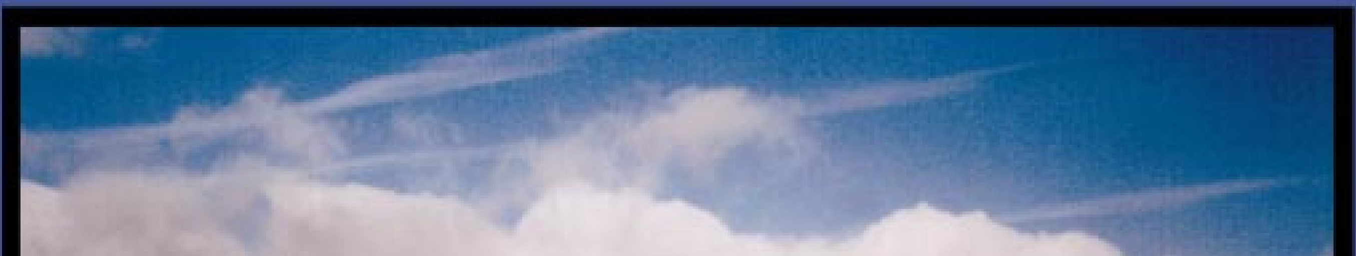
Saint Lawrence Seaway Development Corporation

Linking North America's Heartland to the World



Fiscal Year 2001 Annual Report

ANNUAL REPORT INTRODUCTION BY ADMINISTRATOR ALBERT S. JACQUEZ

In accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards, I am pleased to present the annual management report of the Saint Lawrence Seaway Development Corporation (SLSDC) for the fiscal year (FY) ended September 30, 2001. This report clearly presents the financial integrity and operational accomplishments of the Corporation during FY 2001.

The SLSDC made progress on implementing several programs and initiatives during FY 2001 that will strengthen the operational efficiency of the entire Great Lakes St. Lawrence Seaway System. First and foremost, the SLSDC, in the aftermath of September 11, began developing new security protocols to enhance security measures for the Corporation's critical infrastructure. The SLSDC continues to develop new technologies that will lead the Seaway in the 21st century. Working with the Canadian St. Lawrence Seaway Management Corporation and the Volpe National Transportation Systems Center, the SLSDC completed the design and development of its Automatic Identification System (AIS). When fully operational, the new technology's ship-to-ship, ship-to-shore, and shore-to-ship communication capabilities will greatly enhance safety, security, and traffic management of vessels transiting the Seaway.

Performance of the SLSDC's direct core mission is the benchmark by which the agency's success and effectiveness are measured. During the 2001 navigation season, the SLSDC reported a 98.3 percent system availability rate in the U.S. sectors of the St. Lawrence Seaway, including the two U.S. locks. Of the delay time, only 6.9 hours, or less than 0.1 percent of the entire 277-day season, were due to lock equipment malfunction.

Trade development activities continue to be an important element of our operations. A Seaway Trade Mission to Poland and Norway included a delegation of 15 U.S. and Canadian Great Lakes executives who visited the Baltic ports of Szczecin, Gdansk, and Gdynia and the Scandinavian port of Oslo. The delegation promoted Seaway commercial navigation to northern European maritime and port officials, highlighting the benefits of transporting goods to and from North America via the Seaway System.

Finally, the release of the *Economic Impact Study of the Great Lakes St. Lawrence Seaway System* in August 2001 provided vitally needed current financial and marine transportation data to industry and the public. The report documented the major economic impact our inland maritime system has for the eight U.S. states adjoining the Great Lakes: providing more than 150,000 jobs indirectly and accounting for a total personal income impact of more than $4.3 billion, while moving 192 million tons of cargo.

The SLSDC is committed to improving the service and operations we provide all Great Lakes St. Lawrence Seaway System stakeholders. The Seaway's future is inextricably bound to the economic and environmental development of the entire Great Lakes region and we are fully committed to meeting the challenges that lie ahead.

Albert S. Jacquez

Albert S. Jacquez

Saint Lawrence Seaway Development Corporation Background

The Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) is a wholly owned government corporation created by statute May 13, 1954, to construct, operate and maintain that part of the St. Lawrence Seaway between the Port of Montreal and Lake Erie, within the territorial limits of the United States. The SLSDC is an operating administration within the U.S. Department of Transportation (DOT).

The SLSDC coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation (SLSMC) (formerly the St. Lawrence Seaway Authority), particularly with respect to rules and regulations, the Tariff of Tolls, overall day-to-day operations, traffic management, navigational aids, safety, environmental programs, operating dates, trade development and marketing programs. The unique binational nature of the System requires 24-hour, year-round coordination between the two Seaway entities.

The mission of the Corporation is to serve the U.S. intermodal and international transportation system by improving the operation and maintenance of a safe, reliable, environmentally responsible deep-draft waterway, in cooperation with its Canadian counterpart. The SLSDC also encourages the development of trade through the Great Lakes Seaway System, which contributes to the comprehensive economic and environmental development of the entire Great Lakes region.

The SLSDC headquarters staff offices are located in Washington, D.C. Operations and operations personnel are located at the two U.S. Seaway locks (Eisenhower and Snell) in Massena, N.Y. As of September 30, 2001, the Corporation employed 153 employees.

The audit of the SLSDC for the 12 months ended September 30, 2001, was performed by Daniel Eke and Associates, P.C., in accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards. This report is in two sections. The first section (pages 1-20), was prepared by the Corporation to provide information on its organization, missions, goals and objectives, and performance measures. The information contained in this first section was not subject to audit. The second section (pages 21-38), consists of 2001 audited financial statements with associated notes and the reports of Daniel Eke and Associates, P.C., on those statements, and supplementary management information.

An electronic copy of this report can be obtained on the SLSDC web site at: *www.greatlakes-seaway.com*.

Saint Lawrence Seaway Development Corporation
Index to Fiscal Year 2001 Annual Report

FY 2001 FINANCIAL HIGHLIGHTS

The financial statements have been prepared to report the financial position and results of operations of the Corporation, pursuant to the requirements of the Chief Financial Officers Act of 1990.

Corporation Financing

Until 1987, the Corporation was a self-sustaining entity and financed its operations and investment in plant and equipment by charging tolls to users of the two U.S. Seaway locks. Toll rates were established jointly with and collected by The St. Lawrence Seaway Authority (now known as the SLSMC), with the U.S. share remitted to the Corporation. The Water Resources Development Act of 1986, Public Law 99-662, which created the Harbor Maintenance Trust Fund, made a significant change to Corporation financing. The Act required the U.S. Treasury to rebate the portion of Seaway tolls paid by users for transiting the U.S. locks. Subsequent legislation, effective October 1, 1994, waived the billing and collection process of the U.S. tolls. However, the SLSDC is still involved in the negotiations of Seaway toll levels with the SLSMC.

Operating Revenues

Operating revenues, excluding imputed financing, totaled $11,929K in 2001, compared to $11,592K in 2000, an increase of $337K or 3 percent. Appropriations expended increased $258K, from $11,141K in 2000 to $11,399K in 2001. Appropriations expended represents the amount of the Harbor Maintenance Trust Fund expended for operating purposes. Other revenues, principally from concession operations, increased $79K, from $451K in 2000 to $530K in 2001.

Operating Expenses

Overall operating expenses, excluding depreciation and imputed expenses, increased $955K or 8 percent from $11,372K in 2000 to $12,327K in 2001.

Personal services and benefits increased $405K or 4 percent from $9,298K in 2000 to $9,703K in 2001. The Corporation employed 153 employees on September 30, 2001.

Other costs increased $550K or 26 percent from $2,074K in 2000 to $2,624K in 2001. Specific operating expenditures included winter roadway maintenance, winter security/facility watch, squat study, miter gate maintenance, roof cover maintenance, tunnel wingwall drainage improvements, culvert valve maintenance, and asbestos related expenses.

Imputed Financing/Expenses

Effective in 1997, the Corporation was required to recognize and record the cost of pension and post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as an expense paid by another entity (OPM) offset by an imputed financing source to the receiving entity (the Corporation).

Total Assets

The Corporation's financial position continues to remain sound with total assets of $100 million. Plant, property and equipment are valued at $83 million.

Time Deposits in Minority Banks

A key asset of the Corporation is time deposits in minority banks, totaling $11,691K at year-end. In 2001, a $1,711K increase in short-term deposits, offset by a $1,810K decrease in long-term deposits, netted a decrease of $99K overall. Due to the decrease in interest rates, deposits were shifted from long-term to short-term as they matured.

Interest Income

Interest on deposits in minority banks increased by $72K or 11 percent, totaling $642K in 2000 and $714K in 2001. The interest income is an important financing source for the Corporation.

Unobligated Balance

As of September 30, 2001, the Corporation had an unobligated balance of $13.8 million, comprised of $3.2 million of unused borrowing authority and the $10.6 million financial reserve. The reserve is maintained to finance emergency or extraordinary expenditures to ensure safe and uninterrupted use of the Seaway, a policy affirmed by Congress in the Appropriation Committee reports. The funds on deposit in minority banks were principally built up from toll income in excess of cash outlays prior to April 1, 1987, when the Corporation was a self-sustaining entity, and are invested in insured deposits consistent with Executive Order 11625 (October 13, 1971).

Construction Program

Acquisition of plant, property and equipment totaled $830K in 2000 and $1,577K in 2001.

The primary expenditures in 2000 included capital equipment purchases of a compressor and a boiler for the Administration Building, an aerial lift vehicle (bucket truck), a tractor, a trailer, two trucks, and a copier. Major capital project expenditures were for the Automatic Identification System/Global Positioning System (AIS/GPS), a new roof for the Administration Building, and the Lock Structures Maintenance Shop.

The AIS/GPS project was designated to apply cutting-edge AIS technology to marine navigation on the St. Lawrence River and Great Lakes. Interagency agreements were established with the Volpe Center to support the Corporation in the establishment of a program to bring AIS technology to the Seaway. The Volpe Center designed and implemented shore side elements of a pre-operational AIS that utilized existing development, software development, and hardware development. The initial phases were accomplished for the Lock Structures Maintenance Shop.

The primary expenditures in 2001 were $770K for construction of the lock structures maintenance shop, $240K for the AIS/GPS project, $193K for the purchase of a crane, and $116K for crack grouting.

Construction of the Lock Structures Maintenance Shop was completed and the blasting/reclamation, vacuum and dust collection equipment was delivered. This shop was constructed to perform maintenance work on large structures, machinery, and equipment such as stoplogs, fender booms, culvert valves, bullgears, the Corporation workboat, etc. The primary function of this facility is for blast cleaning and painting of these items using the equipment purchased so that the work can be performed in accordance with the Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA), and New York State Department of Environmental Conservation (NYSDEC) regulations. The equipment purchased is portable so that it can be utilized in the locks for blast cleaning and painting the miter gates and vertical life gate during winter maintenance periods.

AIS/GPS expenditures were for on-going vessel tracking support. The Corporation purchased a 30-ton, rough-terrain Lorain crane to replace a 20-ton crane purchased in 1985. The crane is used extensively during the navigation season as well as the winter maintenance period.

A contract was completed for grouting leaking cracks in the concrete walls of both Eisenhower and Snell Locks to reduce the infiltration of water into the cable galleries and machinery recesses. This water caused corrosion and deposited leachate on machinery, wires and steel structures creating maintenance problems. Additional areas will require grouting in the future.

Significant Future Costs

Since operations and maintenance represent the bulk of the Corporation's expenditures, five-year capital and maintenance plans have been developed for 2002 through 2006. The objective of developing comprehensive five-year plans for capital improvements, operations, and maintenance activities is to improve the Corporation's ability to invest in projects critical to maintaining infrastructure and operational efficiency. The perspective offered by viewing and evaluating resource requirements over a long term is particularly vital in this era of funding reductions.

The current five-year plan projects $6 million in capital expenditures. The Corporation plans on spending $615K for fendering improvements at both locks, $560K for paving and drainage improvements, $530K for valve operating machinery upgrade, $450K for closed-circuit television (CCTV) coax replacement, and $300K for culvert valve redesign/upgrade.

The downstream miter gate at Eisenhower Lock is fendered with wood fenders and the downstream gate at Snell with rubber fenders to protect the gate structure and diagonals from damage. The fendering on these gates will be replaced with new composite fenders.

Paving and drainage is a multi-year program to improve the structural integrity and surface and drainage characteristics of the Corporation roadways as well as parking and work areas.

The culvert valve operating machinery upgrade is a multi-year project to replace the existing electric motors and gears, which are original equipment, with new hydraulic operating systems.

The CCTV coax project is to replace the buried coaxial cable with fiber optic cable. The existing coaxial cable is used to carry CCTV/ video signals between the locks and various remote locations for operational and security purposes. The fiber optic cable will provide expanded capabilities, which will include communications and data transmission.

The Corporation has one spare culvert valve for the eight original valves currently in service. The existing valves are corroding and cracks are being discovered and repaired on a more frequent basis. A new single skin culvert valve will be designed and fabricated.

The current five-year plan projects $6 million in maintenance activities. Concrete maintenance has been budgeted at $2,930K and miter gate maintenance at $467K. The Corporation continues to replace deteriorated/damaged concrete at both locks, utilizing Corporation personnel during winter maintenance periods. It is anticipated that it will be necessary to award contracts for major concrete replacement in the next five years. Miter gate maintenance is a multi-year program to address major maintenance issues on the miter gates at both locks, specifically quoin blocks, diagonals, anchorages and pintles.

U.S. Army Corps of Engineers Lock Survey and Evaluation

In December 1999, the U.S. Army Corps of Engineers provided the SLSDC with its lock survey and evaluation report for the two U.S. Seaway locks. The Corps concluded that the lock structures and equipment were generally well maintained and in good operating condition. However, recommendations were made for maintenance and capital improvements and for modifications to maintenance and operating procedures. Some of the projects may be accomplished in-house, provided they have minimal impact on normal maintenance functions, while larger projects will likely be accomplished by contract. The Corporation continues to include the Corps recommended projects in capital and special operating plans on a priority basis, as funding is available.

KROONBORG operated by Wagenborg prepares to transit through the Snell Lock.

Selected Financial Indicators

(In Thousands of Dollars)

For the Fiscal Years Ended September 30	2001	2000	Change Dollars	Change Percent
Operating Revenues	**$11,929**	**$11,592**	**337**	**3**
Appropriations expended	11,399	11,141	258	2
Other	530	451	79	18
Operating Expenses	**$12,327**	**$11,372**	**955**	**8**
Personnel services and benefits	9,703	9,298	405	4
Other	2,624	2,074	550	26
Imputed Financing/Expenses				
Imputed financing	641	607	34	8
Imputed expenses	641	607	34	8
Total Assets	**$99,649**	**$99,805**	**(156)**	**0**
Time Deposits in Minority Banks	**$11,691**	**$11,790**	**(99)**	**(1)**
Short-term	11,397	9,686	1,711	18
Long-term	294	2,104	(1,810)	(86)
Interest Income (Minority Banks)	**$714**	**$642**	**72**	**11**

SLSDC Advisory Board

Anthony S. Earl, Chairman
Former Governor of Wisconsin
Madison, Wisconsin
1996-present

Jay C. Ehle, Member
Former Chairman, Port of Cleveland
Rocky River, Ohio
1996-present

George D. Milidrag, Member
Founder, Engineering Technology Ltd.
Clarkson, Michigan
1996-present

Vincent Sorrentino, Member
Attorney, Hurley & Hewner
Buffalo, New York
1996-present

William L. Wilson, Member
Research Fellow, University of Minnesota
Minneapolis, Minnesota
1996-present

FY 2001 ACCOMPLISHMENTS

Operations and Safety Initiatives

Critical Infrastructure and Waterway Security

Following the September 11 terrorist attacks, the SLSDC began developing new security protocols to enhance security measures for SLSDC critical infrastructure and other navigation and workplace assets. A major initiative was the SLSDC's involvement in performing risk assessment inspections of targeted foreign-flag vessels in Montreal, Quebec, prior to entering U.S. waters. This protocol was developed in consultation with both U.S. and Canadian government agencies to ensure that vessel crews do not pose a security risk. SLSDC inspectors performed 209 risk assessment inspections in 2001, totaling 242 person hours. Currently, the SLSDC is working with the U.S. Coast Guard, other federal agencies, and Canadian law enforcement agencies to implement additional security measures for the St. Lawrence Seaway, and to protect the Northern Border of the U.S. and Canada.

Seaway Automatic Identification System/Global Positioning System (AIS/GPS)

Since 1992, the SLSDC has worked with the U.S. Department of Transportation's Volpe National Transportation System Center and Canadian partners to design and implement state-of-the-art Automatic Identification System (AIS)/Global Positioning System (GPS) navigation technology. The AIS/GPS project represents a major step forward in marine navigation technology. In fact, the Seaway is the world leader in developing shore-side applications for AIS/GPS.

The goal for FY 2001 was to implement the program in the traffic control sectors of the St. Lawrence Seaway (Montreal to mid-Lake Erie). This goal was not achieved and is delayed until FY 2002 due to delays by the International Electrotechnical Commission (IEC) in setting testing standards for AIS transponders. The SLSDC's implementation phase was halted during this delay. The IEC issued its transponder testing standards in November 2001. The SLSDC expects to implement the AIS system in the Montreal-to-mid-Lake Erie section of the Seaway during the 2002 navigation season. During FY 2001, the SLSDC completed a number of project milestones including the design and development of shore-side AIS stations, the installation of AIS antennas at all shore-side stations, and testing of AIS signal coverage.

When the AIS system is implemented, the technology's ship-to-ship, ship-to-shore, and shore-to-ship communication capabilities will enhance the safety and security of vessel transits in the Seaway and

Seaway traffic management operations. During the 2003 navigation season, the SLSDC and SLSMC will work cooperatively with the U.S. and Canadian Coast Guards in their efforts to achieve AIS coverage throughout the Great Lakes. In 2000, industry partners agreed to contribute 50 percent of the final cost of this program over the 2000, 2001, and 2002 navigation seasons.

During FY 2001, the SLSDC promoted the Seaway AIS project to maritime and transportation industry leaders from around the world. In October 2001, the SLSDC hosted the U.S. Department of Transportation's International Transportation Symposium's maritime transportation technology panel focusing on best practices in the area of maritime navigation technology, specifically, the development of AIS/ GPS technologies and applications of the Electronic Chart Display Information System (ECDIS). Some of the themes explored were the adoption of an International Maritime Organization (IMO) universal AIS standard, current implementation of AIS and ECDIS technology, challenges/costs encountered in developing next generation technology, benefits of the AIS/GPS navigation technology, and the status of current AIS projects around the world. The Symposium drew transport ministers and heads of state from around the world and nearly 1,000 attendees representing all modes of transportation.

In addition to hosting the Symposium panel, SLSDC Deputy Administrator Craig H. Middlebrook made a formal presentation on the Seaway AIS project at the World Ports Conference in Montreal, Quebec, in May 2001. Deputy Administrator Middlebrook addressed representatives of 230 port authorities from 85 countries and noted that once operational in 2002, the Seaway's AIS project will be the most extended application of this technology to an inland waterway anywhere in the world.

Foreign Vessel Inspection Program

The Enhanced Seaway Inspection (ESI) program is a major program contributing to safe navigation and protection of the environment. The safety and environmental vessel screening programs, conducted jointly with Canadian SLSMC inspectors in Montreal, Quebec, complete the U.S. Coast Guard (USCG) – required port/state vessel inspections as well as ballast water tests.

Each year, more than 250 foreign flag vessels from more than 50 nations transit the U.S. locks and channels of the Seaway to and from the major port facilities in the Great Lakes. Prior to 1997, ship inspections were conducted at the U.S. Seaway locks in Massena, N.Y., which reduced safety and delayed ship traffic. The SLSDC, working closely with the USCG, restructured the inspection program in 1997. The major goal of the revised program was to perform 100 percent of

Enhanced Ship Inspections (ESI) for the first inbound transit of each ocean vessel in advance of entering U.S. waters at Montreal. The goal was achieved in 2001 with 252 ESIs, 233 performed by SLSDC inspectors and 19 performed by USCG marine inspectors. The enhanced vessel inspection program exemplifies the DOT goal of partnering for excellence, as well as intermodal cooperation.

The ballast water exchange program continues to be an important function of the ship inspection program. These inspections are carried out concurrently with the ESIs, by Corporation personnel in Montreal and by USCG personnel at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. In 2001, 138 ballast water examinations were conducted—90 in Montreal (85 by SLSDC inspectors and 5 by USCG inspectors) and 48 in Massena conducted by the USCG with SLSDC inspectors in attendance.

2001 Winter Maintenance Program

Following the completion of each navigation season, the SLSDC conducts its annual winter maintenance program to ensure the structural integrity and efficient operation of the two U.S. Seaway locks.

The Corporation completed its winter maintenance program for FY 2001 with all planned and unplanned projects completed. The 2001 program concentrated on projects directly related to minimizing or eliminating downtime due to lock equipment failure. During the 2001 navigation season, lock equipment failure delays totaled only 6.9 hours during the 277 days of operation (1/10 of 1 percent of the season).

FY 2001 winter projects included removal and rehabilitation of valve cannons at Snell Lock; rehabilitation of valve Philadelphia Drives and sector gears; minor concrete repairs; repair of intake trash racks; and maintenance of switchgear and replacement of deteriorated control wire.

FTAA Related Protests Along the St. Lawrence Seaway

The SLSDC successfully worked with local, state, and federal authorities to ensure that the two U.S. Seaway locks in Massena, N.Y., would not be blocked or disrupted on April 19, 2001, by protesters of the Free Trade Area of the Americas (FTAA) Summit in Quebec City, Quebec.

Local Canadian and U.S. protest organizers had publicly voiced plans to "lock down these locks...stopping the vast commercial shipping volume in or out of the Seaway." The protesters had planned to converge in the Massena area on their way to Quebec City to protest the FTAA Summit. The SLSDC requested and received resources from the USCG and New York State Police for the physical protection of SLSDC facilities. The USCG allocated 90 personnel and six patrol boats to protect the waters in and around the two U.S. Seaway locks. The New York State Police provided 24-hour checkpoints on two roads approaching the U.S. locks. Ultimately, a peaceful protest was held on the Seaway International Bridge connecting Massena, NY and Cornwall, Ontario, by protesters and no attempt was made to interfere with Seaway traffic.

Invasive Species-Ballast Water Initiatives

During FY 2001, the SLSDC played an active role with other U.S. and Canadian agencies and industry stakeholders to reach a compromise on various State-initiated proposals to regulate ballast water management in the Great Lakes. The compromise (in the form of a bill enacted by the State of Michigan) calls for a testing regime that is more in concert with national and international approaches and the development of a joint SLSDC-SLSMC regulatory proposal for mandatory industry ballast water management practices compliance as a prerequisite to Seaway clearance. The regulatory proposal has been issued for public comment and is expected to be finalized by the start of the 2002 navigation season. The SLSDC played an active role in this initiative because of its mission to promote maritime safety and environmental protection.

Emergency Response Plan

SLSDC's Emergency Response Plan (ERP), unveiled in June 1989 and updated annually, was developed to serve as a regional joint response blueprint in the event of an oil spill, hazardous substance spill or vessel collision in the St. Lawrence River. The plan, which includes a computerized oil spill model, covers the 100-mile U.S. portion of the river, between Massena and Cape Vincent, N.Y. The Corporation has immediate responsibility for initiating the ERP and overseeing an incident until the USCG arrives on the scene when responsibility is shifted over in its role as Federal On-Scene Coordinator.

Participants retrieving oil boom after the Emergency Response Exercise in Clayton, N.Y.

The plan incorporates a number of local, state, and federal agencies that would be needed in an emergency situation. Since 1989, the Corporation has participated in or sponsored annual simulation exercises as part of the ERP. These annual simulated drills are essential to maintaining readiness for emergency situations, swift response requirements, and problem resolution by the Corporation and local, state and federal agencies. An updated ERP was distributed to both internal agency personnel and external stakeholders in July 2000.

Emergency Response Exercises/Simulations/Training 1992-2001	
1992	Hosted tour boat grounding exercise Louisville, N.Y.
1993	Hosted chemical spill/injury exercise Alexandria Bay, N.Y.
1994	Hosted tabletop exercise Thousand Islands Bridge, N.Y.
1995	Hosted chemical spill exercise Hogansburg, N.Y.
1996	Participated in “CANUSLAK” exercise Cornwall, Ontario
1997	Participated in chemical spill exercise Alexandria Bay, N.Y.
1998	Hosted hazardous materials spill exercise Massena, N.Y.
1999	Participated in joint U.S./Canadian Coast Guard exercise Brockville, Ontario
2000	Participated in oil boom deployment training session Massena, N.Y.
2001	Hosted vessel grounding/oil spill exercise Clayton, N.Y.

U.S. Army Corps of Engineers' Great Lakes Seaway Navigation System Study

In January 2001, the U.S. Army Corps of Engineers, as called for in the Water Resources Development Act of 1999, began studying the commercial navigation infrastructure of the Great Lakes Seaway System. The first phase of this study—the Reconnaissance Phase—will examine possible infrastructure improvements throughout the System to determine whether a federal interest exists in pursuing any of the identified projects. If this initial phase determines that a federal interest exists for improvements, the Corps will then make a feasibility assessment (during the Feasibility Phase), which will include a more detailed engineering, benefit/cost, and environmental analysis of the proposed projects. One of the possible projects that the Corps is evaluating in the Reconnaissance Phase is an expansion of the dimensions of the Seaway's lock system, including the possible construction of new locks. Other areas for possible improvement include dams, harbors, ports, and channels. Although funding for the Corps' study is not derived from SLSDC appropriations, the agency will continue to provide support to the Corps throughout the scope of the project. In addition, the SLSDC will assist the Corps in working with the Canadian SLSMC.

Trade Development Initiatives

Seaway Trade Mission to Poland and Norway

The SLSDC and SLSMC led a delegation of 15 U.S. and Canadian Great Lakes executives on a Seaway Trade Mission to Szczecin, Gdansk, and Gdynia, Poland, and Oslo, Norway, from May 15-June 1, 2001.

While in Poland, SLSDC Administrator Albert S. Jacquez made two presentations on new Seaway initiatives and the future of the Great Lakes Seaway System. More than 120 individuals representing ship owners, operators, brokers, stevedores and builders attended the briefings. These briefings provided mission delegates an opportunity to communicate with current and potential customers of the Seaway System and to develop new business opportunities. All attendees were provided with extensive written materials about the Seaway System.

The delegation also met with executives from two of Poland's largest shipyards in Szczecin and Gdynia to promote the SLSDC's new vessel build and retrofit design services.

Left to right - Ronald Johnson, Director of Trade Development, Port of Duluth; Rebecca McGill, Director of Trade Development, SLSDC; Jan Lewko, General Manager, Marketing Division, Port of Gdynia; Administrator Albert S. Jacquez, SLSDC; Krzysztof Gromadowski, Vice President, Port of Gdynia; Steve Pfeiffer, Maritime Director, Port of Cleveland; John Baker, President, ILA; Captain Joe Craig, SLSDC; Joanna Chomicka, Commercial Assistant, US & FCS, US Embassy, Warsaw.

In Oslo, the delegation participated in "Nor-Shipping 2001", a biannual international shipping and maritime exhibition and conference. The Great Lakes St. Lawrence Seaway System information booth attracted hundreds of individuals from the international maritime community. Visitors to the booth were met by mission delegates, where information was exchanged and questions about the Great Lakes Seaway System were answered.

The 2001 Seaway Trade Mission to Poland and Norway was the 24th binational mission co-sponsored by the SLSDC and SLSMC over the past 16 years. Previous missions had visited Warsaw, Poland in 1991, and Oslo, Norway in 1987, 1996, and 1999.

Cruise Vessel Promotional Activities

In addition to Seaway Trade Missions, the SLSDC is working with various Great Lakes Seaway System port authorities, the Great Lakes Waterways Management Forum, the Great Lakes Cruising Coalition, state and local governments, and tourism associations, to attract cruise vessels into the Great Lakes. In recent years, the SLSDC has increased its marketing and promotional efforts toward attracting cruise vessels, which has developed into a growing market for the Great Lakes Seaway System.

During FY 2001, the SLSDC updated its Cruise Vessel Technical Guide, published a new cruising promotional brochure, and developed a new cruising web site page on the SLSDC/SLSMC binational web site. In addition, the SLSDC attended the annual Seatrade Cruise Convention in Miami in March 2001 to promote the Great Lakes Seaway System as an attractive cruise vessel market.

The French Cruise Ship "Lelevant" cruises the Great Lakes Seaway System.

Customer Service Initiatives

Binational Seaway Website

On February 26, 2001, the SLSDC and SLSMC unveiled the new binational, bilingual Great Lakes Seaway System Internet website (*www.greatlakes-seaway.com).* This unique public-private partnership was a result of feedback from Seaway customers who requested a "one-stop" internet site for locating both U.S. and Canadian information related to transiting the Seaway System. Since its unveiling, the site has received more than 50,000 page requests each month from prospective and current Seaway users in more than 50 nations.

The February 26 launch provided users with easy-to find information related to U.S. and Canadian regulations, water levels, tonnage levels, weather conditions, Corporation activities, and marketing and promotional information. In mid-2001, additional applications were launched that included real-time vessel location, additional environmental information, and a cruise vessel promotional page. In early 2002, the final phase of the site development will be implemented providing site visitors with a cost calculator to estimate key Seaway cost elements (Seaway tools, pilotage charges, and U.S. and Canadian government charges) for prospective shipments, and a cargo matching system that will provide a means for agents, owners, operators, and managers to advertise available vessels and cargos in need of transport. In addition to these applications, a new user registration page will be unveiled to allow site visitors to register for services. Business-specific applications are also being developed by the SLSMC for release in early 2002 to increase its efficiency in clearing and billing Seaway users. These applications will include pre-clearance, transit declaration, and account information applications.

The SLSDC and SLSMC launched the new binational website in February 2001.

Ship Drawing Reviews

The Corporation offers, free of charge, a review of ship drawings for new buildings or revisions, encouraging owners to fit vessels to Seaway dimensions during construction. In addition, the Corporation provides advice and guidance to developers, shipping companies or agents on modifications necessary to meet requirements for transiting the Seaway.

Since the review services were introduced in 1992, Seaway marine experts have accommodated an average of 100 review requests a year. The free service has been a key factor in attracting ocean freighter and passenger vessel traffic to the Seaway.

Seaway Tie-Up Service

To accommodate vessel operators who have elected not to install or use landing booms, the Seaway entities initiated tie-up services in 1995 on a cost-recovery basis. The fee for the service continues to be $1,500 Canadian for each round trip through the Montreal-Lake Ontario and Welland Canal sections. In 2001, a total of 170 vessels requested the tie-up service in the Montreal-Lake Ontario section, while 114 vessels requested the service in the Welland Canal section.

Seaway Port Pacesetter Awards

In early 2001, the SLSDC announced the winner of its ninth annual Seaway Port Pacesetter Award—The Toledo-Lucas County (Ohio) Port Authority. The award is presented to U.S. Great Lakes Seaway ports and terminals that registered increases in overseas cargo tonnage shipped through the Seaway during the 2000 navigation season, versus 1999. The port at Toledo is a six-time winner (1993-1996, 2000 and 2001).

SLSDC's tug, ROBINSON BAY, makes its way through the fog.

Seaway Management Initiatives

Great Lakes Seaway System Economic Impact Study and Transportation Cost Analysis

In August 2001, the SLSDC announced the release of an economic impact study and transportation cost analysis of the U.S. portion of the Great Lakes Seaway System, conducted by Martin Associates of Lancaster, PA. The economic impact study estimated impacts on 16 U.S. port communities in the eight Great Lakes states during the 2000 shipping season. Martin Associates last conducted a Great Lakes Seaway System economic impact study in 1992, measuring 1991 impacts.

The study found that the Great Lakes Seaway System annually generates more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes. In addition, the study found that during the 2000 shipping season, the Great Lakes Seaway System provided $1.2 billion of cost savings to the steel mills, utilities, and other key industries located in proximity to the 16 U.S. Great Lakes Seaway ports.

Other highlights from the study included:

- 43,968 directly employed residents of the region received $1.6 billion in annual wages and salaries. The increase in direct jobs was 30 percent higher compared to 1991, surpassing the national increase for that same period by 50 percent.
- Shipping iron ore created the largest job impact, followed by coal, iron and steel products, and sand and gravel products.
- Iron and steel products produced the largest job impact on a per-ton basis.

Joint Strategic and Business Development Plan

During FY 2001, the SLSDC and SLSMC jointly developed a new binational strategic business plan to ensure that the two Seaway governing entities work toward the common goals of improving customer service and reducing costs. The development of the new Joint Strategic and Business Development Plan is the first-ever formal binational plan of key business and marketing strategies. The plan governs SLSDC/SLSMC actions in key areas over the next three years. Leaders of the two entities will meet regularly to revise and extend the plan.

The joint plan recognizes that the two Seaway entities share four common objectives: to manage the waterway as one seamless system for its customers; to increase trade; to increase the waterway's competitiveness; and to increase customer satisfaction. There are more than 30 individual projects in the three-year plan that address those objectives.

Seaway Customer Survey

In January/February 2001, the SLSDC and SLSMC conducted a customer survey of key vessel agents, owners, and operators of the ocean and laker fleets to measure customer satisfaction of the 2000 navigation season. The primary objectives of the customer survey were to determine the level of satisfaction with the Seaway entities, to discover what aspects of navigation are most important to the customers, and to determine what operational areas need to be improved by the Seaway entities.

The 2001 customer survey produced an overall mean score of 4.0 out of a possible 5, and measured customer satisfaction in the areas of transit experience, navigating the Seaway, communications, inspections, billing administration, and opportunities for improvement.

Salvatore L. Pisani was named the SLSDC's Associate Administrator in January 2001.

SLSDC Names New Associate Administrator

In January 2001, the SLSDC named Salvatore L. Pisani as Associate Administrator and Resident Manager—the most senior SLSDC management post at its operations headquarters in Massena, N.Y. Before joining the SLSDC in January 2000 as Deputy Associate Administrator, Pisani had served 17 years with the Ogdensburg (NY) Bridge and Port Authority and held the title of Deputy Executive Director. In that post, he was responsible for all operating functional areas such as budget, administration, marketing, and port operations.

Seaway Honored as a Top 10 Public Works Project

The St. Lawrence Seaway joined the Panama Canal, the Hoover Dam, and the Golden Gate Bridge as awardees of the American Public Works Association's (APWA) Top 10 Public Work Projects of the 20th Century award. A formal presentation was made to SLSDC and SLSMC leadership at the opening ceremony of the 2001 navigation season in Montreal.

Factors in its selection, according to the APWA, were the unique U.S. – Canadian partnership that built the Seaway and still operates it; the opening of the Great Lakes to ocean shipping; its economic, social, and environmental benefits; and its role as a supplier of electric power.

Educational/Mentoring Programs

The SLSDC Administrator, management and staff participated in several events during FY 2001 in Washington, D.C. and Massena, N.Y., including job-shadowing programs, Tech Prep student case studies based on Seaway issues, student tours and demonstrations at Seaway facilities, local school web page development, and student motivational guidance for the future. The SLSDC programs reach out to students in elementary, high school and college level activities. The SLSDC participates in the Massena High School Tech Prep Program together with other local industries in the area. The Program is designed to provide junior and senior students with real life job skills through various means, including “job shadowing.” Students job shadow when they follow SLSDC employees performing their daily activities at a job site over a period of several weeks.

For last year’s national Groundhog Job Shadow Day, five Massena-based SLSDC employees representing five different careers joined 26 Jefferson Elementary School sixth graders to share their career paths and the skills and abilities needed to achieve their present jobs.

The SLSDC also accomplished a number of other education-mentoring initiatives in Massena including: organizing a tug ride, conducting a gatelifter tour, and providing a USCG ballast protection demonstration for 75 sixth graders at Jefferson Elementary for Outdoor Week; assisting in that school’s Pathfinder Award ceremony and luncheon; providing National Safe Boating Week information packets to local elementary schools; organizing a tug ride and lock tour for 25 Tech Prep students; and a poster contest for fifth graders at Jefferson Elementary.

SLSDC has been a local Tech Prep partner with Massena High School since 1997 and during that time has provided 23 job-shadowing opportunities, as well as several Seaway-related case study assignments and field trips.

Tech Prep class from Massena Central High School enjoyed a tug ride and a tour of the SLSDC’s facilities.

2001 NAVIGATION SEASON IN REVIEW

Total tonnage through the Montreal-Lake Ontario section of the St. Lawrence Seaway in 2001 was 30.3 million metric tons, 5.1 million metric tons or 14 percent below the 2000 navigation season total. The decrease can be attributed, in large part, to significant reductions in imported processed iron and steel (2.0 million metric ton reduction, or 44 percent) and iron ore (1.8 million metric ton reduction, or 18 percent). The reduction in steel shipments was caused by decreased demand for finished steel products both in North America and overseas based on weak global economic conditions. As a result of a recessed North American steel industry, iron ore imports were also significantly below 2000 levels. The reduction in steel imports had a secondary effect on lower grain exports. Approximately 20-30 percent of ocean-going vessels exporting grain from the Great Lakes Seaway System enter the waterway carrying steel. Total grain movements through the Seaway in FY 2001 were 11.1 million metric tons, a 1.3 million metric ton reduction or 11 percent.

Low water levels, especially in the Upper Lakes, also impacted overall tonnage reductions for the season. A one-inch drop in sailing draft results in a reduction of approximately 100 metric tons of cargo for Seaway-sized ships. Many major Great Lakes Seaway System carrier companies reported that vessels could only carry approximately 90 percent of a normal shipment load due to the reduced water levels.

Several commodities were ahead of FY 2000 levels including petroleum products (up 40 percent at 1.6 million metric tons), salt (up 38 percent at 907,000 metric tons), coal (up 35 percent at 452,000 metric tons), gypsum (up 9 percent at 444,000 metric tons), and steel slabs (up 6 percent at 384,000 metric tons). In addition to cargo movements, total commercial vessel transits posted a 13 percent decline. The Seaway opened its 43rd navigation season on March 23 and remained open for 277 days, closing on December 24.

Calendar Year 2001 Commodity and Transit Summary

(Montreal-Lake Ontario Section — Volume in Metric Tons)

Commodities	2001	2000	Change Tons	Change Percent
Grain	11,161,951	12,503,515	(1,341,564)	(11%)
Government Aid	0	9,655	(9,655)	(100%)
Iron Ore	8,386,036	10,167,877	(1,781,841)	(18%)
Coal	407,336	334,489	72,847	22%
Coke	753,722	931,110	(177,388)	(19%)
Other Bulk	6,547,584	6,375,034	172,550	3%
Manufactured Iron and Steel	2,896,389	4,884,723	(1,988,334)	(41%)
Other General	108,335	180,288	(71,953)	(40%)
Containers	16,471	19,521	3,050	16%
Cargo Total	**30,277,824**	**35,406,212**	**(5,128,388)**	**(14%)**

Vessel Transits	2001	2000	Change Transits	Change Percent
Ocean Vessels	1,133	1,316	(183)	(14%)
Laker Vessels	1,102	1,232	(130)	(11%)
Non-Cargo and Passenger Vessels	353	429	(76)	(18%)
Transit Total	**2,588**	**2,977**	**(389)**	**(13%)**

2001 PERFORMANCE INDICATORS

System Downtime/Availability in Hours

Cause of Delay	1997	1998	1999	2000	2001	5-Year Average
Weather, Poor Visibility	64.6	30.3	2.0	38.2	50.7	**37.2**
Weather, High Wind/Ice	0.6	12.9	0.0	15.5	6.1	**7.0**
Water Level/Flow	17.2	0.0	0.0	0.0	0.0	**3.4**
Vessel Incident	31.2	43.3	46.3	27.8	45.1	**38.7**
Civil Interference	2.8	10.3	0.0	0.0	2.0	**3.0**
Lock Equipment Malfunction	15.6	1.8	1.3	2.6	6.9	**5.5**
Total Delay (Hours)	**132.0**	**98.6**	**49.6**	**84.1**	**110.8**	**95.0**
Equivalent Days	5.5	4.1	2.1	3.5	4.6	**4.0**
Duration of Season (Days) *	270	277	270	274	277	**274**
Percent of System Availability	**98%**	**98.5%**	**99.2%**	**98.7%**	**98.3%**	**98.5%**

Lockage Equipment Malfunction by Type in Hours

Type of Malfunction	1997	1998	1999	2000	2001	5-Year Average
Electrical						
Fender Boom	2.9	0.0	0.0	0.0	1.0	**0.8**
Gates	1.7	1.0	1.3	0.0	0.0	**0.8**
Valves	0.0	0.0	0.0	0.3	0.0	**0.1**
Lock Equipment	0.8	0.5	0.0	2.1	0.0	**0.7**
Subtotal	**5.4**	**1.5**	**1.3**	**2.4**	**1.0**	**2.4**
Mechanical						
Fender Boom	0.0	0.0	0.0	0.2	0.0	**0.0**
Gates	0.0	0.3	0.0	0.0	5.6	**1.2**
Valves	0.0	0.0	0.0	0.0	0.0	**0.0**
Lock Equipment	0.3	0.0	0.0	0.0	0.3	**0.1**
Subtotal	**0.3**	**0.3**	**0.0**	**0.2**	**5.9**	**1.3**
Grand Total	**5.7**	**1.8**	**1.3**	**2.6**	**6.9**	**3.7**

STATEMENT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL SYSTEMS

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the SLSDC is required to provide a statement on internal accounting and administrative control systems consistent with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. An evaluation of the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2001, was performed in accordance with "Guidelines for Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government", issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the FMFIA, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the Corporation was in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Corporation are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, Congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A material weakness or non-conformance is a specific instance of non-compliance with the Integrity Act. Such weakness would significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest. Each material non-conformance in a financial system merits the attention of the agency head/senior management, the Executive Office of the President, or the relevant Congressional oversight committee; prevents the primary agency's financial system from achieving central control over agency financial transactions and resource balances; and/or prevents conformance of financial systems with financial information standards and/or financial system functional standards.

The results of the evaluations described in the second paragraph, assurances given by appropriate Corporation officials, and other information provided indicate that the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2001, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within the limits described in the preceding paragraph. The evaluation did not disclose any material weaknesses or non-conformances in the internal accounting and administrative control system in fiscal year 2001 and prior years.

DE&A Daniel Eke and Associates, P.C.
Management Consultants · Certified Public Accountants

Report of Independent Auditors
on the Financial Statements

To the Administrator of the
Saint Lawrence Seaway Development Corporation

We have audited the accompanying statements of financial position of the Saint Lawrence Seaway Development Corporation (the Corporation) a wholly-owned U.S. Government corporation, as of September 30, 2001, and the related statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses and changes in equity of the U.S. Government for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Corporation as of September 30, 2000 were audited by other auditors whose report dated December 7, 2000, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the Unites States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saint Lawrence Seaway Development Corporation as of September 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001, on our consideration of Saint Lawrence Seaway Development Corporation's

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internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the principal financial statement described above. We have reviewed the financial information presented in management's information for consistency with the financial statements and notes. The information presented in the overview and supplemental financial and management information is provided for the purposes of additional analysis. Such information has not been audited by us, and, accordingly, we do not express an opinion on this information.

Daniel Eke and Associates, P.C

Silver Spring, Maryland
December 14, 2001

Daniel Eke and Associates, P.C.
Management Consultants · Certified Public Accountants

Report on Compliance with Laws and Regulations and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Administrator of the
Saint Lawrence Seaway Development Corporation

We have audited the financial statements of the Saint Lawrence Seaway Development Corporation (the Corporation) as of and for the year ended September 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saint Lawrence Seaway Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such as opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under U.S. generally accepted government auditing standards. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saint Lawrence Seaway Development Corporation's internal control over financial reporting in order to determine our auditing

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procedures for the purpose of expressing our opinion on the financial statements and not to express an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting and that might be material weaknesses. Accordingly, we do not express an opinion on internal control over financial reporting. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the financial statements being audited may occur and not be detected promptly by employees in the normal course of performing their assigned duties. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of Saint Lawrence Seaway Development Corporation. However, this report is a matter of public record. In addition, we caution that our internal control testing may not be sufficient for other purposes.

Daniel Eke and Associates, P.C

Silver Spring, Maryland
December 14, 2001

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2001 AND 2000

	Assets	*2001*	*2000*
Current Assets	Cash:		
	Held by U.S. Treasury	**$ 2,251,169**	$ 1,420,606
	Held in banks and on hand	**75,822**	83,048
	Short-term time deposits in minority bank (Note 3)	**11,397,000**	9,686,000
	Accounts receivable (Note 4)	**170,116**	141,047
	Inventories (Note 2)	**258,655**	262,234
	Other current assets	**400**	201,568
	Total Current Assets	**14,153,162**	11,794,503
Long-Term Investments	Long-term time deposits in minority banks (Note 3)	**294,000**	2,104,000
	Total Long-Term Investments	**294,000**	2,104,000
Plant, Property and Equipment	Plant in service (Note 5)	**155,575,411**	155,852,541
	Less: Accumulated depreciation	**(74,335,979)**	(72,581,316)
	Net plant in service	**81,239,432**	83,271,225
	Work in progress	**1,615,272**	568,979
	Total Plant, Property and Equipment	**82,854,704**	83,840,204
Other Assets	Lock spare parts (Note 2)	**733,671**	688,663
	Less: Accumulated depreciation	**(210,816)**	(192,447)
	Net lock spare parts	**522,855**	496,216
	Investment in Seaway International Bridge Corporation Ltd. (Note 6)	**7,440**	7,440
	Total Other Assets	**530,295**	503,656
Deferred Charges	Workman’s compensation benefits (Note 2)	**1,816,524**	1,562,180
	Total Deferred Charges	**1,816,524**	1,562,180
	TOTAL ASSETS	**$ 99,648,685**	$99,804,543

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2001 AND 2000

	Liabilities and Equity of the U.S. Government	*2001*	*2000*
Current Liabilities	Accounts payable	**$ 999,306**	$ 823,857
	Accrued annual leave (Note 2)	**638,377**	709,145
	Accrued payroll costs	**192,519**	181,724
	Deferred revenue	**—**	3,000
	Total Current Liabilities	**1,830,202**	1,717,726
Actuarial Liabilities	Workman's compensation benefits (Note 2)	**1,816,524**	1,562,180
	Total Actuarial Liabilities	**1,816,524**	1,562,180
	Total Liabilities	**3,646,726**	3,279,906
Equity of the U.S. Government	Invested Capital (Note 2)	**97,791,492**	98,630,255
	Cumulative results of operations (deficit)	**(1,789,533)**	(2,105,618)
	Total Equity of the U.S. Government	**96,001,959**	96,524,637
	TOTAL LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	**$ 99,648,685**	$99,804,543

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES
IN CUMULATIVE RESULTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000

		2001	*2000*
Operating Revenues	Appropriations expended	**$ 11,398,454**	$ 11,141,270
	Imputed financing (Note 9)	**640,925**	606,620
	Other (Note 7)	**530,337**	450,682
	Total Operating Revenues	**12,569,716**	12,198,572
Operating Expenses (Note 8)	Locks and marine operations	**2,577,991**	2,489,246
	Maintenance and engineering	**3,348,232**	3,285,507
	General and development	**3,268,555**	2,620,521
	Administrative expenses	**3,132,246**	2,976,965
	Depreciation	**2,415,700**	2,461,137
	Imputed expenses (Note 9)	**640,925**	606,620
	Total Operating Expenses	**15,383,649**	14,439,996
	Operating Loss	**(2,813,933)**	(2,241,424)
Other Financing Sources	Interest on deposits in minority banks	**714,318**	642,227
	Transfer from invested capital for depreciation	**2,415,700**	2,461,137
	Total Other Financing Sources	**3,130,018**	3,103,364
	Operating Revenues and Other Financing Sources Over Operating Expenses	**316,085**	861,940
	Beginning cumulative results of operations (deficit)	**(2,105,618)**	(2,967,558)
	ENDING CUMULATIVE RESULTS OF OPERATIONS (deficit)	**$ (1,789,533)**	$ (2,105,618)

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000

		2001	*2000*
Cash Flows from Operating Activities	Operating Revenues and Other Financing Sources Over Operating Expenses	**$ 316,085**	$ 861,940
	Adjustment to Reconcile Operating Revenues and Other Financing Sources Over Operating Expenses to Net Cash Provided by Operating Activities:		
	Depreciation	**2,415,700**	2,461,137
	Transfer from invested capital for depreciation	**(2,415,700)**	(2,461,137)
	Net (gain) loss on property disposals	**(53,741)**	808
	Change in assets and liabilities:		
	(Increase) decrease in accounts receivable	**(29,069)**	10,413
	Decrease in inventories	**3,579**	5,081
	Decrease (increase) in other current assets	**201,168**	(121,568)
	Increase in other assets	**(45,008)**	(75,967)
	Increase (decrease) in accounts payable	**175,449**	(35,306)
	Decrease in accrued liabilities	**(59,973)**	(242,689)
	(Decrease) Increase in deferred revenue	**(3,000)**	3,000
	Net Cash Provided by Operating Activities	**505,490**	405,712
Cash Flows from Investing Activities	Proceeds from property disposals	**218,847**	581
	Acquisition of plant, property and equipment	**(1,576,937)**	(829,730)
	Net decrease in time deposits	**99,000**	71,000
	Net Cash Used in Investing Activities	**(1,259,090)**	(758,149)
Cash Flows from Financing Activities	Appropriations for plant, property and equipment	**1,576,937**	829,730
	NET INCREASE IN CASH	**823,337**	477,293
	Cash at beginning of period	**1,503,654**	1,026,361
	CASH AT END OF PERIOD	**$ 2,326,991**	$ 1,503,654

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)
FOR THE YEAR ENDED SEPTEMBER 30, 2001

		BUDGET		
		Resources	*Obligations*	*Expenses*
Saint Lawrence Seaway Development Corporation Fund		**$27,839,982**	**$14,035,428**	**$15,383,649**
Budget Reconciliation	Total expenses			15,383,649
	Adjustments			
	Add:			
	Capital acquisitions			1,576,937
	Deduct:			
	Depreciation			(2,415,700)
	Imputed expenses			(640,925)
	Decrease in net plant in service, property disposals			(165,105)
	Decrease in inventories			(3,579)
	Increase in other assets			45,008
	Less reimbursements:			
	Trust funds			(12,975,391)
	Revenues from non-federal sources			(1,244,655)
	ACCRUED EXPENDITURES			**$ (439,761)**

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000

		Invested Capital	*Unexpended Appropriations*	*Cumulative Results of Operations*
Balance, September 30, 1999		$100,261,662	$ —	$ (2,967,558)
	Appropriations expended		(11,141,270)	11,141,270
	Fiscal Year 2000 appropriations		11,971,000	
	Other financing sources			1,699,529
	Operating expenses, excluding depreciation and imputed expenses			(11,372,239)
	Depreciation expense			(2,461,137)
	Imputed expenses			(606,620)
	Transfer from invested capital for depreciation	(2,461,137)		2,461,137
	Capital expenditures	829,730	(829,730)	—
Balance, September 30, 2000		98,630,255	—	(2,105,618)
	Appropriations expended		(11,398,454)	11,398,454
	Fiscal Year 2001 appropriations		12,975,391	
	Other financing sources			1,885,580
	Operating expenses, excluding depreciation and imputed expenses			(12,327,024)
	Depreciation expense			(2,415,700)
	Imputed expenses			(640,925)
	Transfer from invested capital for depreciation	(2,415,700)		2,415,700
	Capital expenditures	1,576,937	(1,576,937)	—
Balance, September 30, 2001		**$ 97,791,492**	**$ —**	**$ (1,789,533)**

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. The Corporation

The Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned government corporation within the Department of Transportation, was created by the Wiley-Dondero Act of May 13, 1954 (68 Stat. 92, 33 U.S.C. 981) as amended. The Corporation is responsible for the development, seasonal operation and maintenance of the portion of the St. Lawrence Seaway (the "Seaway") between Montreal and Lake Erie, and within the territorial limits of the United States.

2. Summary of Significant Accounting Policies

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation as required by the Chief Financial Officers Act of 1990. They have been prepared from the books and records of the Corporation in accordance with generally accepted accounting principles as set forth for federal government corporations, and the Corporation's accounting policies and procedures, which are summarized below. The accounting policies and procedures are consistent with Title 2 of the U.S. General Accounting Office's Policy and Guidance of Federal Agencies.

Inventories consist primarily of supplies which are consumed in operations and are valued at the lower of cost or market with cost being determined using the weighted-average method. The recorded values are adjusted for the results of physical inventories taken periodically.

Plant, property and equipment are stated at cost of acquisition or construction. Indirect costs incurred prior to the opening of the Seaway on April 25, 1959 have been allocated to the permanent features of the Seaway. Assets costing $5,000 or more are capitalized when they have an expected useful life of five years or more. Improvements and betterments are capitalized. Repairs and maintenance costs are expensed. The straight-line method of depreciation is used and is computed on balances in plant in service. The cost of plant retired and the accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Included in lock spare parts are certain items having an expected service life between 5 and 50 years. The cost of these items totals $247,809 at September 30, 2001. These lock spare parts are an integral part of the lock machinery that allow for replacement of parts, periodically removed from service for maintenance, without causing a shutdown of the Seaway. Effective for the fiscal year ended September 30, 1993, lock spare parts having expected service lives are depreciated over their service life. The balance of lock spare parts totaling $485,862 at September 30, 2001, consists of expendable inventory items valued at the lower of cost or market with cost being determined using the weighted-average method.

Accrued annual leave represents the value of the unused annual leave accrued to employees of the Corporation. The leave is funded and reported as an obligation.

The Corporation funds a program administered by the Department of Labor to compensate certain employees for death and disability resulting from performance of duty injuries or illnesses as set forth in the Federal Employees Compensation Act (FECA). As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life. The Corporation recognizes current costs of the program on an accrual basis and expenses those costs in the year the benefits are due. Effective with fiscal year 1994, the actuarial liability of these benefits are recognized and recorded in these statements. The liability and deferred charge recorded reflects the actuarial liability as determined by the Department of Labor.

Seaway Tolls -The Water Resource Development Act of 1986 (Public Law 99-662) required the Corporation to turn over U.S. Seaway tolls charged on commercial vessels to the Harbor Maintenance Trust Fund (the "Fund"). Annual appropriations from the Fund are used to meet operation and maintenance expenses. The Act further required the U.S. Treasury to rebate the tolls to the shippers from the Fund. Public Law 103-331, dated September 30, 1994, eliminated the requirement to collect and rebate these tolls effective October 1, 1994.

Invested Capital – The Corporation was initially funded by revenue bonds issued by the U.S. Treasury. On December 18, 1982, Congress cancelled the outstanding revenue bonds of $109,976,000 (P.L. 97-369,96 Stat. 1782). With cancellation of the debt, the amount was converted to invested capital. Since fiscal year 1987, when the Corporation began receiving annual appropriations from the Harbor Maintenance Trust Fund, capital expenditures and annual depreciation have been recognized in invested captial.

Budget Authority -The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of $14,275,391 for fiscal year (FY) 2001, $12,975,391 from the Fund (Public Laws 106-346 and 106-554), $400,000 from the Corporation's unobligated balance, and $900,000 from non-federal revenues. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $14,035,428 for FY 2001. The Corporation's unobligated balance at September 30, 2001 totaled $13.8 million including $3.2 million unused borrowing authority. For FY 2002, Congress appropriated $13,324,000 (Public Laws 107-87 and 107-117) for operations and maintenance expenses from the Fund. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2002.

Statement of Cash Flows - For purposes of financial reporting, the Corporation considers cash to be cash held in the U.S. Treasury, cash in banks and cash on hand.

3. Time Deposits in Minority Banks

The Corporation maintains insured deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises. These deposits consist mainly of the Corporation's unobligated balance, which is retained for emergency situations.

4. Accounts Receivable

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables as of September 30, 2001 and 2000 are as follows:

	2001	*2000*
Due from concession contracts	**$ 32,963**	$ 49,958
Interest on deposits in minority banks	**38,894**	45,226
Reimbursable work	**1,793**	931
Other	**96,466**	44,932
Total	**$170,116**	$141,047

5. Plant in Service

Plant in service as of September 30, 2001 and 2000 is as follows:

		2001		*2000*	
Plant in Service	*Estimated Life (Years)*	*Cost*	*Accumulated Depreciation*	*Cost*	*Accumulated Depreciation*
Lands in fee	N/A	**$ 867,526**	**N/A**	$ 867,526	N/A
Land rights & relocations	95	**5,639,064**	**2,235,067**	5,639,064	2,175,857
Locks & guidewalls	40-100	**75,376,498**	**35,653,480**	75,249,118	34,673,961
Roads & bridges	50	**9,152,820**	**7,388,810**	9,152,820	7,205,753
Channels & canals	95	**36,870,221**	**14,456,074**	36,870,221	14,068,937
Public use facilities	50	**892,157**	**554,685**	892,157	536,842
Navigation Aids	10-40	**2,939,691**	**2,168,991**	2,939,691	2,096,712
Buildings, grounds & utilities	50	**12,281,483**	**4,558,447**	12,317,380	4,369,447
Permanent operating equipment	5-40	**11,555,951**	**7,320,425**	11,924,564	7,453,807
TOTAL PLANT IN SERVICE		**$155,575,411**	**$ 74,335,979**	$155,852,541	$ 72,581,316

Plant in service includes costs of certain features of the Seaway International Bridge Corporation, Ltd., which is discussed in Note 6. These features include land rights and relocation costs incurred in removing the old bridges, which were a hindrance to navigation, and in building the superstructure of the South Channel Bridge. The gross amounts of $3,897,379 in land rights and relocations, and $4,853,320 in roads and bridges have been depreciated accordingly.

6. Investment in the Seaway International Bridge Corporation, Ltd. (SIBC)

The Corporation owns, on behalf of the U.S. Government, 50% of SIBC, a subsidiary of The Federal Bridge Corporation Ltd., a federal Crown Corporation of Canada. Ownership consists of debenture bonds payable to the Corporation with face values totaling $8,000. The net annual income from the SIBC, after all operating expenses, is divided equally between both parties. The Corporation's portion, if any, is retained in escrow by SIBC to fund structural repair costs to the South Channel Bridge as provided in the Corporation's Enabling Act. Any revenue received by the Corporation will be returned to the U.S. Treasury as miscellaneous receipts. No revenue from the SIBC has been received since 1961.

7. Other Revenues

Other revenues for the years ended September 30, 2001 and 2000 consist of the following:

	2001	*2000*
Concession operations	**$272,526**	$299,713
Shippers payments for damages to locks	**4,139**	16,058
Rental of Administration Building	**60,240**	59,069
Vessel towing services	**5,302**	17,569
Pleasure craft/non-commercial tolls	**80,580**	33,180
Miscellaneous (net)	**107,550**	25,093
Total	**$530,337**	$450,682

Shippers' payments for damages are reported net of direct materials and direct labor costs. Reimbursements for direct materials and direct labor are recorded as reductions of the related expense accounts.

8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2001 and 2000 are as follows:

	2001	*2000*
Personal services and benefits	**$ 9,702,980**	$ 9,297,730
Travel and transportation	**156,345**	182,057
Rental, communications and utilities	**488,334**	412,559
Printing and reproduction	**15,602**	18,805
Contractual services	**1,198,233**	719,797
Supplies and materials	**611,129**	616,245
Equipment not capitalized	**149,585**	123,657
Loss on property disposals	**4,816**	1,389
Subtotal	**$12,327,024**	$11,372,239
Depreciation expense	**2,415,700**	2,461,137
Imputed expenses	**640,925**	606,620
Total Operating Expenses	**$15,383,649**	$14,439,996

9. Retirement Plans

Retirement Plans consist of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). FERS went into effect, pursuant to Public Law 99-335, on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Corporation automatically contributes 1 percent of pay and matches any employee contributions up to an additional 4 percent of pay. For employees hired since December 31, 1983, the Corporation also contributes the employer's matching share for Social Security. Effective with fiscal year 1997, the Corporation recognizes and records the cost of pensions and other post-retirement benefits during employees active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as both an expense paid by another entity and an imputed financing source to the receiving entity, therefore offset each other with no impact upon the Corporation's net position.

Contributions to the retirement plans and Social Security for the years ended September 30, 2001 and 2000 are as follows:

	2001	*2000*
Civil Service Retirement System	**$ 292,202**	$ 284,006
Federal Employees Retirement System:		
Automatic contributions	**467,005**	431,453
Matching contributions	**136,577**	127,603
Social Security	**288,032**	269,234
Total	**$1,183,816**	$1,112,296

10. Contingencies and Commitments

As of September 30, 2001, there were no claims pending against the Corporation. In addition to the current liabilities at September 30, 2001 and 2000 there were undelivered orders and contracts amounting to $1,753,751 and $1,697,676, respectively.

11. Related Party Transactions

The Corporation receives rental payments for office space provided to U.S. Immigration and Naturalization Service, the U.S. Coast Guard and the Internal Revenue Service at its administration building in Massena, New York. For the years ended September 30, 2001 and 2000, revenue totaled $57,339 and $56,284, respectively.

The Corporation made rental payments to the General Services Administration for its Washington, D.C. office totaling $208,796 and $184,976 for fiscal years 2001 and 2000, respectively.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Amounts due under reimbursable agreements with federal agencies for FY 2001 and FY 2000 were as follows:

	2001	*2000*
Volpe National Transportation System Center	**$162,200**	$200,000
Department of Commerce	**35,000**	45,000
Surface Transportation Board	—	10,000
Office of the Secretary of Transportation	**4,876**	4,694
United States Coast Guard	**826**	1,101
Federal Aviation Administration	—	4,899
Federal Highway Administration	**500**	1,000
Total	**$203,402**	$266,694

Accounts payable at September 30, 2001 and 2000 include $574,108 and $457,500, respectively, of amounts payable to the U.S. Government.

In fiscal years 2001 and 2000, the Corporation accrued costs of $53,030 and $54,293, respectively, to the St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

12. Statement of Budgetary Resources and Actual Expenses

The Statement of Budgetary Resources and Actual Expenses presents budget information as reported on the Corporation's "Report on Budget Execution" SF-133 and reconciles accrued expenditures from that report to expenses as reported in the accompanying financial statements.

Budget resources of $27,839,982 consist of the Corporation's unobligated balance of $13,420,868 brought forward from October 1, 2000, and reimbursements earned of $14,220,047 and recoveries of prior year's obligations of $199,067 during FY 2001.

SLSDC STRATEGIC PLAN

Introduction

The Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) is a wholly owned government corporation created by statute May 13, 1954, to construct, operate and maintain that part of the St. Lawrence Seaway between Montreal and Lake Erie, within the territorial limits of the United States. Trade development functions aim to enhance Great Lakes St. Lawrence Seaway System utilization without respect to territorial or geographic limits.

The SLSDC coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation, particularly with respect to rules and regulations, the Tariff of Tolls, overall day-to-day operations, traffic management, navigation aids, safety, environmental programs, operating dates, and trade development programs. The unique binational nature of the System requires 24-hour, year-round coordination between the two Seaway entities.

The mission of the Corporation is to serve the U.S. intermodal and international transportation system by improving the operation and maintenance of a safe, reliable, efficient, and environmentally responsible deep-draft waterway, in cooperation with its Canadian counterpart. The SLSDC also encourages the development of trade through the Great Lakes Seaway System, which contributes to the comprehensive economic and environmental development of the entire Great Lakes region.

The SLSDC headquarters staff offices are located in Washington, D.C. Operations and operations personnel are located at the two U.S. locks (Eisenhower and Snell) in Massena, N.Y.

External Factors/Basis for Data Reported

External factors affecting SLSDC performance and all strategic goals include: vessel incidents due to mechanical failure and human error; weather conditions; global economic factors affecting demand, production, and pricing of commodities and vessel services; and federal policy decisions by the United States and Canada.

The Seaway System and related operations are on a calendar year (CY) basis from late March to late December. In accordance with calendar year operations, both CY and fiscal year (October 1 – September 30) (FY) data are reported as appropriate.

SLSDC Performance Areas Compared to DOT Goals and Strategies

SLSDC Performance Areas	Perf. Area No. 1 Safety, Security, and the Environment	Perf. Area No. 2 Reliability and Availability	Perf. Area No. 3 Trade Development	Perf. Area No. 4 Management Accountability
DOT Goals and Strategies:				
Safety	🚢	🚢	🚢	🚢
Mobility and Economic Growth	🚢	🚢	🚢	🚢
Environment	🚢			🚢
National Security	🚢	🚢		🚢
Organizational Excellence	🚢	🚢	🚢	🚢

Vision Statement

Ensure the structural viability of the U.S. Seaway navigation facilities and promote the Great Lakes St. Lawrence Seaway System.

Mission Statement

Serve the U.S. transportation system by improving the operations and maintenance of a safe, reliable, efficient, and competitive deep draft international waterway, in cooperation with the Canadian St. Lawrence Seaway Management Corporation.

STRATEGIC GOALS

SAFETY, SECURITY, AND THE ENVIRONMENT: Promote navigation and workplace safety, security, and environmental protection by reducing vessel incidents and employee injuries, increasing protection of facilities, and preventing environmental incidents.

Outcome Goals:

- Increase the application of technologies and programs to ensure navigation safety and protection of the river environment.
- Protect critical infrastructure and other navigation and workplace-related assets.
- Improve compliance with navigation and workplace safety and environmental standards.

How We Will Achieve This Strategic Goal:

- Implement critical infrastructure protection measures to enhance maritime security and Northern Border protection.
- Insist on excellence in occupational safety by providing the education, equipment and commitment needed to make the Seaway an accident-free employer.
- Finalize testing and implementation of Automatic Identification System (AIS) / Global Positioning System (GPS) technologies and related systems to enhance system safety.
- Maintain the enhanced vessel inspection program at Montreal to inspect every ocean vessel on the first transit inbound each navigation season, in coordination with the SLSDC's Canadian counterpart and the Canadian and U.S. Coast Guards. The program includes Seaway regulations and fittings, legislated port-state inspection, and the International Safety Management Code (ISM). Other transit-related inspections conducted by SLSDC personnel include ballast water screenings and risk assessment inspections.
- Promote System safety through traffic control procedures; rules and regulations for Seaway transit; vessel speed surveillance; deployment of fixed and floating navigation aids; operation of weather and visibility meters; vessel inspections, routine and for cause; water level and rate of flow monitoring; and vessel customer exit survey recommendations.
- Maintain and improve our capability to react to a hazardous materials spill by conducting simulated Emergency Response Exercises, and updating our spill response plan and equipment accordingly. Continuously improve teamwork of regional government agencies to respond to an incident through training, simulations and actual incident critiques.

Performance Measures: CY data sourced from the SLSDC offices of Lock Operations, Engineering and Strategic Planning, and Maintenance and Marine Services. Annual historical data for baseline measurement is included in annual performance agreements, performance plans, and budget justifications. Selected historical data are shown below.

✓ Maintain the percentage of ocean vessel first-transit-inbound inspections at Montreal, outside of U.S. waters, each navigation season:

CY 1997	100%
1998	100%
1999	100%
2000	100%
2001	100%

✓ Maintain annual Emergency Response Plan training and simulated activations.

✓ Conduct risk assessment inspections, during heightened security periods as determined by U.S. federal security and law enforcement authorities, of every foreign flagged vessel with more than 150 passengers, and inland tank vessel, in Montreal, prior to entering U.S. waters.

RELIABILITY AND AVAILABILITY: Maintain user confidence in the continued viability of the Seaway System by ensuring that plans and decisions sustain the long-term reliability and availability of the U.S. sectors of the St. Lawrence Seaway.

Outcome Goals:

- Increase the availability and reliability of the U.S. sectors of the St. Lawrence Seaway, including the two U.S. locks in Massena, N.Y., each shipping season.
- Reduce the risk of vessel delays due to lock equipment failure.
- Improve maintenance and inspection systems to ensure an accessible, safe, and efficient System for users.

How We Will Achieve This Strategic Goal:

- Ensure the structural integrity and mechanical reliability of our locks through a comprehensive program of maintenance, inspection and modernization.
- Implement AIS/GPS technologies to more efficiently manage vessel traffic control and vessel lockages at the two U.S. Seaway locks.
- Strictly maintain weekly/monthly inspections for electrical systems and lock machinery and conduct major maintenance and rehabilitation programs during the winter shutdown period.
- Continuously evaluate and improve our operating procedures, regulations and policies to better serve our customers. Actively seek customer feedback.
- Supplement SLSDC preventive maintenance measures in coordination with periodic, comprehensive surveys and evaluations by independent engineering consultants such as the U.S. Army Corps of Engineers.
- Maintain five-year "rolling" capital improvement plan for machinery, lock and hydraulic steel structure replacement/rehabilitation programs.
- Periodic channel maintenance and improvements, including sweeping and maintenance dredging.
- System operating date negotiations with Canadian counterparts; and related Safety goal activities critical to availability: maintenance and repair of fixed and floating navigation aids; weather and visibility meters; Emergency Response Plan and periodic simulations; water level and rate of flow monitoring.

Performance Measures: CY data sourced from the SLSDC offices of Lock Operations, Engineering and Strategic Planning, and Maintenance and Marine Services. Annual historical data for baseline measurement is included in annual performance agreements, performance plans, and budget justifications. Selected historical data are shown below.

✓ Increase the percentage ratio of Seaway System navigation days open, versus downtime in the U.S. Sectors of the Seaway, for any incident, cause, problem, or occurrence, including weather. Five-year rolling average of navigation day availability:

CY 1993 — 1997	96.6%
1994 — 1998	97.5%
1995 — 1999	98.1%
1996 — 2000	98.1%
1997 — 2001	98.3%

✓ Reduce delays to navigation, per total commercial vessel transit, due to lock equipment maintenance failure. Five-year rolling average of per-transit delay hours:

CY 1993 — 1997	0.006256 hours
1994 — 1998	0.005155 hours
1995 — 1999	0.002105 hours
1996 — 2000	0.001106 hours
1997 — 2001	0.001308 hours

TRADE DEVELOPMENT: Encourage increased System utilization that benefits both the Great Lakes regional economy and the national economy, while promoting cost effective competition for all System users.

Outcome Goals:

- Increase the volume of United States international tonnage through the Seaway System, to and from U.S. ports.
- Increase ocean vessel fleet System utilization in terms of laden vessel transits and tonnage per transit.
- Increase domestic and international trade development programs to improve the Seaway's competitive position in serving the nation.
- Increase cruise vessel fleet System utilization in terms of cruise vessel transits and annual passenger levels.

How We Will Achieve This Strategic Goal:

- Serve as a catalyst to unite the Great Lakes Seaway community to improve communications and cooperation on system-wide initiatives directed toward improving customer service.
- Target overseas trade development programs to high potential markets and regions. Focus trade activities on specific commodity groups and vessel service, including refitting existing ships and construction of new vessels for Seaway operation.
- Provide a binational Internet web site to provide current and prospective users with a single resource for Seaway-related information on rules and regulations, real-time vessel locations, water level and weather conditions, trade development and promotional activities, regulatory cost information, and cargo matching services.
- Advocate policies to reduce System operating costs to the industry, such as rebates, new business incentives, and targeted cargo discounts. Support negotiations with our Canadian counterparts to freeze, reduce or eliminate all Seaway tolls.
- Work with carriers, ports, pilots, agents, cargo handlers, and other interests in the Great Lakes Seaway community to contain costs and participate in trade development programs.
- Develop operating initiatives to improve current capacity and future utilization of the system, such as vessel draft, beam and length modifications.
- Expand our capability to analyze and disseminate traffic information and publications and develop trade leads.

Performance Measures: CY data sourced from the SLSDC monthly and annual navigation statistics, and Office of Lock Operations data on vessel preclearance, and vessel owner/agent records. Annual historical data for baseline measurement is included in annual performance agreements, performance plans, and budget justifications. Selected historical data are shown below.

- ✓ Increase tonnage volume for total System tonnage, and United States international tonnage through the Seaway System, to and from U.S. ports. Five-year rolling average, international tonnage:

CY 1993 — 1997	10.6 million tons
1994 — 1998	11.2 million tons
1995 — 1999	11.2 million tons
1996 — 2000	10.9 million tons
1997 — 2001	10.2 million tons

- ✓ Increase the number of Great Lakes Seaway System cruise vessel itineraries and passengers over the previous navigation season

CY 1997	8 itineraries	1,720 passengers
1998	9	2,310 passengers
1999	16	3,180 passengers
2000	40	5,848 passengers
2001	44	6,813 passengers

MANAGEMENT ACCOUNTABILITY: Improve Seaway customer service, increase employee proficiency, and be accountable for sound financial management**.**

Outcome Goals:

- Increase customer/stakeholder satisfaction with SLSDC services.
- Increase workforce performance measurements to improve morale, and to achieve progress toward meeting all SLSDC performance goals.
- Increase management planning focus on meeting long-term critical capital outlay programs, operations and maintenance needs, and replenishment of emergency reserves.

How We Will Achieve This Strategic Goal:

- Conduct outreach with all customers, employees, industry, federal and state agencies to involve the customer in the development of policies, programs and operating decisions.
- The SLSDC will maintain ISO 9002 certification for all organizational functions.
- Supplement outreach activities with customer surveys to obtain direct feedback concerning operations and regulations in practice and recommendations for program modifications.
- Foster an employee "customer" environment to strengthen and develop the organization internally, reach out to the employee local community and participate in local/national education initiatives.
- Continue support for administration initiatives and worklife policies, empower employees in the decision process, utilize partnerships, and encourage teambuilding and worklife policies.
- Continue binational partnerships with Canadian counterpart to drive service improvements and share resources through the Joint Strategic and Business Development Plan.
- Conduct and participate in maritime industry oriented public meetings with a broad array of U.S., Canadian and overseas interests representing all segments of the Great Lakes St. Lawrence Seaway System.
- Ensure that commitments are maintained to monitor costs, to build emergency reserves, and to conduct periodic risk assessments. Corporation assets will be safeguarded and transactions performed in accordance with accepted accounting principles.

Performance Measures: CY and FY data sourced from the SLSDC annual financial audits and management reports. Annual historical data for baseline measurement is included in annual performance agreements, performance plans, and budget justifications. Selected historical data are shown below.

- ✓ Improve the customer survey ratings of SLSDC performance and service quality, measured over time against baseline survey results. Baseline: CY 1995 customer service rating of 4.5 on a scale of 1 to 5.

- ✓ Reduce the ratio of administrative overhead expenses versus operating expenses, excluding depreciation. Five-year rolling average, administrative expenses as a percent of operating expenses:

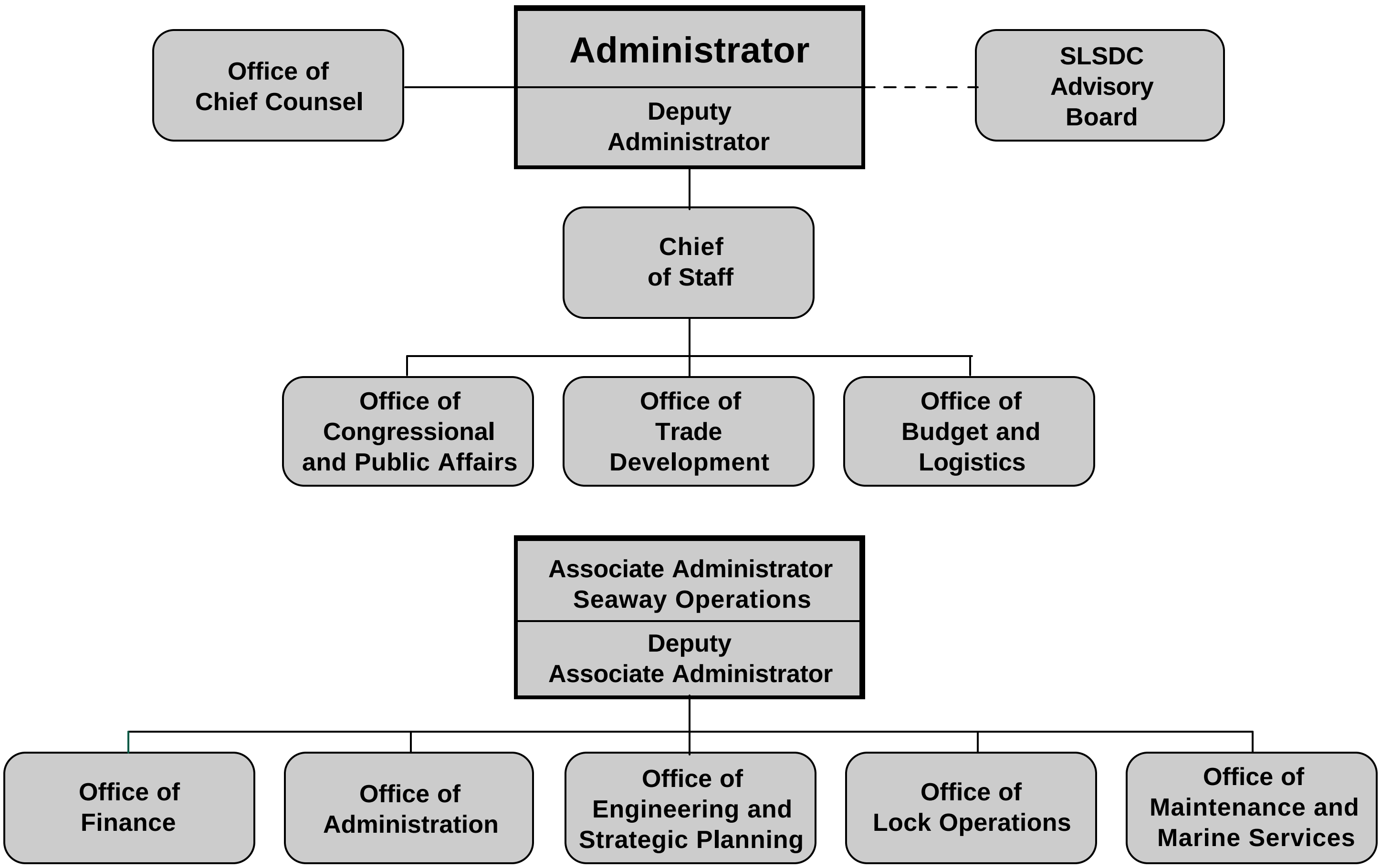
FY 1993 — 1997	26.3%
1994 — 1998	26.3 %
1995 — 1999	26.1%
1996 — 2000	26.0%
1997 — 2001	25.7%

- ✓ Ensure that a "clean" annual financial audit rating is maintained. Baseline: under the auspices of the Government Corporation Control Act, the SLSDC has had a "clean" audit since the first FY audit of June 30, 1955.

- ✓ Ensure that the SLSDC's reserve account year-end balance is maintained at a level sufficient to achieve the SLSDC financial plan goal. Five-year rolling average reserve account balances:

FY 1993 — 1997	$11.4
1994 — 1998	$11.0
1995 — 1999	$10.7
1996 — 2000	$10.4
1997 — 2001	$10.3

Saint Lawrence Seaway Development Corporation
Organization Chart



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Congressional and Public Affairs	(202) 366-0091
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Associate Administrator	(315) 764-3211
Finance	(315) 764-3275
Administration	(315) 764-3230
Engineering and Strategic Planning	(315) 764-3265
Lock Operations	(315) 764-3294
Lock Operations (after hours)	(315) 764-3292
Maintenance and Marine Services	(315) 764-3229

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