<u>107</u>	<u>114</u>
Tariff increases (decreases)	<u>6%</u>	<u>3%</u>	<u>3%</u>	<u>-%</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 \$142,000 in training pilots in the last two years 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 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 instituted in 2002 with the cooperation of the pilots a system for assessing pilots' competence and quality of service. The main components of this system involves,

- i) assessing the pilots training needs and developing training solutions to meet the need
- ii) reviewing past assignments and incidents
- iii) introducing simulator training and assessment of skills with using a full bridge simulator at Memorial University in St. Johns, Newfoundland

2002 PERFORMANCE REVIEW

- iv) introduce a comprehensive system for dealing with customer comments and complaints regarding pilotage services and performance. Customer surveys are also done on an annual basis to assess quality of service.

The cost of introducing this assessment system is approximately \$150,000 per year.

The assessment of pilots' competence and quality of service is ongoing with each pilot assessment completed at least once every five years. Sixteen GLPA pilots have successfully completed the above assessment with the balance of the pilots to be reviewed in the next four years.

The Authority has been able to freeze tariffs from 1994 to 2001 (8 years) and rebated 5% of Canadian tariffs in 1999 and 2000 (\$800,000 rebate). Tariffs were increased by 3% in 2002 for the first time in nine (9) years. In a period where inflation has totalled 17.75% since 1993 the industry has benefited from the stable tariff by approximately \$8 million.

The Authority is in the process of renegotiating pilot's collective agreements that expired March 31, 2002 and has settled with one group for increases in remuneration at levels not exceeding inflation. Settlements of the other three groups are expected in the Winter of 2003.

(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 \$60,000 (2001) and \$50,000 in 2002 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 or close to \$1.8 million since the restructuring.

The Authority continues to follow past practices of contracting out pilot boat services for the Welland Canal. These contracts cost the Authority approximately \$410,000 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.

In 1999 the Authority started the navigation season with close to \$7 million in accumulated operation surplus generated in the period of 1994-1998 (5 years) when revenues exceeded expenses. The Board instituted policies to freeze all tariffs and reduce tariffs in the Canadian Sectors (1999, 2000) until the above surplus would be reduced. Operating losses in the period of 1999 to 2002 have totalled \$5,282,899 and has caused the Authority's surplus to be reduced to \$1,562,503 at December 31, 2002.

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The Authority will increase the 2003 tariff by 4% in 2003 and will have to adjust the tariff in 2004 and 2005 so that financial self sufficiency is assured. The industry is cooperating with the Authority in dealing with this issue so that the Authority remains financially self sufficient.

(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:

2003 - 1 pilot Cornwall District
2004 - 2 pilots Cornwall District
 2 pilots District Nos. 2/District No. 3
2005 - 1 pilot District No. 2
2006 - No retirements
2007 - 1 pilot Cornwall District

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 7 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.

(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 conduct regular reviews every 5 years of each compulsory pilotage area and in consultation with the users those compulsory areas where there has been	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 Winter of 2003.

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a change in factors and circumstances which justify a re-examination of the designation, a risk based methodology is to be used in the reassessment.

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 Great Lakes Pilotage Regulations must be amended to enhance requirements for exempting vessels from compulsory pilotage in the Great Lakes Pilotage region.

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 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 process to design a system for assessing pilots' competence and quality of service has been finalized and has seen the first 16 pilots complete the assessment. This process was undertaken with the full cooperation of the pilots.

The Authority is following the risk based methodology to address the request and should complete the study by Winter 2003.

This exercise has been done in 2001 and 2002 and will be continued.

The Authority has initiated in 2000 a yearly meeting with all interested parties and was repeated in 2001 and 2002.

A structural methodology for handling complaints has been established in 2000 and was continued in 2001 and 2002. 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 2003 Annual Report.

2002 PERFORMANCE REVIEW

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

This recommendation has been so acted upon by the Authority.

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

The Authority has reported on the pool of qualified pilot candidates in the 1999, 2000, 2001 and 2002 Annual Reports.

(vii) Special Examination

As required by Part X of the *Financial Administration Act* (FAA), the Auditor General of Canada carried out a special examination of the financial and management control and information systems and management practices maintained by the Great Lakes Pilotage Authority. The Authority is required by paragraphs 131(1)(b) and 131(2)(a) and (c) of the FAA to maintain these systems and practices in a manner that will provide reasonable assurance that the following requirements are met:

- the assets of the Authority are safeguarded and controlled;
- the financial, human, and physical resources of the Authority are managed economically and efficiently; and
- the operations of the Authority are carried out effectively.

The Auditor General of Canada reported to the Board of Directors in December 2002 that they had completed their review and that “there is reasonable assurance that there are no significant deficiencies in the system and practices examined”. Minor recommendations were highlighted and will be dealt with by the GLPA in the future.

2002 PERFORMANCE REVIEW

(viii) Incident Report

MARINE OCCURRENCE STATISTICS

<u>OCCURRENCE</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Collision	1	1	0	1
Foundering	0	0	0	0
Fire/Explosion	0	1	0	0
Grounding	3	1	4	2
Striking	0	1	0	3
Contact with Lock Wall	12	13	14	18
Touching Bank/Bottom	0	4	2	2
Ice Damage	0	0	0	0
Ship Arrestor	<u>2</u>	<u>2</u>	<u>1</u>	<u>0</u>
TOTAL	<u>18</u>	<u>23</u>	<u>21</u>	<u>26</u>
Percentage of Accident Free Assignments	99.8%	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.

2002 Synopsis

The majority of marine occurrences within the Great Lakes Pilotage Authority region consistently involved ships contacting tie-up and lock walls.

There was only one collision in 2002. This involved a head-on collision when a foreign vessel sheered into a domestic vessel in the South Shore Canal, causing considerable damage to both vessels.

The number of groundings increased in 2002 due to factors such as: helmsman confusion, steering gear malfunction and the effects of squat combined with very low water conditions. Although groundings increased in 2002, there were no incidents of vessels touching the bottom, possibly since most vessels are staying as close to the centre of the channels due to the very low water levels.

AUDITOR'S REPORT

To the Minister of Transport

I have audited the balance sheet of Great Lakes Pilotage Authority as at December 31, 2002 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, 2002 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.



Francine Deneault-Bissonnette, CA
Principal
for the Auditor General of Canada

Montreal, Canada
January 31, 2003

GREAT LAKES PILOTAGE AUTHORITY

Balance Sheet

as at December 31

	<u>2002</u>	<u>2001</u>
ASSETS		
Current		
Cash	\$ 327,218	\$ 966,529
Investments (Note 3)	-	2,295,923
Accounts receivable (Note 3)	<u>2,691,280</u>	<u>2,998,735</u>
	3,018,498	6,261,187
Long-term		
Investments (Note 3)	2,505,544	1,149,999
Segregated investments (Note 3)	3,032,615	2,999,482
Capital assets (Note 4)	<u>195,422</u>	<u>186,078</u>
	<u>\$8,752,079</u>	<u>\$10,596,746</u>
LIABILITIES		
Current		
Accrued salaries and benefits	\$3,906,212	\$ 4,149,441
Other accounts payable and accrued charges (Note 3)	167,617	255,702
Employee future benefits	<u>295,548</u>	<u>168,512</u>
	4,369,377	4,573,655
Long-term		
Employee future benefits	<u>2,738,125</u>	<u>2,817,996</u>
	<u>7,107,502</u>	<u>7,391,651</u>
EQUITY		
EQUITY OF CANADA		
Contributed capital	82,074	82,074
Retained earnings	<u>1,562,503</u>	<u>3,123,021</u>
	<u>1,644,577</u>	<u>3,205,095</u>
	<u>\$ 8,752,079</u>	<u>\$10,596,746</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

	<u>2002</u>	<u>2001</u>
Revenues		
Pilotage charges	\$ 12,923,073	\$ 12,844,025
Interest and other income	242,856	432,224
Dispatching and pilot boat income	<u>123,374</u>	<u>131,755</u>
	<u>13,289,303</u>	<u>13,408,004</u>
Expenses		
Pilots' salaries and benefits	10,358,594	10,962,639
Transportation and travel	1,428,149	1,479,530
Operation staff salaries and benefits	966,829	1,054,871
Pilot boat services (Note 6)	613,183	617,828
Administration staff salaries and benefits	575,955	491,679
Employee future benefits	269,395	368,260
Professional and special services	130,028	88,682
Utilities, materials and supplies	118,766	135,955
Communications	87,324	83,090
Purchased dispatching services	84,150	94,082
Amortization	81,758	98,367
Rentals	70,749	66,101
Repairs and maintenance	35,029	31,223
Pilot training costs	<u>29,912</u>	<u>111,799</u>
	<u>14,849,821</u>	<u>15,684,106</u>
Net loss for the year	(1,560,518)	(2,276,102)
Retained earnings at beginning of the year	<u>3,123,021</u>	<u>5,399,123</u>
Retained earnings at end of the year	<u>\$ 1,562,503</u>	<u>\$ 3,123,021</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

	<u>2002</u>	<u>2001</u>
Cash provided by (used in):		
<u>Operating activities</u>		
Net loss for the year	\$ (1,560,518)	\$ (2,276,102)
Items not requiring cash		
Employee future benefits	47,165	195,800
Amortization	81,758	98,367
Net change in working capital components other than cash	<u>(23,859)</u>	<u>(725,384)</u>
	<u>(1,455,454)</u>	<u>(2,707,319)</u>
<u>Investing activities</u>		
Purchase of investments and segregated investments	(3,588,161)	(2,399,997)
Redemption of investments and segregated investments	4,495,406	6,140,229
Acquisition of capital assets	<u>(91,102)</u>	<u>(118,105)</u>
	<u>816,143</u>	<u>3,622,127</u>
Increase (decrease) in cash	(639,311)	914,808
Cash beginning of year	<u>966,529</u>	<u>51,721</u>
Cash end of year	<u>\$ 327,218</u>	<u>\$ 966,529</u>

The notes are an integral part of the financial statements

GREAT LAKES PILOTAGE AUTHORITY

Notes to Financial Statements

December 31, 2002

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 \$1,095,945 (\$1,032,798 in 2001).

GREAT LAKES PILOTAGE AUTHORITY

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.

	2002	2001		
	<u>Carrying value</u>	<u>Yield(%)</u>	<u>Carrying value</u>	<u>Yield (%)</u>
Maturing within 1 year:				
Certificates of deposit	-		\$1,200,000	6.20
Government of Canada bonds	-		200,000	5.05
Provincial bonds	-		895,923	5.40– 6.04
<hr/>				
Total short term investments	-		2,295,923	
Maturing beyond 1 year:				
Government of Canada bonds	\$ 499,999	5.00-5.27	199,941	5.27
Provincial bonds	5,038,160	4.46-5.47	3,949,540	4.46– 5.65
<hr/>				
Total long term and segregated investments	5,538,159		4,149,481	
Total investments	\$5,538,159		\$6,445,404	

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.

GREAT LAKES PILOTAGE AUTHORITY

4. Capital assets

	2002		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Buildings	\$ 71,846	\$ 64,846	\$ 7,000
Furniture and equipment	256,350	221,654	34,696
Software and computer equipment	<u>588,332</u>	<u>434,606</u>	<u>153,726</u>
	<u>\$916,528</u>	<u>\$ 721,106</u>	<u>\$ 195,422</u>
	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>

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 for the next two fiscal years are:

2003	51,564
2004	<u>4,297</u>
	<u>\$ 55,861</u>

In addition, the Authority has contract commitments for pilot boat services. Future minimum contract commitments for the next three fiscal years are:

2003	421,000
2004	435,000
2005	<u>448,000</u>
	<u>\$1,304,000</u>

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 2001 amounts have been reclassified to conform with current year's presentation.

