Saint Lawrence Seaway Development Corporation

FISCAL YEAR 2004 ANNUAL REPORT

Fiscal Year 2004 Annual Report

Left: Construction of the Eisenhower Lock 1957.

Below: Construction of the Snell Lock 1957.

Mission Statement

The Saint Lawrence Seaway Development Corporation (SLSDC) operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development activities focused on economic development for the Great Lakes St. Lawrence Seaway System. Our mission is to serve the marine transportation industries by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway, in cooperation with the Canadian St. Lawrence Seaway Management Corporation.

Vision Statement

The Saint Lawrence Seaway Development Corporation will be a model federal agency, leading the Great Lakes Seaway System as the safest, most efficient, competitive, technologically advanced, and environmentally responsible marine transportation system in the world.

Core Organizational Values

Accountability, Competitiveness, Customer focus, Dedication, Diversity, Excellence, Integrity, Operational Efficiency, Relevance, Service, and Quality.

Corporation Overview

The U.S. Saint Lawrence Seaway Development Corporation, (SLSDC), a wholly owned government corporation and an operating administration of the U.S. Department of Transportation, is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization. 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.

The St. Lawrence Seaway is an international waterway, and the SLSDC interacts directly with numerous Canadian government and private entities. The SLSDC coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day operations, traffic management, navigation aids, safety, environmental programs, operating dates, and trade development programs. The unique binational nature of the Seaway System requires 24-hour, year-round coordination between the two Seaway Corporations.

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

Above: Removal of the winter channel markers, which are 2 feet wide by 14 feet high, weighing a little over 1 ton.

Left: One of the major winter work projects completed this year was the replacement of the downstream, north side culvert valve at Snell Lock. Work began by removing the valve.

From the Administrator Albert S. Jacquez

The Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards mandates an annual report from the Saint Lawrence Seaway Development Corporation (SLSDC) to its stakeholders documenting the Corporation's financial integrity and operational achievements. This SLSDC Annual Report for 2004 highlights noteworthy achievements in detail. Four topics are singled out briefly for special attention: additional Seaway draft and its effect on Seaway trade; the Enhanced Seaway Inspection (ESI) Program; the Great Lakes Seaway Study; and the Seaway Trade Mission Program and its significance for our future.

The Montreal-Lake Ontario section of the Seaway posted an almost seven percent increase in overall traffic tonnage in the 2004 navigation season with iron and steel movements up 74 percent. The strong domestic economy played the dominant role. Adding to those impressive numbers, however, was the implementation by the U.S. and Canadian Seaway Corporations of an additional three inches of channel draft. The SLSDC and its Canadian partner, the St. Lawrence Seaway Management Corporation, fulfilled a promise to carriers to maximize sailing draft to 26'6." Since May 24, 2004, inland and ocean vessels equipped with bow thrusters now can carry more cargo earning more profits. Each extra inch equates to an additional 100 metric tons of cargo per vessel, per transit; over a full season it adds over a million tons.

Our joint ESI Program consolidates ballast water, safety and security inspections for vessels in one location, Montreal. It ensures that Seaway inspectors, U.S. Coast Guard and Transport Canada security officials are available to perform vital inspections on vessels entering our marine System with minimal delay. Through the end of FY 2004 SLSDC marine inspectors conducted 57 ballast water exams as part of more than 200 boardings in Montreal. Seaway inspectors conducted scores of security risk assessments of these boardings prior to the worldwide implementation date of July 1, 2004 for the International Ship and Port Facility Security (ISPS) Code. Thereafter, Seaway marine inspectors conducted dozens of ISPS boardings under the current ISPS Boarding Program. Additionally, our inspectors ran follow-up ballast water exams in Massena as part of ballast water boardings overseen by U.S. Coast Guard personnel.

Assessing the long-term maintenance and capital needs to sustain and optimize existing Great Lakes St. Lawrence Seaway System infrastructure—including the engineering, economic and environmental implications of those needs—will be completed next year as part of the Great Lakes St. Lawrence Seaway Navigation Study. Progress continued on this binational, interagency Study begun in the spring of 2003 and now set for completion by fall 2006. In the summer of 2004 the SLSDC participated in five outreach meetings that served as an effective sounding board for conveying diverse stakeholder interests to the Study's Team Managers and Steering Committee members.

Trade is the lifeblood of the Seaway. It is why the Seaway was built and why it remains today essential for tens of thousands of people and scores of industries. With our Canadian partners, I led two trade missions to Europe in FY 2004—one to Belgium and the Netherlands, the second to Greece—in search of new customers. This annual report elaborates on meetings we conducted, details our efforts to attract new Seaway cargos, and notes our valuable return on investment—capitalizing on European short sea shipping best practices. Today's promising Highway H_2O marketing effort spearheaded by the Seaway Corporations and our port partners benefited greatly from those meetings and port visits.

The *SLSDC Annual Report for 2004* cites these and many other operational, policy and administrative programs and actions that made FY 2004 a memorable and productive year. Read it, visit our binational website (www.greatlakes-seaway.com), come talk to us and learn why more and more people are discovering the St. Lawrence Seaway is indeed the 'gateway to North America's heartland.'

Albert S. Jacquez
Administrator
Saint Lawrence Seaway Development Corporation

Maximum Sailing Draft Increased to 26 feet, 6 inches

Since 1999, the Saint Lawrence Seaway Development Corporation (SLSDC) has been an active participant on a working group with its Canadian counterpart and other U.S. and Canadian Great Lakes Seaway System stakeholders in investigating the feasibility of increasing the Seaway's maximum sailing draft in the Montreal-Lake Ontario section from its current 26-foot, 3-inch level to 26 feet, 6 inches. Each additional inch of sailing draft allows Seaway-sized vessels to carry, on average, an additional 100 metric tons of cargo. Testing of vessels at the 26-feet, 6-inch draft was conducted in late 2003 and the early part of the 2004 navigation season.

A review of the test data was completed in the spring and the two Seaway agencies announced that, effective May 24, 2004, the maximum allowable draft would be increased to 26 feet, 6 inches, subject to favorable water elevations. The draft increase is effective for all inland Laker vessels and ocean ships equipped with an operational bow thruster. For ocean ships not equipped with bow thrusters, the maximum allowable draft remains at 26 feet, 3 inches.

SLSDC Continues to Meet Performance Levels for Foreign Vessel Inspections

The SLSDC and the U.S. Coast Guard (USCG), in conjunction with Transport Canada and the SLSMC, signed a Memorandum of Understanding in March 1997 to develop a program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes Seaway System. The principal goal of the Enhanced Seaway Inspection (ESI) program is to inspect all ocean vessels for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. Starting in 2002, security-related risk assessment inspections are also completed at the same time as the ESI, improving transit times for Seaway users. Beginning July 1, 2004, in response to the new International Ship and Port Facility Security Code (ISPS Code), the USCG is now performing the security portion of the inspection process in Montreal.

Each year, numerous foreign-flag vessels from dozens of 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 goal of the revised program was to perform 100 percent of the ESIs in Montreal for the first inbound transit of each ocean vessel in advance of entering U.S. waters. During the 2004 navigation season, through September 30, the goal was achieved with 181 inspections completed, all performed by SLSDC Marine Inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's goal of partnering for excellence.

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 and Corporation 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. During the 2004 navigation season, through September 30, there were 41 ballast water exams conducted in Montreal and 21 in Massena, N.Y.

SLSDC Emergency Response Plan Utilized During Vessel Incident

The SLSDC's Emergency Response Plan, unveiled in 1989, was successfully tested on July 27, 2004 during a tug and barge incident in Alexandria Bay, New York, that resulted in the spill of liquid road salt. An "after action" meeting with U.S. and Canadian federal, state, provincial, and local emergency response and law enforcement officials concluded that the implementation of the plan was a success in ensuring quick response and effective communications between public and private entities. In addition, it was noted that SLSDC officials were well trained to implement the plan. Seaway navigation was resumed in eight hours without any environmental damage.

Earlier in FY 2004 (February 3-5, 2004), the SLSDC conducted its annual tabletop Emergency Response Plan training focusing on oil spills in ice conditions. The training was conducted by a world-renowned expert in the field of oil and hazardous cargo spill response in icy conditions for 28 employees and local response officials to ensure that on-the-scene response staff could sufficiently respond to a spill-related incident during the early and late portions of the navigation season. Based on the results of the training, there were several modifications made to the Emergency Response Plan, which was redistributed to all plan holders.

Corporation Continues to Work with the U. S. Army Corps of Engineers (USACE) on the Great Lakes St. Lawrence Seaway Study (GLSLS)

The Water Resources Development Act of 1999 directed the USACE, in consultation with DOT (through the SLSDC), to undertake the GLSLS to examine improvements to the commercial navigation infrastructure of the Great Lakes St. Lawrence Seaway System. Since January 2001, the USACE has partnered closely with DOT/SLSDC to carry out the GLSLS's reconnaissance phase.

The USACE completed a two-year reconnaissance study in February 2003 and concluded that more analysis was needed to determine if a federal interest exists to improve the commercial navigation infrastructure on the Great Lakes and Seaway. The scope of the GLSLS is to establish a 50-year baseline for the current infrastructure to analyze the engineering, economic, and environmental consequences of maintaining, and not maintaining that infrastructure at its present level of reliability. The GLSLS is primarily a commercial navigation study, but as evidenced by the composition of the Steering Committee, it will include environmental considerations.

On May 1, 2003, the U.S. Department of Transportation and Transport Canada signed a Memorandum of Cooperation that established the intent of each agency to work together to ensure the future viability of the Great Lakes Seaway System as a commercial navigation waterway. Memorializing this intent in the MOC document cleared the way for Canada to work with the USACE and DOT on the GLSLS.

In an effort to gain the support and raise awareness of the GLSLS, a six-member delegation, led by SLSDC Administrator Jacquez, met with Ohio Governor Bob Taft in Columbus on April 13. The meeting provided an opportunity to discuss in detail the importance of the Study and the environmental issues that have been raised to date.

Currently, all projects related to the revised scope of the GLSLS are underway (engineering, economics, and environmental), along with meetings of the GLSLS Steering Committee. The Steering Committee is comprised of senior level officials from the USACE, DOT, Transport Canada, SLSDC, Canadian SLSMC, as well as representatives from the U.S. Fish and Wildlife Service and Environment Canada. ■

Below: Preparing boom deployment during SLSDC's annual Emergency Response Plan training session.

Trade Development Initiatives

Right: Booth space is ready to greet new customers during the annual Seatrade Cruise Convention held in Miami, Florida.

Far right (Left to right): Trade Mission participants, Peter Burgess, Marine Specialist, SLSMC; Steve Mosher, Port Director, Port of Burns Harbor; Adolph Ojard, Executive Director, Duluth Seaway Port Authority; Ross Gaudreault, President & CEO, Port of Quebec; Richard Corfe, President & CEO, St. Lawrence Seaway Management Corporation, and Dennis Dupuis, President & CEO St. Lawrence Stevedoring, enjoy a local cruise.

Bottom left: Some of the members of the 26th Trade Mission delegation pose for a picture. (Left to right): Adolph Ojard, Executive Director, Duluth Seaway Port Authority; Goris van Lit, Assistant Regional Manager, U.S. Wheat Associates; and Albert S. Jacquez, Administrator.

SLSDC Co-sponsors Seaway Trade Mission to Belgium and the Netherlands

The Saint Lawrence Seaway Development Corporation (SLSDC) and the Canadian St. Lawrence Seaway Management Corporation (SLSMC) led a 23-member delegation of U.S. and Canadian Great Lakes executives to Belgium and the Netherlands for the Seaway's 26th Trade Mission, October 3-12, 2003. Programs and meetings during the week-long mission provided opportunities for delegates to make contacts with European maritime industry leaders and decision-makers. The delegation represented a cross section of the maritime industry: port and terminal operators, shipowners and operators, shipping agents and labor.

Delegates arrived in Brussels and traveled to the Ports of Ghent, Zeebrugge, and Antwerp in Belgium. The delegation began a series of meetings with shippers, government officials and marine professionals. An integral part of the Seaway Trade Mission program is learning as well as educating. After touring ports and terminals to get an up close look at existing infrastructure and discussing planned upgrades, the delegates conducted an education and information seminar about the Seaway System for local maritime officials.

The delegation spent two days in the Netherlands, splitting its time between the ports of Amsterdam and Rotterdam. In addition to meeting with steel experts and seeking new customers, the Seaway delegates were briefed on details related to European short sea shipping operations that could be adopted in the Great Lakes St. Lawrence Seaway System.

Second Seaway Trade Mission of FY 2004 Focused on Posidonia Exhibition

From June 6-11, 2004, the SLSDC co-hosted the 27th binational Seaway Trade Mission. SLSDC Administrator Albert S. Jacquez, SLSMC President and CEO Dick Corfe, and Transport Québec's Counselor of Maritime Transportation Rejéan Leclerc led a delegation of 21 U.S. and Canadian trade and maritime representatives of the Great Lakes St. Lawrence Seaway System to Piraeus, Greece, in conjunction with the Posidonia 2004 shipping exhibition.

Piraeus is the homeport and heart of the Greek shipping industry, and the waterfront plays host to the world's largest concentration of marine back-up services ranging from shipowners, operators, brokers, insurers, shipyard representatives and ship equipment suppliers across the spectrum. Greek shipping is a vital part of the maritime trade throughout the Great Lakes Seaway System. The mission provided an opportunity to reinforce relationships with Greek customers and reach out to potential customers with the message that the Seaway System is a safe, secure, reliable, and cost effective transportation route.

Posidonia 2004 marked the 19th biennial International Shipping Exhibition since the show began more than 35 years ago. More than 1,650 companies exhibited their maritime products from 74 countries to approximately 20,000 visitors from every aspect of the shipping industry. As one of the key exhibitors in the U.S. Pavilion, the mission delegation sponsored and staffed an exhibition booth containing extensive Seaway handout materials and many graphic displays. In addition to providing Seaway information to visitors, the delegation took the opportunity to seek out various exhibitors and personally provide them with Seaway information.

In addition to the exhibition and convention, the delegation met with representatives from three shipowner/operator companies, and attended and participated in an event hosted by the U.S. Commercial Service. The Seaway delegation hosted a dinner and reception, which was attended by the Canadian Ambassador to Greece, the chief of U.S. Commercial Services and over 85 maritime officials from around the world.

The June 2004 Seaway Trade Mission marked the 27th mission since the SLSDC began this international trade development activities in 1985 and was the third visit by a Seaway mission delegation to Greece.

SLSDC Continues to Promote Great Lakes Seaway System Cruising at Annual Seatrade Cruise Convention

The SLSDC led a binational U.S.-Canadian delegation of maritime officials to the annual Seatrade Cruise Convention in Miami, Fl., March 15-17, 2004, to market the Great Lakes St. Lawrence Seaway System's unique cruising opportunities. A broad representation of Seaway System executives at the convention underscored the commitment by the SLSDC and its stakeholders to aggressively promote the Seaway and North America's Great Lakes to cruise ship owners, operators and agents.

The Great Lakes Seaway System has more than doubled berths in the past five years and posted a two-thirds increase in the number of cruise vessels plying its waters. An example of recent additions is the newly built ORION, a 337-foot luxury German vessel accommodating 106 passengers. Over the past few years, the SLSDC, in concert with various Great Lakes port authorities, the Great Lakes Cruising Coalition, state and local governments, and tourist associations, has focused a segment of its trade development program on attracting cruise vessels into the Great Lakes.

SLSDC Hosts Trade Development Meetings for Stakeholders

The SLSDC and SLSMC bring together stakeholders that represent a cross section of the maritime community from the Great Lakes St. Lawrence Seaway System. These binational meetings provide an opportunity for both Seaway Corporations' to discuss opportunities to increase tonnage and vessel transits throughout the Great Lakes Seaway System, detail current and future initiatives, and target international locations to conduct future Trade Missions. These meetings also provide a forum for our stakeholders to discuss any concerns or marketing ideas they may have regarding their operations or future domestic or international trade leads.

In a continuing effort to reach out to more Canadian stakeholders, the Spring Trade Development meeting was held in Montreal, Canada for the second consecutive year on May 5, 2004. Discussions were led by SLSDC Administrator Jacquez and SLSMC President and CEO Corfe. During the meeting, discussions focused on various pilotage issues, the binational Great Lakes St. Lawrence Seaway System Study, binational marketing initiatives, 2004 cruise ship activities, and the Seaway Trade Mission to Greece. ■

Customer Service Initiatives

Right: SLSDC's successful web site is available at www.greatlakes-seaway.com

Bottom right: Gary Nicholson, President, Lake Superior Warehousing Company receives the Pacesetter Award from Craig Middlebrook, Deputy Administrator, Saint Lawrence Seaway Development Corporation.

Binational Seaway Website Sets Records in FY 2004

During 2003, the Seaway binational website (www.greatlakes-seaway.com), jointly owned and maintained by the SLSDC and the Canadian SLSMC, recorded the highest level ever for site visitors. During 2003, nearly 1.5 million page hits were requested by site visitors from more than 85 countries. During the first nine months of 2004, the site received more than 1.2 million page hits, including an all-time record month in April 2004 with 172,000 pages hits.

The site, launched in February 2001, is a unique public-private partnership and is the result of feedback from Seaway customers who requested a "one-stop" Internet site for locating U.S. and Canadian information related to transiting the Seaway System. It is intended to promote the binational system in an effort to generate new business.

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. The free service has been a key factor in attracting ocean freighter and passenger vessel traffic to the Seaway.

Seaway Ship Inspectors completed 48 formal ship drawing reviews for the 2004 fiscal year.

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. During the 2004 navigation season, through September 30, a total of 112 vessels requested the tie-up service in the Montreal-Lake Ontario section, and 73 vessels requested the service in the Welland Canal section.

Seaway Robert J. Lewis Port Pacesetter Awards

The Robert J. Lewis Pacesetter Award is presented by the SLSDC annually to those U.S. Great Lakes ports and terminals that have registered increases in overseas cargo tonnage shipped through the Seaway during the preceding navigation season. The 2004 presentations marked the 13th anniversary of the award.

During the 2003 navigation season there were two U.S. Great Lakes ports and four terminal operators that received the award. The port recipients were Green Bay, Wisc., and Cleveland-Cuyahoga County (Ohio) Port Authority. Terminal winners included Hallett Dock Company in Superior, Wisc., K&K Warehousing, Inc., in Green Bay, and Federal Marine Terminals in both Milwaukee and Cleveland. ■

Left (Left to right): Carol Kelso, Brown County Executive; Tom Kuber, President of K&K Warehousing; and Craig Middlebrook, Deputy Administrator, Saint Lawrence Seaway Development Corporation.

Management Initiatives

Bill Warburton

DOT Secretary
Norman Y. Mineta

ISO Certification

The SLSDC received an upgrade to its International Standards Organization (ISO) certified quality management system in January 2003. The upgrade encompasses improvements from revisions to the ISO standards. The new standard is called "ISO 9001:2000." The focus of the new standard is on self assessment, ongoing improvements, and performance measurements. Incorporation of these quality concepts at all levels within the agency has improved customer awareness, and has significantly enhanced communication with Seaway customers, assessed their needs, and improved SLSDC services.

The SLSDC's certification is internationally recognized and compliments the agency's marketing and trade development efforts overseas. Customer complaints have been greatly reduced, while positive customer comments have increased. Maintaining the ISO certification has kept agency officials focused on finding better ways of operating the waterway, and on recognizing how agency initiatives and decisions affect its customers, both internal and external. Other benefits of the SLSDC's ISO certification include improved communications within the organization, redefined business processes that are clearly understood by employees, and integrated performance measurements and objectives with the agency's mission.

Education/Mentoring Programs

The SLSDC continued its Adopt-A-School program with the Jefferson Elementary School in Massena, N.Y., and its partnering efforts with the Tech Prep/School-to-Work-Initiative with Massena Central High School and Clarkson University School of Business, to prepare high school juniors and seniors for post school employment.

In FY 2004, one student participated in the job shadowing program. SLSDC employees attended the Jefferson Elementary School to participate in a "Who Does This Job" match game with the students. Each SLSDC employee explained their jobs and the subjects that prepared them for their careers. The fifth grade class also participated in the National Transportation Poster Contest, the theme was "St. Lawrence Seaway on the Move." Winners were selected and awarded U.S. Savings Bonds by SLSDC's Public Information Officer Vicki Garcia. In recogni-

Lori Davis Mary Ann Hazel

Secretary's Awards:

Eight employees of the Saint Lawrence Seaway Development Corporation were honored on October 29 by Department of Transportation Secretary Norman Y. Mineta at an Annual Awards ceremony in Washington, DC. The following employees were honored:

Mary Ann Hazel was given the Meritorious Achievement award, recognizing her leadership in accomplishing the President's Management Agenda initiatives.

Lori Davis was given the Excellence Award, recognizing her outstanding performance in conducting all her regular duties on a continuing basis.

The Security Enhancement Team (Chris Connolly, Tom Lavigne, Rick Price, Dave Sanford, Randy Wagstaff, and Bill Warburton) were given the Team Award, recognizing their outstanding development and implementation of an enhanced security program to protect the Corporation's infrastructure and its customers.

tion of Earth Day, the sixth graders at Jefferson Elementary were given a presentation by the SLSDC on the osprey nesting platform project, the tern nesting sites project, and cormorant issues that are ongoing in coordination with area environmental groups. As part of Jefferson Elementary's Annual Outdoor Activities Week, 75 sixth graders were given a tour of the SLSDC Grasse River Gatelifter, a tug ride onboard the SLSDC's Robinson Bay, and a safe boating demonstration by a New York State certified instructor. ■

This fiscal year the SLSDC and SLSMC produced a 21-minute educational video/DVD, The Great Lakes St. Lawrence Seaway System—Perspective of a Vital Waterway. *This video captures the rich history, grandeur and diversification of this important Waterway, which includes channels, locks, rivers and all five Great Lakes. Ocean-going freighters, Great Lakes bulk carriers, petroleum tankers, cruise ships and pleasure craft all share in the convenience, efficiency and environmental benefits of one of the world's premiere inland waterways.*

2004 Navigation Season in Review

The tonnage for the St. Lawrence Seaway in 2004 was 43.5 million metric tons. This was 2.6 million metric tons or 6 percent above the 2003 level. The increase was led by a resurgence in general cargo movements, which increased 66 percent to 4.3 million metric tons, the highest level since the 2000 season. These high-valued commodities include processed iron and steel and steel slabs. A robust national economy, coupled with a rebound in manufacturing and steel production in the Great Lakes region, sparked the sizable gain in general cargo. The increase in import iron and steel products also led to increased exports of non-grain bulk commodities, including salt (up 8 percent to 2.4 million metric tons) and coke (up 23 percent to 1.3 million metric tons). In addition to cargo movements, estimated total commercial transits through the St. Lawrence Seaway were 4,090, an increase of 5 percent over 2003 levels.

Other major commodities that moved on the St. Lawrence Seaway in 2004 included iron ore (down 2 percent to 10.5 million metric tons), grain (down 3 percent to 9.3 million metric tons - due principally to lower-than-expected late season movements caused by a poor Canadian harvest), coal (up 1 percent to 4.2 million metric tons), cement (up 3 percent to 2.7 million metric tons), and stone (up 49 percent to 1.2 million metric tons).

2004 St. Lawrence Seaway Commodity and Transit Results

Volume in Thouands of Metric Tons

			Change	
Commodities	**2004**	**2003**	**Tons**	**Percent**
Grain	9,322	9,646	(324)	(3%)
Iron Ore	10,459	10,649	(190)	(2%)
Coal	4,230	4,196	34	1%
Other Bulk	15,203	13,788	1,414	10%
General Cargo	4,268	2,569	1,699	66%
Cargo Total	43,482	40,848	2,634	6%
Transit Total	4,090	3,886	204	5%

Financials

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Corporation's Statement on Internal Accounting and Administrative Control System

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the Corporation 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, 2004 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/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, 2004, 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 FY 2004 and prior years.

DJHPM
Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

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 Saint Lawrence Seaway Development Corporation (the Corporation) as of and for the year ended September 30, 2004, and have issued our report thereon dated October 22, 2004. 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, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. With respect to the internal control over financial reporting, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 of the management of Saint Lawrence Seaway Development Corporation. However, this report is a matter of public record and its distribution is not limited.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
October 22, 2004

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DJHPM
Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

Report of Independent Auditors on the Financial Statements

To the Administrator of the Saint Lawrence Seaway Development Corporation

We have audited the accompanying statement of financial position of the Saint Lawrence Seaway Development Corporation (the Corporation), a wholly-owned U.S. Government corporation, as of September 30, 2004, 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 Saint Lawrence Seaway Development Corporation as of September 30, 2003, were audited by other auditors whose report dated November 14, 2003, expressed an unqualified opinion on those statements.

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. 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, 2004, and the results of its operations and its cash flow 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 October 22, 2004, on our consideration of Saint Lawrence Seaway Development Corporation's 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 statements described above. We have reviewed the financial information presented in management's overview of the Corporation and the supplemental financial and management 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.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
October 22, 2004

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Statements of Financial Position

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
AS OF SEPTEMBER 30, 2004 and 2003

	2004	2003
CURRENT ASSETS:		
Cash:		
Held by U.S. Treasury	$4,133,727	$3,160,909
Held in banks and on hand	105,894	90,128
Short-term time deposits in minority banks (Note 3)	9,844,000	10,858,000
Accounts receivable (Note 4)	81,807	63,379
Inventories (Note 2)	245,899	254,695
Total current assets	14,411,327	14,427,111
LONG TERM INVESTMENTS:		
Long-term time deposits in minority banks (Note 3)	1,210,000	392,000
Total current long term investments	1,210,000	392,000
PLANT, PROPERTY AND EQUIPMENT:		
Plant in service (Note 5)	158,041,747	157,842,397
Less: Accumulated depreciation	(80,693,806)	(78,393,301)
Net plant in service	77,347,941	79,449,096
Work in progress	980,665	676,986
Total plant, property and equipment	78,328,606	80,126,082
OTHER ASSETS:		
Lock spare parts (Note 2)	761,685	785,095
Less: Accumulated depreciation	(230,300)	(229,743)
Net lock spare parts	531,385	555,352
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	7,440	7,440
Total other assets	538,825	562,792
DEFERRED CHARGES:		
Worker's compensation benefits (Note 2)	2,234,494	1,989,436
Total deferred charges	2,234,494	1,989,436
TOTAL ASSETS	$96,723,252	$97,497,421

The accompanying notes are an integral part of these statements.

Statements of Financial Position

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
AS OF SEPTEMBER 30, 2004 and 2003

LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	2004	2003
CURRENT LIABILITIES:		
Accounts payable	$1,319,885	$786,137
Accrued annual leave (Note 2)	719,926	698,950
Accrued payroll costs	388,363	291,099
Total current liabilities	2,428,174	1,776,186
ACTUARIAL LIABILITIES:		
Worker's compensation benefits (Note 2)	2,234,494	1,989,436
Total actuarial liabilities	2,234,494	1,989,436
Total liabilities	4,662,668	3,765,622
EQUITY OF THE U.S. GOVERNMENT:		
Invested capital (Note 2)	93,312,456	95,098,850
Cumulative results of operations (deficit)	(1,251,872)	(1,367,051)
Total equity of the U.S. Government	92,060,584	93,731,799
TOTAL LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	$96,723,252	$97,497,421

The accompanying notes are an integral part of these statements.

Statements of Operations and Changes in Cumulative Results of Operations

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

OPERATING REVENUES:	**2004**	**2003**
OPERATING REVENUES:		
Appropriations expended	$13,553,295	$12,964,344
Imputed financing (Note 9)	903,541	864,442
Other (Note 7)	427,108	418,809
Total operating revenues	14,883,944	14,247,595
OPERATING EXPENSES (NOTE 8):		
Locks and marine operations	2,947,088	2,839,906
Maintenance and engineering	3,713,767	3,551,308
General and development	3,854,092	3,468,309
Administrative expenses	3,536,827	3,533,046
Depreciation	2,506,133	2,505,874
Imputed expenses (Note 9)	903,541	864,442
Total operating expenses	17,461,448	16,762,885
Operating loss	(2,577,504)	(2,515,290)
OTHER FINANCING SOURCES:		
Interest on deposits in minority banks	186,550	224,953
Transfer from invested capital for depreciation	2,506,133	2,505,874
Total other financing sources	2,692,683	2,730,827
OPERATING REVENUES AND OTHER FINANCING SOURCES OVER OPERATING EXPENSES	115,179	215,537
Beginning cumulative results of operations (deficit)	(1,367,051)	(1,582,588)
ENDING CUMULATIVE RESULTS OF OPERATIONS (deficit)	$(1,251,872)	$(1,367,051)

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

CASH FLOWS FROM OPERATING ACTIVITIES	2004	2003
Operating revenues and other financing sources over operating expenses	$115,179	$215,537
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by operating activities:		
Depreciation	2,506,133	2,505,874
Transfer from invested capital for depreciation	(2,506,133)	(2,505,874)
Net loss (gain) on property disposals	1,916	(11,419)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,428)	29,664
Decrease in inventories	8,796	7,768
Decrease in other assets	23,410	52,246
Increase (decrease) in accounts payable	533,748	(102,104)
Increase in accrued liabilities	118,240	39,509
Net cash provided by operating activities	782,861	231,201
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from property disposals	9,723	16,347
Acquisition of plant, property and equipment	(719,739)	(1,010,097)
Net decrease (increase) in time deposits	196,000	(246,000)
Net cash used in investing activities	(514,016)	(1,239,750)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations for plant, property and equipment	719,739	1,010,097
NET INCREASE IN CASH	988,584	1,548
Cash at beginning of period	3,251,037	3,249,489
CASH AT END OF PERIOD	$4,239,621	$3,251,037

The accompanying notes are an integral part of these statements.

Statement of Budgetary Resources and Actual Expenses (note 12)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

	Resources	Obligations	Expenses
Saint Lawrence Seaway Development Corporation Fund	$29,758,452	$14,820,444	$17,461,448
Budget Reconciliation:			
Total expenses			17,461,448
Adjustments			
Add:			
Capital acquisitions			719,739
Deduct:			
Depreciation			(2,506,133)
Imputed expenses			(903,541)
Decrease in net plant in service, property disposals			(11,639)
Decrease in inventories			(8,796)
Decrease in other assets			(23,410)
Less reimbursements:			
Trust funds			(14,273,034)
Revenues from non-federal sources			(613,658)
Accrued expenditures			$(159,024)

The accompanying notes are an integral part of these statements.

Statements of Changes in Equity of the U.S. Government

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
FOR THE YEARS ENDED SEPTEMBER 30, 2004 and 2003

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2002	$96,594,627	$ -	$(1,582,588)
Appropriations expended		(12,964,344)	12,964,344
Fiscal Year 2003 appropriations		13,974,441	
Other financing sources			1,508,204
Operating expenses, excluding depreciation and imputed expenses			(13,392,569)
Depreciation expense			(2,505,874)
Imputed expenses			(864,442)
Transfer from invested capital for depreciation	(2,505,874)		2,505,874
Capital expenditures	1,010,097	(1,010,097)	-
Balance, September 30, 2003	95,098,850	-	(1,367,051)
Appropriations expended		(13,553,295)	13,553,295
Fiscal Year 2004 appropriations		14,273,034	
Other financing sources			1,517,199
Operating expenses, excluding depreciation and imputed expenses			(14,051,774)
Depreciation expense			(2,506,133)
Imputed expenses			(903,541)
Transfer from invested capital for depreciation	(2,506,133)		2,506,133
Capital expenditures	719,739	(719,739)	-
Balance, September 30, 2004	$93,312,456	$ -	$(1,251,872)

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (September 30, 2004 and 2003)

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, 2004. 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 $513,876 at September 30, 2004, 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 capital.

Budget Authority - The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of $16,073,034 for fiscal year (FY) 2004, $14,273,034 from the Fund (Public Laws 108-199), $900,000 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 $14,820,444 for FY 2004. The Corporation's unobligated balance at September 30, 2004 totaled $14.9 million including $3.2 million unused borrowing authority. For FY 2005, the Corporation is operating on a Continuing Resolution based on the FY 2004 level of $14,273,034. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2005.

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, 2004 and 2003 are as follows:

	2004	2003
Due from concession contracts	$ 26,164	$ 21,810
Interest on deposits in minority banks	13,510	9,314
Other	42,133	32,255
Total	$ 81,807	$ 63,379

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (September 30, 2004 and 2003)

5. Plant in Service

Plant in service as of September 30, 2004 and 2003 is as follows:

		2004		2003	
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 and relocations	95	5,639,064	2,412,697	5,639,064	2,353,487
Locks and guidewalls	40-100	75,707,132	38,601,922	75,601,335	37,617,844
Roads and bridges	50	9,152,820	7,937,979	9,152,820	7,754,923
Channels and canals	95	36,870,221	15,617,486	36,870,221	15,230,349
Public use facilities	50	918,409	609,361	918,409	590,993
Navigation aids	10-40	2,939,691	2,346,515	2,939,691	2,288,377
Buildings, grounds and utilities	50	14,092,002	5,355,757	13,810,723	5,078,136
Permanent operating equipment	5-40	11,854,882	7,812,089	12,042,608	7,479,192
Total plant in service		$ 158,041,747	$ 80,693,806	$ 157,842,397	$ 78,393,301

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, 2004 and 2003 consist of the following:

	2004	2003
Concession operations	$ 228,456	$ 180,181
Shippers' payments for damages to locks	11,403	29,330
Rental of administration building	66,385	63,882
Vessel towing services	3,300	7,350
Pleasure craft/non-commercial tolls	86,684	85,971
Miscellaneous (net)	30,880	52,095
Total	$ 427,108	$ 418,809

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, 2004 and 2003 are as follows:

	2004	2003
Personnel services and benefits	$ 11,483,620	$ 10,863,376
Travel and transportation	159,691	146,909
Rental, communications and utilities	427,892	430,594
Printing and reproduction	28,336	62,539
Contractual services	1,245,182	1,053,894
Supplies and materials	540,824	663,735
Equipment not capitalized	164,313	168,195
Loss on property disposals	1,916	3,327
Subtotal	$ 14,051,774	$ 13,392,569
Depreciation expense	2,506,133	2,505,874
Imputed expenses	903,541	864,442
Total operating expenses	$ 17,461,448	$ 16,762,885

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (September 30, 2004 and 2003)

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, 2004 and 2003 are as follows:

	2004	2003
Civil Service Retirement System	$ 242,476	$ 269,131
Federal Employees Retirement System:		
Automatic contributions	607,335	569,756
Matching contributions	188,074	173,471
Social Security	356,070	333,335
Total	$ 1,393,955	$ 1,345,693

10. Contingencies and Commitments

As of September 30, 2004, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2004 and 2003 there were undelivered orders and contracts amounting to $1,209,245 and $1,178,364, 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, 2004 and 2003, revenue totaled $63,194 and $60,795, respectively.

The Corporation made rental payments to the General Services Administration for our Washington, D.C. office totaling $205,206 and $218,744 for fiscal years 2004 and 2003, 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 2004 and FY 2003 were as follows.

Accounts payable at September 30, 2004 and 2003 unclude $842,634 and $540,580, respectively, of amounts payable to the U.S. Government.

In fiscal years 2004 and 2003, the Corporation accrued costs of $73,175 and $62,648, respectively, to the St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

	2004	2003
Volpe National Transportation System Center	$ 97,800	$ 30,000
Department of Commerce	35,000	35,000
Office of the Secretary of Transportation	27,970	14,526
Federal Highway Administration	24,574	-
United States Coast Guard	970	895
Office of Personnel Management	845	-
Department of Defense	281	3,016
Total	$ 187,440	$ 83,437

12. Statement of Budgetary Resources and Actual Expenses

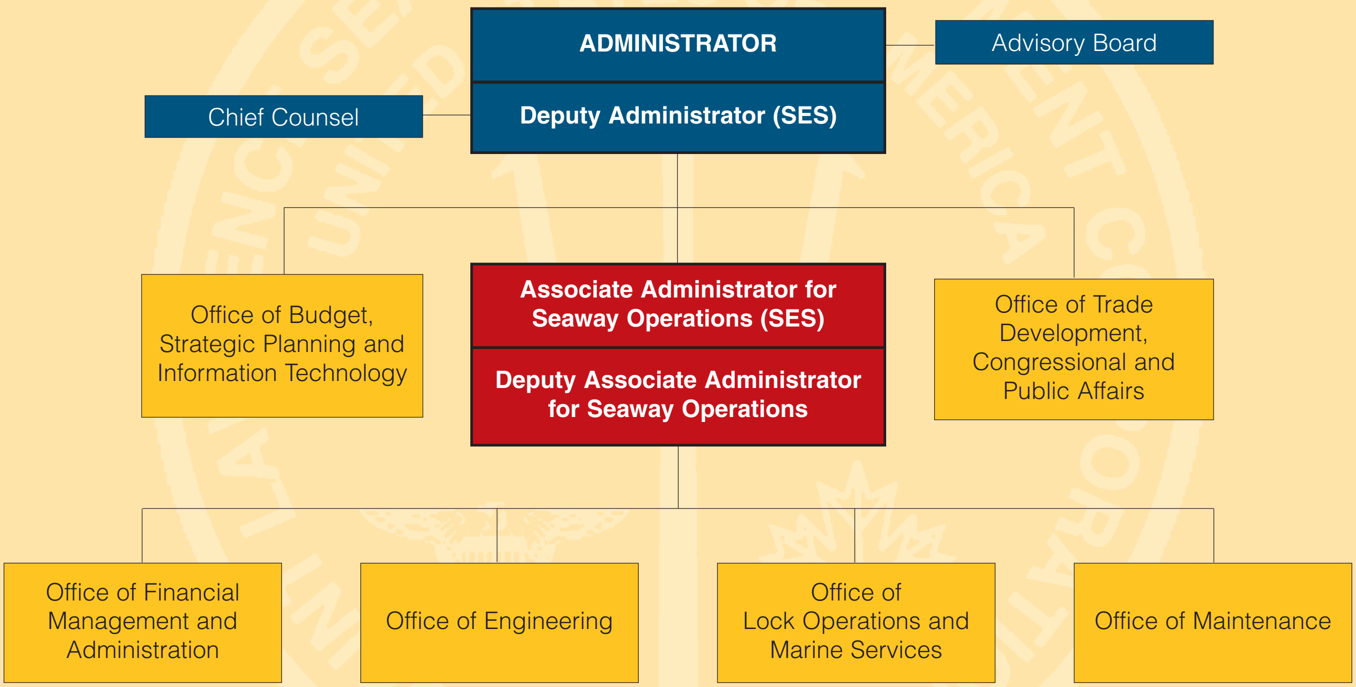
The Statement of Budgetary Resources and Actual Expenses presents budget information as reported on the Corporation's "Report on Budget Execution" SF-133 and reconciles accrued expenditures from that report to expenses as reported in the accompanying financial statements.

Budget resources of $29,758,452 consist of the Corporation's unobligated balance of $14,809,865 brought forward from October 1, 2003, and reimbursements earned of $14,886,692 and recoveries of prior year's obligations of $61,895 during FY 2004.

Advisory Board

Jack E. McGregor, Bridgeport, CT
George Milidrag, Troy, MI
James S. Simpson, Staten Island, NY
Scott K. Walker, Wauwatosa, WI
William Wilson, Saint Paul, MN

Saint Lawrence Seaway Development Corporation
Organizational Chart



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SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Fiscal Year 2004 Annual Report