


FISCAL YEAR 2008 ANNUAL REPORT





The Great Lakes St. Lawrence Seaway System

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FY 2008 Annual Report

Authority

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 sustains 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 binational waterway also provides approximately \$2.7 billion in annual transportation cost savings compared to other modes of transportation.

The St. Lawrence Seaway is an international waterway, and the SLSDC interacts directly with numerous Canadian government and private entities as it carries out its mission. 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's policy headquarters is located in Washington, D.C. The operational staff and facilities are located in Massena, N.Y., including the two U.S. Seaway locks (Eisenhower and Snell).

Mission Statement

The Saint Lawrence Seaway Development Corporation 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 and 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.



Dear Seaway Stakeholder,

The Saint Lawrence Seaway Development Corporation's (SLSDC) Fiscal Year 2008 Annual Report offers a detailed overview of the most significant accomplishments of our agency's last year.



This report provides Congress and our stakeholders with an important economic, political and environmental scorecard for actions undertaken to meet the Corporation's vital mission and goals. Successfully operating and marketing a deep draft waterway for domestic and international traffic demands professional marine expertise, proven strategic planning skills renewal, and tireless coordination among industry, government, academia, and the public.

In joint venture with our Canadian partner, the St. Lawrence Seaway Management Corporation, we moved more than 40 million tons of bulk and general cargoes critical to U.S. and Canadian economies in 2008. The U.S. part of the Great Lakes Seaway System sustains roughly 150,000 jobs. We've strengthened environmental protections against further introductions of aquatic invasive species into the Great Lakes by promulgating and enforcing tougher ballast water rules. Safe, reliable, and efficient waterborne commerce—that is our mantra, and it benefits the millions who call North America's manufacturing, mining and agricultural heartland home.

Finally, as you read this, we are preparing for the 50th anniversary of Seaway. If you are anywhere near New York state in early July, please join us in Massena for a gala parade, speeches by dignitaries, picnic, fireworks, and the U.S. Coast Guard cutter *Mobile Bay*. It will be a fitting moment to acknowledge the Seaway's past contributions and its vital role for the next half century.

Sincerely,

A handwritten signature in black ink, reading "Collister Johnson, Jr." in a cursive style.

Collister Johnson, Jr.

FY 2008 Financial Highlights

The financial statements have been prepared to report the financial position and results of operations of the Saint Lawrence Seaway Development Corporation (SLSDC or 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 St. Lawrence Seaway Management Corporation, or SLSMC), with the U.S. share remitted to the Corporation. The Water Resources Development Act 1986, P.L. 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 still recognizes the requirement under the 1959 Tariff of Tolls agreement between Canada and the U.S. to negotiate Seaway toll levels with the SLSMC.

Unloading Siemens wind turbine blades at the Port of Ogdensburg. The massive windmill parts were subsequently barged to Wolfe Island, Ontario.

(in thousands of dollars)

For the years ended September 30	2008	2007	Change	
			\$	%
Operating revenues	\$ 17,122	\$ 16,130	\$ 992	6
Appropriations expended	16,410	15,231	1,179	8
Other	712	899	(187)	(21)
Operating expenses	15,918	16,086	(168)	(1)
Personnel services and benefits	12,607	12,246	361	3
Other	3,311	3,840	(529)	(14)
Imputed financing/expenses	872	962	(91)	(9)
Total assets	96,196	95,439	756	1
Time deposits in minority banks	11,060	10,962	98	1
Short-term	8,907	9,982	(1,075)	(11)
Long-term	2,153	980	1,173	120
Interest income (minority banks)	510	533	(23)	(4)

Note: Rounding may affect the addition of rows and columns in the table.



FY 2008 Financial Highlights

Operating Revenues

Operating revenues, excluding imputed financing, totaled \$17,122K in FY 2008, a six percent increase. Appropriations expended, representing the amount of the Harbor Maintenance Trust Fund expended for operating purposes, increased \$1,179K and other revenues decreased \$187K.

Operating Expenses

Overall operating expenses of \$15,918K, excluding depreciation and imputed expenses, decreased one percent. Personnel services and benefits increased three percent, and other costs decreased by 14 percent. Personnel services and benefits represented 79 percent of the Corporation's operating expenses in FY 2008.

Other costs of \$3,311K included \$1,614K for other contractual services; \$911K for supplies and materials; \$437K for rent, communications, and utilities; \$192K for travel and transportation of persons and things; \$132K for equipment not capitalized; and \$25K for printing and reproduction.

Specific operating expenditures included \$1,038K for special operating projects; \$834K for building maintenance; \$704K for lock inspection and maintenance; \$414K for equipment, vehicle, and vessel maintenance; \$412K for general operating expenses; \$320K for closing and opening the lock for winter repairs; \$300K for groundskeeping; and \$267K for navigational aids maintenance.

The Corporation employed 141 people on September 30, 2008, including three temporary employees.

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 \$96 million. Plant, property and equipment are valued at \$73 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling \$11,060K at year-end. A decrease in short-term deposits of \$1,075K offset by an increase in long-term deposits of \$1,173K result in a net increase of \$98K. Interest on deposits in minority banks decreased by 4 percent due to lower interest rates. The interest income is an important financing source for the Corporation.

Unobligated Balance

The Corporation had an unobligated balance on September 30, 2008 of \$14.6 million, comprised of \$3.2 million of unused borrowing authority and the \$11.4 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 the 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 \$982K in FY 2008 and \$992K in FY 2007.

The primary expenditures in FY 2008 were \$187K for Buoy Barge Deck Winch Improvements; \$144K for Light Trucks, Vans, and Vehicles; and \$126K for Paving and Drainage Improvements.



Winter work begins at the locks with the crew hanging plastic curtains to isolate the work area.

FY 2008 Financial Highlights

Buoy Barge Deck Winch Improvements – A contractor fabricated new deck winches for the Corporation's Buoy Barge. The deck winches are used to remove floating aids to navigation in December and to place them back into service in March of each year. This involves removing not only the buoys but also the concrete anchors and chain that secure the aids in position during the navigation season. The deck winches are used to pull the concrete anchors and chain onto the deck after the crane picks the buoy out of the water. The existing winches are not designed to stop pulling before the breaking strength of the wire rope is exceeded and the wire rope breaks. The new winches will have cutouts which will be set so that the winch will stop pulling prior to the load exceeding the breaking strength of the wire rope. This will significantly reduce the chance of breaking the wire rope on the deck winches.

Light Trucks, Vans, and Vehicles – Six light trucks were replaced. The trucks are used to perform lock and facility maintenance, service aids to navigation along the St. Lawrence River, and perform vessel inspections and other miscellaneous functions in support of the Corporation's mission. The vehicles replaced are over 10 years old and/or have more than 100,000 miles on them and are all severely corroded due to the salt used to melt ice from roads during winter.

Paving and Drainage Improvements – A contractor replaced damaged/deteriorated pavement along the upstream approach wall at Eisenhower Lock. As part of the project, the mooring buttons were raised and drainage was improved so that water did not collect and ice did not form around the mooring buttons. Corporation personnel and crew members from transiting vessels walk through these areas while securing ships to the mooring buttons. These paved areas are also used to access the approach wall for inspection and maintenance. Due to the severity of the winters in upstate New York, it is common for pavements to heave, crack and breakup.

The primary expenditures in FY 2007 were \$177K for Telecommunications Upgrades, \$125K for Security Related Electrical and Electronic Upgrades, and \$97K for Fendering Improvements at the Downstream Miter Gate at Snell Lock.

Telecommunications Upgrades – Working with a contractor, the Office of Engineering and Maintenance

personnel completed the upgrade of the Corporation's telephone systems to operate over the fiber optic network. These upgrades resulted in savings to the Corporation while increasing the capabilities and features of the telephone systems.

Security Related Electrical and Electronic Upgrades – The Office of Engineering and Maintenance personnel completed construction of concrete bases for camera towers and control enclosures, installed electrical wiring and fiber optic cable, and began installation of Closed Circuit TV (CCTV) cameras and vehicle gate control equipment. These upgrades will improve the physical security of Corporation facilities in Massena.

Fendering Improvements at the Downstream Miter Gate at Snell Lock – New fenders and mounting hardware were purchased for installation by the Maintenance Division personnel during the winter season of 2007-2008. The new rubber fenders will better protect the miter gate as well as transiting vessels.

A ship transits through the Eisenhower Lock.



FY 2008 Financial Highlights

Significant Future Costs

As the Corporation celebrates its 50th anniversary of Seaway navigation in 2009, there is an historic opportunity to address the long-term infrastructure renewal needs of the U.S. section of the St. Lawrence Seaway. The Seaway is comprised of perpetual assets (locks, channels, an international bridge, highway tunnel, vessel traffic control system, and accompanying facilities and equipment), which require periodic capital reinvestment in order to continue to operate safely, reliably, and efficiently. The U.S. Seaway infrastructure is approaching the end of its original "design" life, and without sufficient investment in these perpetual assets, it will become increasingly difficult to maintain the future availability and reliability of the Seaway.

After almost 50 years of continuous operation in often harsh weather conditions, the Seaway infrastructure needs to be rehabilitated if its exceptional record of performance and reliability is to be maintained for the next half century. The Corporation is working with the Administration to develop a long-term infrastructure Asset Renewal Program (ARP) to ensure the waterway's position in North American transportation for the next 50 years.

The Corporation's FY 2009 budget request, submitted to the Congress on February 4, 2008, included a proposal to begin a 10-year, \$165 million Asset

Renewal Program to address U.S. Seaway infrastructure improvements. As of the end of FY 2008, the budget request was still under consideration by the Congress.

Anticipated FY 2009 Accomplishments

For FY 2009, the SLSDC's budget request included 17 ARP items totaling \$17.535 million. Among the major projects proposed were:

Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments (Non-Capital Maintenance Project) (\$5,000,000) – This project is for dredging of the navigation channel to remove sediments to maintain the design grade for the channel bottom. The Corporation no longer has the resources to do dredging in-house; therefore, dredging must be completed by contractors. If the navigation channel bottom is not maintained at the design grade, the maximum permissible draft in the Seaway would have to be reduced

making it necessary for vessels to carry less cargo thereby reducing the competitiveness of the Seaway System.

Eisenhower Lock – Culvert Valve Machinery – Upgrade to Hydraulic Operation (Capital Project) (\$2,000,000) – This project is for replacing the operating machinery for the Eisenhower Lock culvert valves, which are utilized for filling and emptying the locks. This machinery is nearly 50 years old and the open gearing is exhibiting macropitting. This equipment needs to be upgraded to insure its continued reliability. Failure of this equipment will cause delays to shipping while repairs are made. Due to the fact that this machinery was custom made and spare parts are limited, repairs to multiple pieces of machinery using the spare parts that are on-hand would not be possible. The upgrade will include new hydraulic operating machinery to match the upgrades made at the Canadian Seaway locks and the other locks in the United States.

Vessel loading grain in Duluth.



FY 2008 Financial Highlights

Seaway International Bridge – Perform Structural Rehabilitation and Corrosion Prevention (Non-Capital Maintenance Project) (\$2,000,000) – This project is for rehabilitation of the structural components of the bridge's south span, which crosses the Seaway navigation channel between Rooseveltown, N.Y. and Cornwall Island. The bridge, which accommodated more than 2.6 million vehicles in 2006, was opened to traffic in 1962 and is in need of significant rehabilitation. This project, scheduled for completion after four years of work, is designed to stop the corrosion currently experienced on many portions of the bridge structure and prevent the need for large-scale structural or even bridge replacement in the future. The Corporation owns 68 percent of the south span of the bridge and the budget request reflects the U.S. prorated amount for the project. The Canadian Federal Bridge Corporation Limited (FBCL) owns the remaining 32 percent of the south span.

Corporation Equipment – Upgrade/Replace Floating Plant (Capital Project) (\$2,000,000) – This is an ongoing program to rehabilitate and/or replace the Corporation's floating plant, which is used for maintaining the locks and navigation channels, as it becomes unreliable and/or unserviceable. In FY 2009, plans are to upgrade the hydrographic surveying equipment on the workboat and to purchase a deck barge to be used for emergency/spot dredging and for repair of fixed aids to navigation and mooring/dock

structures. This multiyear project also includes replacing the tug and buoy tender barge; purchasing a smaller tug, which would be more efficient for many operations where the capabilities of the larger tug are not required, a small boat for emergency response and a small scow for transporting dredged spoil from emergency/spot dredging; and for rehabilitating the crane barge/gatelifter which would have to be utilized if a miter gate were damaged and had to be replaced.

Corporation Equipment – Replace Heavy and Light Equipment, Maintenance Vehicles and Shop Equipment (Capital Equipment) (\$1,750,000) – This is an ongoing program to replace heavy and light equipment, vehicles, and shop equipment as they become worn out and unserviceable. Heavy and light equipment includes such items as a crane, dump truck, snow plow, backhoe, grader, front end loader, as

well as shop equipment such as a lathe, milling machine, and drill press. In FY 2009, plans are to replace a 75-ton capacity cable crane which will be 33 years old. This crane is utilized for repairing and replacing culvert valves and wire rope fenders and for installing and removing the lock roof cover modules used each winter shutdown period. This crane will be replaced with a higher capacity unit due to the fact that some of the required picks are at or near the current crane's capacity.

Eisenhower Lock – Rehabilitate Downstream Miter Gates (Non-Capital Maintenance Project) (\$1,500,000) – This project is to completely rehabilitate the miter gates at the downstream end of Eisenhower Lock. It includes replacing worn and/or damaged components including the miter and quoin contact blocks, pintles, gate anchorages, and diagonals to insure proper functioning of the miter gates. ■

SLSDC Mechanical Maintenance staff making final preparations to replace worn/damaged timber.



Operational and Environmental Initiatives

SLSDC Continues to Meet Performance Levels for Foreign Vessel Inspections and Ballast Water Exams

The Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) continues to perform its Enhanced Seaway Inspection (ESI) program, inspecting all ocean vessels on their initial transit into the St. Lawrence Seaway for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. The SLSDC and the U.S. Coast Guard, in conjunction with Transport Canada and the Canadian St. Lawrence Seaway Management Corporation (SLSMC), signed a Memorandum of Understanding in March 1997 to develop the program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes St. Lawrence Seaway System.

ESI inspections are jointly performed by U.S. SLSDC and Canadian SLSMC marine inspectors and cover both Seaway-specific

fittings as well as port state control items identified by the U.S. Coast Guard as critical for the vessel to transit to a U.S. Great Lakes port of call. In the event major deficiencies are identified, Transport Canada is notified and the vessel is detained in Montreal until the deficiencies are cleared.

The proactive approach of the inspection program has been successful in reducing the number of incidents both on the River and in and around the lock facilities. In addition, the inspection program has eliminated the practice of duplicative inspections, which allows for a more seamless and efficient transit of the Seaway and provides an excellent location for repair resources, if required.

The SLSDC's goal for performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2007 navigation season, with 229 inspections conducted by SLSDC personnel. In 2008, through September 30, 157 vessel inspections had been completed.

Ballast water inspections continue to be an important function of the ship inspection program. In 2008, the inspection process, administered by the two Seaway entities, U.S. Coast Guard, and Transport Canada, was enhanced and now subjects all oceangoing ships for all transits (first and subsequent) to inspection. All tanks (ballast on board and no ballast on board) are targeted for inspection in order to verify proper saltwater

exchange or flushing no matter their port of destination.

During the 2007 navigation season, Seaway marine inspectors conducted 23 ballast water inspections on ships in conjunction with the ESI program, and an additional 54 on subsequent voyages at the U.S. Seaway locks in Massena, N.Y. In 2008, through September 30, joint agency inspectors conducted 199 ballast water inspections pre-entry and an additional 45 subsequent transits in Massena.

Seaway Agencies Participate in Joint Observational Study to Observe Environmental Impacts of Seaway Opening

After 19 months of negotiations, a settlement agreement was reached between the SLSDC and the St. Regis Mohawk Tribe of Akwesasne in June 2006 concerning the Corporation's authority to determine when to open the Seaway and when to break ice in the Seaway's navigation channel. This agreement dismissed a lawsuit filed against the SLSDC and the U.S. Department of Transportation in 2004. As part of the settlement agreement, the parties agreed to a three-year Joint Observational Study (JOS) of fixed scope and cost to observe scientifically the environmental effects, if any, arising from opening the navigation season when ice is still present on the river.



Today, ballast water management requirements in the Great Lakes St. Lawrence Seaway System are the most stringent in the world.

Operational and Environmental Initiatives

The JOS team is comprised of representatives from the SLSDC, SLSMC, St. Regis Mohawk Tribe, Mohawk Council of Akwesasne, and Transport Canada. The team is led by a project coordinator hired by the parties to be responsible for the day-to-day management and implementation of the JOS.

In FY 2008, the JOS team successfully completed the second of the mandated three years of observation, which included the establishment of a monitoring system for the winter/spring of 2008, collection and analysis of observational data during the winter/spring 2008, and the reporting of findings, conclusions, and recommendations. The JOS final report for the second year of the program concluded that there were no observable shoreline physical impacts during the 2008 spring ice clearing observations of the Seaway channel.

Based on the experiences and findings of the first two years of the program, the project coordinator made the following recommendations to the JOS team: (1) the current team is effective at moving forward the mandate and should be retained to ensure ongoing progress; (2) the freezing-degree-day method used to gauge the severity of ice conditions serves as input to the Seaway opening and icebreaking planning processes and should continue to be studied in conjunction with field observations in order to develop a more rigorous methodology; (3) the opening date

selection and ice-breaking operations should continue to be an inclusive process for the current stakeholders and include risk assessment elements of icebreaking operations and ice conditions; (4) the use of satellite imagery to observe the development of ice cover should be continued and coordination with the appropriate government agencies should be made to ensure on-going availability; and (5) the greatly expanded and more rigorous field observation activities in 2008 yielded a large pool of information and should be continued during the 2009 observations.

Enhanced U.S. Seaway Ballast Water Regulation Enforced for Start of 2008 Season

In March 2008, the SLSDC issued an enhanced regulation for the start of the navigation season that requires all ocean-going ships entering the U.S. sector of the St. Lawrence Seaway to

take new measures to prevent the introduction of invasive species.

The new U.S. Seaway regulation requires these vessels to flush ballast tanks containing only small amounts of water or sediment with saltwater in an area 200 nautical miles from any North American shore before entering the binational waterway. In addition, it requires all ocean-going vessels entering the Seaway to measure the salinity levels of their tanks to assure that there is a sufficiently high concentration of salt in the ballast water to kill invasive species.

Since 2006, Canada has required that similar vessels transiting the Seaway bound for Canadian ports conduct saltwater flushing. The new U.S. rule ensures that vessels destined for American ports do the same.

To ensure compliance with the regulation, every tank of all ocean-going vessels are targeted for

At the Toledo-Lucas County Port Authority, the Liebherr material handler employs a piece of vacuum equipment that simplifies and speeds up loading procedures.



Operational and Environmental Initiatives

inspection in Montreal by inspectors from the U.S. and Canadian Seaway entities, the U.S. Coast Guard, and Transport Canada.

Ships that fail to saltwater flush may either return to the open ocean to conduct a ballast water exchange or must retain to the ballast in their on-board tanks. Non-compliant ships can be fined up to \$36,625 per incident by the SLSDC.

SLSDC Officials Participate in USCG Emergency Response Exercise

SLSDC operational personnel participated in the U.S. Coast Guard's full-scale emergency response exercise, September 22-23, 2008 in Alexandria Bay, N.Y., which simulated a terrorist attack on the St. Lawrence River.

The objective of the exercise was to examine the various agency roles, responsibilities, jurisdictions, and capabilities in preventing and responding to a terrorist attack. The key elements of the exercise were to: (1) develop a pre-deployment organization chart in accordance with the Eastern Great Lakes Area Maritime Security Plan through the U.S. Department of Homeland Security's Incident Command System (ICS); (2) understand which agencies are involved in such an incident and the role of law enforcement and emergency management; and (3) create new or build upon existing relationships needed to ensure a successful response.

During the May 2008 ballast water inspection demonstration event the ship's mate places a drop of ballast water on the lens of the refractometer held by SLSDC's Marine Specialist Terry Jordan (white hat), while he explains the inspection process.

In conjunction with the Coast Guard exercise, the Ogdensburg Bridge and Port Authority held an ICS primer for local agencies. The preliminary scenario for the exercise in Alexandria Bay was discussed as well as how the events at the port would affect the Alexandria Bay scenario. The SLSDC sent its Marine Services Division Chief and Safety and Occupational Health Manager to observe and critique the Coast Guard boom deployment using port resources.

SLSDC Administrator Serves as Co-Chair for "Green Marine" Program

In FY 2008, SLSDC Administrator Collister Johnson, Jr., served as the co-chair of the U.S.-Canadian "Green Marine" initiative, a marine industry partnership program aimed at demonstrating and communicating the maritime industry's commitment to addressing a number of key environmental issues.

The objective of the "Green Marine" program, which was launched in October 2007, is to build and maintain strong relations with key stakeholders and develop a greater awareness of the maritime industry's activities, benefits and challenges.

To accomplish this, activities are directed towards strengthening the industry's environmental standards and performance through a process of continuous improvement, helping the maritime industry to speak with one voice, strengthening industry involvement in regulatory processes, and improving regulatory outcomes.

Seaway Entities Host Ballast Water Inspection Process Event

On May 5-6, 2008, the two Seaway entities hosted a ballast water inspection demonstration event for media, state regulators, and environmental representatives in Montreal, Quebec. The goal of the two-day event was to highlight new U.S. Seaway regulations related to ballast water management and demonstrate the ballast water inspection process. Seaway officials, industry executives, and leading environmental scientists all noted at the two-day event that the ballast water management requirements in the Great Lakes St. Lawrence Seaway System are the most stringent in the world.

This unique event provided a rare opportunity for U.S. and Canadian media and stakeholders to examine first-hand the joint ballast water



Operational and Environmental Initiatives

inspection process that occurs in Montreal, prior to an ocean going vessel entering the Seaway System. Attendees were permitted to watch Seaway marine inspectors during the inspection and examine the control room of the Fednav vessel M/V FEDERAL KIVALINA. Senior ballast water experts from the U.S. Coast Guard, Transport Canada, the National Oceanic and Atmosphere Administration, Environment Canada, and the University of Windsor participated. In all, representatives from over 22 U.S. and Canadian media outlets, 16 environmental representatives, state and provincial regulators, and other industry stakeholders attended the Montreal event.

An educational DVD was developed capturing the highlights of the event and showcasing the ballast water inspection process. The DVD was presented to House and Senate members and staff, as well as industry stakeholders throughout the Great Lakes region.

Below: An educational DVD was developed capturing the highlights of the ballast water inspection demonstration event and was distributed to House and Senate members and staff, as well as industry stakeholders throughout the Great Lakes region. Right: SLSDC Mechanical and Heavy Equipment Branches working together to replace timbering which helps protect the lock structure and ship during transit.



SLSDC Supports “Great Ships Initiative” Program; Funds New Treatment Laboratory

In FY 2008, the SLSDC continued to serve as an “ex officio” member of the Executive Steering Committee for the “Great Ships Initiative” (GSI), an industry-led cooperative effort aimed at ending the problem of ship-mediated invasive species in the Great Lakes St. Lawrence Seaway System.

The GSI program, launched in 2006 by the Northeast-Midwest Institute in collaboration with the American Great Lakes Ports Association, conducts independent research and demonstration of environmental technology, financial incentives and consistent basin-wide harbor monitoring. In particular, the GSI program has established a land-based research, development, and technology evaluation facility in Superior, Wis., to provide intensive testing services to vendors of ballast

treatment prospects suitable to Seaway-sized vessels. GSI funding comes from the private and federal sectors, including federal grants and contributions, Congressional appropriations, foundations, and states.

In addition to its work on the GSI Executive Steering Committee, the SLSDC agreed in September 2008 to fund the construction of a treatment laboratory at the GSI facility in Superior. The treatment laboratory, to be operable in 2009, will provide multiple functions to the GSI program including housing for the treatment systems being tested, lab space for fluorescent microscopy, dry storage, and a control room.

In 2006, the SLSDC partnered with the Canadian SLSMC to fund the purchase of GSI's mobile field laboratory, which provides on-site, bench-scale facilities to support land-based and shipboard tests. The mobile laboratory is located in Superior during the testing season and is moved to other sites in the



Operational and Environmental Initiatives

Great Lakes region to support GSI shipboard tests as needed. The lab is climate-controlled, and has adequate space to allow for simultaneous microscopic and analytical analysis of zooplankton, phytoplankton, and bacteria samples.

National Academy of Sciences' Study Supports Commercial Trade on the Great Lakes Seaway System

In July 2008, a National Academy of Sciences study that examined Great Lakes Seaway System commercial shipping and trade, as well as the environmental impact of invasive species, concluded that closing the St. Lawrence Seaway to ocean-going vessels is not the answer to ending the further introduction of aquatic invasive species into the Great Lakes. The SLSDC was an active participant in working with the 13-member Academy committee made up of U.S. and Canadian scientists, engineers, and academics that began work on the study in 2004.

The study, *Great Lakes Shipping, Trade, and Aquatic Invasive Species*, concluded that closing the Seaway could not guarantee prevention of further invasives such as zebra and quagga mussels as non-ship-related vectors would continue to allow invasive species into the Great Lakes.

Seaway International Bridge Corporation employee Ian McPherson shows Congressional Aides portions of the international bridge.

Closing the Seaway to even one category of traffic would likely reduce economic competition, raise consumer prices, and increase greenhouse gas emissions. As a result, "The committee's evaluation of the effects of closing the Seaway to transoceanic shipping led it to conclude that this action would be not only high risk but also an impractical and unsatisfactory compromise."

In addition, the committee praised the SLSDC's March 2008 regulation to require saltwater flushing of all foreign-flagged vessels loaded with cargo entering the Seaway from outside the 200-mile Exclusive Economic Zone as an example of the type of effective ballast-water management practice that is required.

Corporation Plays Active Role in Great Lakes Regional Waterways Management Forum

In FY 2008, the SLSDC continued to play a key role in the Great Lakes Regional Waterways Management

Forum, a group of U.S. and Canadian federal representatives who work cooperatively to identify and resolve waterways management issues that involve the Great Lakes region. The Forum specifically reviews issues that cross multiple jurisdictional zones and/or involve international issues and is tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes.

The SLSDC continues to serve on the Forum's ballast water working group. The ballast water working group was developed to harmonize efforts between the SLSDC, SLSMC, U.S. Coast Guard, and Transport Canada as well as coordinate and exchange compliance and research efforts for reducing aquatic nuisance species invasions via ballast water in the Great Lakes. Working group activities in FY 2008 included the analysis of data from a shared database that tracks all ballast water boarding results from all agencies and the review of the waterway's ballast water inspection program. ■



Trade Development Initiatives

SLSDC Leads Seaway Trade Mission to Brazil

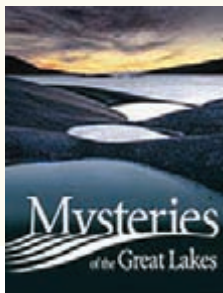
The SLSDC co-hosted a week-long Seaway Trade Mission to Brazil, October 15-19, 2007, to raise the profile of the Great Lakes Seaway System and to increase U.S. and Canadian maritime commerce with Latin America's largest economy.

Brazil was selected as the mission's destination based on its current ranking as the third largest foreign trading partner for the Great Lakes St. Lawrence Seaway System, accounting for approximately one million tons of cargo annually.

The trade mission, which included a 20-member delegation comprised of some of the waterway's largest port and terminal operators, ship owners and operators, and maritime trade specialists, included meetings and discussions with Brazilian industry and government officials in and around two of the nation's largest cities, São Paulo and Rio de Janeiro. Also on the schedule were tours of the Port of Santos (São Paulo) and the Port of Itaguaí (Rio de Janeiro).

Washington Premiere of IMAX film *Mysteries of the Great Lakes*

On September 17, 2008, the SLSDC facilitated the premiere of the IMAX film *Mysteries of the Great Lakes* at the Smithsonian Institution's National Air and Space Museum in Washington, D.C. The SLSDC was one of



several U.S. and Canadian stakeholders who provided financial support for the development of the film.

The premiere was attended by approximately 150 guests, which included U.S. and Canadian Great Lakes port directors and industry stakeholders, Congressional staff members, and Great Lakes environmental interest groups. The event was hosted by the National Air and Space Museum and the Embassy of Canada and sponsored by Fednav, Ltd.

The movie showcases the amazing geography, ecology, science, and history of the Great Lakes and provides the viewer with an appreciation of the need to strive to preserve, protect, and restore the Great Lakes for the benefit of future generations.

U.S. Transportation Deputy Secretary Attends SLSDC's Annual Stakeholder Appreciation Reception

In recognition of its Great Lakes St. Lawrence Seaway System stakeholders, the SLSDC hosted its annual Stakeholder Appreciation Reception on December 6, 2007, during the maritime industry's annual Grunt Club events in Montreal, Canada. More than 150 stakeholders

representing a cross-section of the maritime community attended the event.

U.S. Department of Transportation Deputy Secretary Vice Admiral Thomas J. Barrett accompanied SLSDC Administrator Collister Johnson, Jr. to the Montreal reception to meet with stakeholders and participate in industry-related meetings. In addition, Deputy Secretary Barrett toured the SLSDC's operations center and facilities in Massena, N.Y.

SLSDC Participates at Annual Seatrade Cruise Convention in Miami, FL.

The SLSDC led a delegation of U.S. and Canadian stakeholders who participated in the annual Seatrade Cruise Shipping Convention and Exhibition held in Miami, FL, March 13-16, 2008. This marked the eighth consecutive year the SLSDC, SLSMC, and the Great Lakes Cruising Coalition co-hosted an informational booth to promote the Great Lakes Seaway System as an attractive cruise ship destination.



This group of people made the Washington Premiere of the IMAX film *Mysteries of the Great Lakes* possible. Left to right – John Benton, III, Associate Director, Smithsonian National Air and Space Museum; Collister Johnson, Jr., Administrator, SLSDC; Guy Saint-Jacques, Deputy Head of Mission, Canadian Embassy; Paul Globus, Science North; and Laurence Pathy, President and CEO, Fednav, Ltd.

Trade Development Initiatives

In addition to promoting the waterway, the delegation offered technical expertise for operating a cruise ship in the Seaway System. Each member reached out to individuals that visited the booth and reinforced the premise that the Great Lakes Seaway System continues to be recognized as one of the safest destinations for cruise ships and a comfortable environment for travelers that are seeking vacation options closer to home.

Binational Seaway Web Site Undergoes Complete Overhaul

In FY 2008, the SLSDC and SLSMC launched the first major redesign of the Seaway binational web site – www.greatlakes-seaway.com. Reflecting the comments and suggestions received from clients and stakeholders, the revised site provides an effective means of conveying the Seaway's integral role in serving U.S.-Canadian transportation needs and promoting the marine mode of transportation.

The web site was originally launched in February 2001 by the two Seaway entities and since that time has recorded nearly 12 million page hits from viewers in more than 150 countries. Following the redesign, the bilingual site is now divided according to the interests of each user group frequenting the site. A clear delineation exists between information pertinent to commercial

navigation versus recreational navigation. Special sections also exist to meet the needs of business and industry, students and educators, communities bordering the Seaway, and the media.

In addition, the two Seaway entities redesigned the popular Seaway map, employing Google Maps™ technology. Users can now view a map of the entire Great Lakes Seaway System, and toggle on/off various map layers. These layers consist of vessels navigating the System, ports within the System, and Seaway locks. The Google Maps™ interface allows viewers to effortlessly zoom in and out of map views, and a series of tabs along the top of the map now provides instant access to the Seaway System's most popular regions.

FY 2008 "Highway H₂O" Marketing Program Accomplishments

During FY 2008, the SLSDC's Office of Trade Development continued to work with the SLSMC and various waterway stakeholders on joint "Highway H₂O" marketing and promotional events.



In addition to participation on and/or sponsorship of various trade and transportation conferences and exhibitions, the "Highway H₂O" program expanded its reach by creating two new international trade offices in Shanghai, China, and London, England, to increase cargo throughout the Great Lakes Seaway System. These offices are funded through the membership fees of the "Highway H₂O" port partners. Additionally, representatives from the Port of Toledo recognized the opportunity to expand its current trade with China and have opened trade offices in the cities of Beijing and Shanghai.

The SLSDC, along with several of the "Highway H₂O" member ports and carrier companies, met with state transportation officials in the Great Lakes to discuss the Melford International Terminal project currently under development in Nova Scotia. This facility, scheduled to open in 2011, will serve as a major container terminal, rail intermodal facility, and logistics park along the Strait of Canso. It is expected to serve as a transfer point for container traffic from Asia and the Indian subcontinent that is shipped to Eastern North America via the Suez Canal. The project presents significant opportunities for many Great Lakes ports to accommodate some of this new container traffic via the Seaway System. ■



The binational web site has received more than 12 million page hits from viewers in more than 150 countries.

Management Initiatives

Major U.S. Seaway Asset Renewal Program Proposed in the FY 2009 Budget Request

On February 4, 2008, the SLSDC announced that the President's FY 2009 Budget Request to the Congress included \$17.635 million for the start of a 10-year, 50-project, \$165 million Seaway Asset Renewal Program (ARP) for U.S. navigation infrastructure and facilities in Massena, N.Y. The start of the SLSDC ARP in FY 2009 will mark the first time in the waterway's 50-year history that a coordinated effort to repair and modernize the U.S. Seaway infrastructure has taken place. Without sufficient investment in these perpetual assets, it will become increasingly difficult to maintain the future availability and reliability of the Seaway. A recent economic analysis concluded that the economic impact of a shutdown of either of the two U.S. locks would range from \$1.3-\$2.3 million per day, depending on the length of the delay.

Included in the FY 2009 budget request were 17 ARP projects and equipment that address various needs for the two U.S. Seaway locks, the Seaway International Bridge connecting Ontario and New York, maintenance dredging, operational systems, and other SLSDC facilities and equipment. None of the ARP projects

will result in increases to the authorized depth or width of the navigation channel or to the size of the lock facilities.

The ARP will support the engineering considerations highlighted in the November 2007 binational Great Lakes St. Lawrence Seaway Study (see summary below) and follow the current asset renewal activities currently underway on the Canadian Seaway locks. Over the past decade, the Canadian government has started to address the asset renewal needs of its 13 Seaway locks, eight of which are 75 years old.

Following the February announcement, the proposed ARP was formally endorsed by several Great Lakes Congressional members and industry stakeholders and trade associations. At the end of FY 2008, no action had been taken by the Congress.

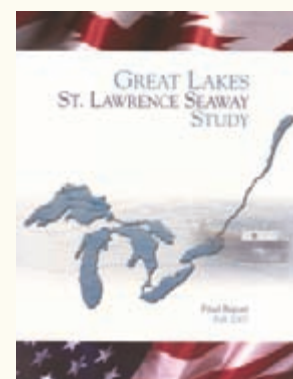
U.S. and Canadian Governments Release Great Lakes St. Lawrence Seaway Study

In November 2007, the U.S. and Canadian governments released the binational *Great Lakes St. Lawrence Seaway Study*, a joint U.S.-Canadian endeavor assessing the ongoing maintenance and long-term capital

requirements to ensure the viability of the waterway. The report, the most comprehensive analysis conducted on the Great Lakes St. Lawrence Seaway System since the Seaway's construction in the 1950s, detailed several observations whose potential implementation will offer significant benefits for the many waterway stakeholders.

The U.S. Department of Transportation and Transport Canada partnered on the study, along with the SLSDC, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, the SLSMC, and Environment Canada.

The study evaluated the infrastructure needs of the binational waterway and assessed the economic, environmental, and engineering implications of those needs pertaining to commercial navigation. Both nations agreed prior to the study that increases in lock size, channel depth, or width were not options to be studied.



Steering Committee pictured from left to right: Brigadier General Bruce Berwick, Commander of the Great Lakes and Ohio River Division, U.S. Army Corps of Engineers; Albin Tremblay, Regional Director General, Quebec Region, Environment Canada; Terry Johnson, Administrator, SLSDC; Craig Czarnecki, Supervisor, Ecological Services Field Office, U.S. Fish and Wildlife Service; Kristine Burr, Assistant Deputy Minister for Policy, Transport Canada (Co-Chair); Jeff Shane, Under Secretary for Transportation Policy, U.S. Department of Transportation (Co-Chair); Tom Waters, Chief, Planning and Policy, U.S. Army Corps of Engineers and Richard Corfe, President and CEO, SLSMC.

Management Initiatives

The study concluded that maintaining this unique inland waterway system as a competitive, reliable, and sustainable component of North America's transportation infrastructure is critical for the United States and Canada. The report's authors pointed out that "the system enables and facilitates significant domestic and international trade for the continent's largest interior markets including the industrial, manufacturing, agricultural and natural resource sectors."

Four major observations were cited by the study participants:

- The Great Lakes St. Lawrence Seaway System has the potential to alleviate congestion on road and rail transportation networks and at border crossings in the Great Lakes Basin and St. Lawrence River region;
- A stronger focus on short sea shipping would allow the System to be more closely integrated with the road and rail systems, while providing shippers with a cost effective, timely and reliable means to transport goods;
- The existing System structure must be maintained in good operating condition to ensure its continued safety, efficiency, reliability and competitiveness; and
- The System's long term health and success depends on sustainability, including the further reduction of negative ecological impacts caused by commercial navigation.

The study also included an economic analysis that found that shippers using the Great Lakes St. Lawrence Seaway System save \$2.7 billion annually versus the use of alternative surface options. Steelmaking and energy industries are major users benefiting from efficient and reliable waterborne movements, and the number suggests that an earlier estimate of \$55 million for transportation savings of steel imports by ocean-going vessels greatly underestimated actual benefits.

SLSDC's FY 2008 Departmental Awards Recipients

On November 14, 2007, five SLSDC employees were honored by U.S. Transportation Secretary Mary E. Peters and SLSDC Administrator Collister Johnson, Jr., at the 40th Annual DOT Awards Ceremony held in Washington, D.C. The employees honored were:

- Maurice Campbell, Millwright, and Donald Kast, Linehandler/Relief Lock and Dam Operator, Massena, N.Y. who received the Valor Award, which is the highest Departmental award for acts of heroism or courage involving great risk by civilian employees under unusual circumstances. They earned the award because of their bravery and composed reaction when a co-worker

was engulfed in flames while trying to thaw a frozen air line. Both men rushed to his assistance, smothering flames, and covering him with snow – actions that helped limit his injuries.

- Richard Price, Electronics Engineer, Massena, N.Y., received the Excellence Award for the key role he played in a project that upgraded the Corporation's closed circuit television system and moved it from transmission over an antiquated coaxial cable to a more sophisticated fiber optic network.

- Kevin O'Malley, Director of Budget and Programs, and Karen Stephenson, IT Specialist, Washington, D.C., received the Team Award for helping ensure a smooth transition of employees and assets from the Department's original headquarters offices at the Nassif Building at L'Enfant Plaza to the new DOT headquarters building at the Southeast Federal Center in Washington, D.C.

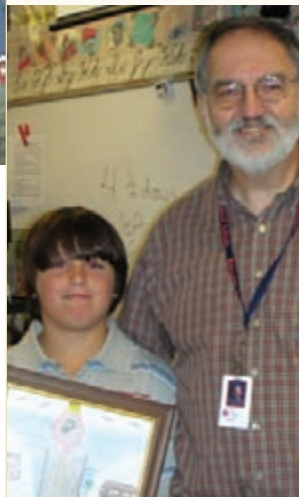
SLSDC Offers Education and Mentoring Programs

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 St. Lawrence University, to prepare high



Above: Departmental award recipients (L) Maurice Campbell and Richard Price.

Left: National Transportation Poster winner Bailey Cortese pictured with his teacher Mr. Trzaskos. Right: National Transportation Poster winner Matthew Thibault pictured with his teacher Ms. Coffin.



Management Initiatives

school juniors and seniors for post school employment. In FY 2008, five students participated in the job shadowing program. SLSDC once again participated as one of the corporate partners for the Tech Prep Case Studies. The students were asked to look at the current steps in tracking inventory and logging in items at the warehouse. The objective was to decrease the paperwork involved and research barcoding as a possible solution.

The fifth grade class at Jefferson Elementary participated in the National Transportation Poster Contest. The theme was "St. Lawrence Seaway...Highway H₂O". The SLSDC selected the contest winners and presented them with U.S. savings bonds. As part of Jefferson Elementary's Annual Outdoor Activities Week, 64 sixth-grade students were given a tour of the SLSDC'S GRASSE RIVER gatelifter and received a ride onboard the tug ROBINSON BAY.

Four U.S. Great Lakes Seaway Ports Earn SLSDC's Robert J. Lewis Port Pacesetter Awards for Increased International Trade in 2007

The SLSDC's Robert J. Lewis Pacesetter Award is presented annually to those U.S. Great Lakes ports that have registered increases in international cargo tonnage shipped through the Seaway. The 2008 presentations marked the 16th anniversary of the award.

Four U.S. Great Lakes port operators earned the award based upon improved international tonnage results posted in 2007 over the previous year:

- Port of Oswego Authority, Oswego, N.Y. (5 percent increase)
- Toledo-Lucas County Port Authority, Toledo, Ohio (16 percent increase)
- Detroit/Wayne County Port Authority, Detroit, Mich. (220 percent increase)
- Duluth Seaway Port Authority, Duluth, Minn. (15 percent increase)

Seaway Agencies Issue Positive Customer Satisfaction Survey Report

Following the completion of the 2007 navigation season, the U.S. SLSDC and Canadian SLSMC conducted its biannual customer survey to gauge customer satisfaction with various aspects of the Seaway experience and capture industry comments. The 2008 survey focused on the satisfaction of the waterway's vessel agent, owner, and operator communities to determine their opinions on five core operational areas – performance, communications, inspections, billing administration, and opportunities for improvement.

Performance was measured on a "1-to-5" scale (poor-to-excellent). The Seaway agencies' target goal is an overall rating of four or greater, which indicates positive stakeholder satisfaction.

The survey results indicated that satisfaction has increased or remained the same in all five core areas, as compared to the 2004 customer survey of the same customer group. The overall rating of the 2008 survey was 4.2 (good), compared to 4.1 (good) in 2004. The only area of decline was related to speed enforcement under the "performance" area, due to the use of Automatic Identification System (AIS) technologies for speed monitoring throughout the St. Lawrence River — a very effective enforcement tool.

Comparison of Seaway Customer Survey of Vessel Agents, Owners, and Operators

Core Areas	2004	2008
Performance	3.9	3.9
Communications	4.0	4.1
Inspections	4.6	4.6
Billing Administration	4.2	4.5
Opportunities for Improvement	4.0	4.1
Overall Average Results	4.1	4.2

Terry Johnson, Administrator, SLSDC (left), presents the Robert J. Lewis Port Pacesetter Award plaque to Christopher Dain, Chairman of the Board, Port of Oswego.



Management Initiatives

SLSDC'S Quality Management System Maintains International Standards Organization Status

In 1998, the SLSDC began the process of certifying its operational business practices through the internationally recognized International Standards Organization (ISO). The ISO recognition is only conferred on those service firms and organizations that meet the highest quality customer service and management standards set by the Geneva, Switzerland-based ISO.

On July 16-17, 2008, the SLSDC successfully completed a two-day surveillance audit of its ISO 9001:2000 certified quality management system, conducted by Lloyds Register of Quality Assurance, an independent accrediting agency. The ISO 9001:2000 standard focuses on self assessment, ongoing improvements, and performance metrics. Incorporation of these quality concepts, at all levels within the Corporation, has improved customer awareness, significantly enhanced communication with Seaway customers, and improved services.

The SLSDC's certification is internationally recognized and complements 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 recognizing how agency initiatives and decisions affect its customers, both internally and externally. 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.

SLSDC Serves on Great Lakes Maritime Research Institute's Advisory Board; Participates on Institute's Finland Tour

During FY 2008, the SLSDC continued to serve as a member of the Advisory Board of the Great Lakes Maritime Research Institute (GLMRI). The GLMRI was established in 2004 as a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth and includes 10 affiliate universities around the Great Lakes region.

Its mission is to develop and improve economically and

environmentally sustainable maritime commerce on the Great Lakes through applied research. GLMRI research focus areas include: (1) expanding market opportunities for freight and passenger service on the Great Lakes marine transportation system; (2) analyzing and improving the environmental and economic benefits of waterborne transportation; (3) developing new vessel designs, shipbuilding and repair capabilities; and (4) improving port operations and the development of efficient intermodal systems to support waterborne commerce.

In addition to its work on the Advisory Board, SLSDC Deputy Administrator Craig H. Middlebrook participated on a September 2008 GLMRI-sponsored tour of Finland's maritime community to learn about advances in maritime operations in the Baltic region. Among the relevant topics discussed during the trip included managing and operating lock infrastructure in cold-weather environments, winter navigation, advances in ice breaking technology, emergency response in winter conditions, short sea shipping, and recent developments in vessel traffic control technology. ■



The Great Lakes delegation to Finland included (from left to right) Stacey Carlson, Research Assistant; Richard Stewart, Co-Director of the Great Lakes Maritime Research Institute; James Frost, Senior Consultant with Halifax-based CPCS Transcom; Adolph Ojard, Executive Director of the Duluth Seaway Port Authority; Craig Middlebrook, Deputy Administrator of the Saint Lawrence Seaway Development Corporation; and Dave Knight, Special Projects Manager for the Great Lakes Commission.

SLSDC FY 2008 Performance Measures and Results

Safety

Enhanced Seaway Inspections – “Inspect 100 percent of ocean vessels during their first Seaway inbound transit at Montreal, Quebec, outside of U.S. waters, each navigation season.” The goal was achieved during the 2007 season, with 229 vessel inspections conducted by SLSDC personnel. In 2008, through September 30, 157 vessel inspections had been completed.

Reliability

System Availability – “Ensure the reliability and availability of the U.S. portion of the Seaway, including the U.S. locks and related navigational facilities, during each navigation season.” The goal each year is 99 percent availability. For the 2007 season, the availability rate was 98.9 percent. System availability during the 2008 navigation season, through September 30, was 98.8 percent.

Lock Equipment Maintenance – “Minimize vessel delays due to lock equipment failure or malfunction.” The goal each year is zero hours of delay. In 2007, the goal was not met when the SLSDC recorded 5 hours,

1 minute of lock-related delays. Lock-related delays in 2008, through September 30, were 6 hours, 36 minutes.

Management Accountability

Administrative Expenses – “Reduce the administrative overhead expense ratio of total operating expenses, excluding depreciation and imputed expenses, to 25 percent or lower.” The administrative expense ratio goal was met in FY 2008 at 25 percent.

Financial Reserve – “Maintain/ increase the financial reserve account to ensure contingency funding for catastrophic emergencies and funding for critical

capital and extraordinary maintenance projects.” The goal each year is to maintain a minimum year-end balance of \$10 million. The financial reserve goal was met in FY 2008 with a year-end balance of \$11.4 million.

Audit Opinion – “Achieve an unqualified opinion (clean audit) in the independent examination of financial statements as well as no instances of non-compliance with laws and regulations or material weaknesses in internal control as they relate to financial reporting.” The goal was achieved as the Corporation received its 44th consecutive unqualified opinion of its financial statements for FY 2007 with no material weaknesses or reportable conditions in November 2007. ■

Left: A Seaway-sized unifeeder ship transporting containers to the port of Kotka. Below: Ryan Chatland, Vessel Traffic Controller, SLSDC, checks transit information.



2008 Season in Review

During the 2008 navigation season, more than 40.7 million metric tons (mmt) of commercial goods moved on the binational St. Lawrence Seaway, a reduction of 5 percent compared to the 2007 season. Total commercial vessel transits were also below 2007 levels by 4 percent (4,267 vs. 4,450). Significantly reduced U.S. steel imports for the second consecutive season was the primary factor behind the 2008 decrease. General cargo movements (1.9 mmt), which include finished iron and steel products, were down 18 percent compared to 2007.

As a result of lower steel imports, Seaway grain exports were also down significantly. Ships importing steel provide the means for exporting grain. Seaway grain movements in 2008 were down 27 percent in comparison to the 2007 season (10.4 mmt vs. 7.6 mmt). Although Canadian grain traded at 2007 levels, U.S. grain exports were down significantly resulting in a 64 percent decrease (4.4 mmt in 2007 vs. 1.6 mmt in 2008).

Other factors that contributed to 2008 Seaway traffic reductions included: lack of ocean vessel availability primarily due to higher profits located in other world markets; domestic demand for U.S. grain for use in ethanol production, which took away from export movements; depressed global economic

conditions; the drop in the valuation of the U.S. Dollar; and increased international steel prices.

With the waterway's opening on March 22 and the passage of the *Seneca* on December 29, the Montreal-Lake Ontario section of the Seaway recorded its third consecutive

283-day season. The SLSDC also reported system and lock availability for the U.S. portion of the St. Lawrence Seaway at 99.1 percent, meeting its annual target level of 99.0 percent.

2008 St. Lawrence Seaway Commodity and Transit Results

(Figures are estimates as of 1/24/09. Volume in Thousands of Metric Tons)

Commodities	2008	2007	Change	
			Tons Transit	Percent
Grain	7,569	10,406	-(2,837)	-(27%)
Iron Ore	11,893	11,909	-(16)	-
Coal	3,642	3,159	+483	+15%
Other Bulk	15,617	15,108	+509	+3%
General Cargo	1,963	2,405	-(442)	-(18%)
Containers	26	23	+3	+12%
Cargo Total	40,710	43,010	-(2,300)	-(5%)
Vessel Transit Total	4,267	4,450	-(183)	-(4%)

Project cargo was taken off the *Jumbo Spirit* and transferred to railcars. These two pieces went to a Suncor Energy oil sands extraction project in Alberta.



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, 2008 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, 2008, 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 2008 and prior years.



45 Wythe Street, Suite 200, New York, NY 10038 • Phone: (212) 693-2000 • Fax: (212) 693-2001 • www.ctb.com

Charles W. Chiangpou, CPA, CFE
Robert A. Besaw, CFE
Amy C. Besaw, CPA, CFE
Teresa L. Kershner, CPA
Donald F. Kershner, CPA
D. Scott Scharfman, CPA

INDEPENDENT AUDITORS' REPORT

To the Administrator of the
Saint Lawrence Seaway Development Corporation
Massena, New York

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, 2008, 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, 2007, were audited by other auditors, whose report dated October 26, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements." 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, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of Saint Lawrence Seaway Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 25, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Chiangpou Travis Besaw & Kershner LLP

October 27, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Administrator of the
Saint Lawrence Seaway Development Corporation
Massena, New York

We have audited the financial statements of Saint Lawrence Seaway Development Corporation (the "Corporation"), as of and for the year ended September 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

Internal Control over Financial Reporting

In planning and performing our audit, we considered Saint Lawrence Seaway Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We obtained an understanding of the design effectiveness of internal controls, determined whether they have been placed in operation, assessed control risk, and performed tests of the Corporation's internal controls. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. Our audit was not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses.

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, regulations, contracts and grant agreements, 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 tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 and its distribution is not limited.



October 27, 2008

Statements of Financial Position

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Cash		
Held by U.S. Treasury	\$ 7,175,073	\$ 5,255,198
Held in banks and on hand	94,221	192,585
Short-term time deposits in minority banks (Note 3)	8,907,000	9,982,000
Accounts receivable (Note 4)	107,550	115,467
Inventories (Note 2)	266,176	252,544
Other current assets (Note 4)	520	5,546
Total current assets	16,550,540	15,803,340
Long-Term Investments		
Long-term time deposits in minority banks (Note 3)	2,153,000	980,000
Plant, Property and Equipment		
Plant in service (Note 5)	162,251,652	161,445,778
Less: Accumulated depreciation	(89,777,012)	(87,756,608)
Net plant in service	72,474,640	73,689,170
Work in progress	706,651	889,332
	73,181,291	74,578,502
Other Assets		
Lock spare parts (Note 2)	830,533	824,039
Less: Accumulated depreciation	(232,529)	(231,972)
Net lock spare parts	598,004	592,067
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	7,440	7,440
	605,444	599,507
Deferred Charges		
Worker's compensation benefits (Note 2)	3,705,332	3,478,093
Total assets	\$ 96,195,607	\$ 95,439,442

See Notes to Financial Statements.

Statements of Financial Position

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

	2008	2007
Liabilities and Equity of the U.S. Government		
Current Liabilities		
Accounts payable	\$ 1,363,830	\$ 1,289,268
Accrued annual leave (Note 2)	873,759	831,487
Accrued payroll costs	552,023	456,332
Total current liabilities	2,789,612	2,577,087
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	3,705,332	3,478,093
Total liabilities	6,494,944	6,055,180
Equity of the U.S. Government		
Invested capital (Note 2)	88,219,438	89,616,989
Cumulative results of operations	1,481,225	(232,727)
	89,700,663	89,384,262
Total liabilities and equity of the U.S. Government	\$ 96,195,607	\$ 95,439,442

See Notes to Financial Statements.

Statements of Operations and Changes in Cumulative Results of Operations

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

	2008	2007
Operating Revenues		
Appropriations expended	\$ 16,409,761	\$ 15,230,844
Imputed financing (Note 9)	871,725	962,471
Other (Note 7)	711,800	898,688
Total operating revenues	17,993,286	17,092,003
Operating Expenses (Note 8)		
Locks and marine operations	3,586,684	3,379,982
Maintenance and engineering	3,926,014	4,535,924
General and development	4,418,095	4,100,821
Administrative expenses	3,986,946	4,069,145
Depreciation	2,379,790	2,439,830
Imputed expenses (Note 9)	871,725	962,471
Total operating expenses	19,169,254	19,488,173
Operating loss	(1,175,968)	(2,396,170)
Other Financing Sources		
Interest on deposits in minority banks	510,130	533,390
Transfer from invested capital for depreciation	2,379,790	2,439,830
Total other financing sources	2,889,920	2,973,220
Operating revenues and other financing sources over operating expenses	1,713,952	577,050
Beginning cumulative results of operations (deficit)	(232,727)	(809,777)
Ending cumulative results of operations (deficit)	\$ 1,481,225	\$ (232,727)

See Notes to Financial Statements.

Statements of Cash Flows

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Operating revenues and other financing sources over operating expenses	\$ 1,713,952	\$ 577,050
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by (used in) operating activities:		
Depreciation	2,379,790	2,439,830
Transfer from invested capital for depreciation	(2,379,790)	(2,439,830)
Net gain on property disposals	(37,827)	(285,168)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	7,917	(33,016)
(Increase) decrease in inventories	(13,632)	3,500
Decrease (increase) in other current assets	5,026	(3,365)
(Increase) in other assets	(6,494)	(83,792)
Increase (decrease) in accounts payable	74,562	(489,699)
Increase in accrued liabilities	137,963	32,802
Net cash provided by (used in) operating activities	1,881,467	(281,688)
Cash flows from investing activities:		
Proceeds from property disposals	38,044	333,100
Acquisition of plant, property and equipment	(982,239)	(992,316)
Net (increase) in time deposits	(98,000)	(198,000)
Net cash used in investing activities	(1,042,195)	(857,216)
Cash flows from financing activities:		
Appropriations for plant, property and equipment	982,239	992,316
Net increase (decrease) in cash	1,821,511	(146,588)
Cash at beginning of period	5,447,783	5,594,371
Cash at end of period	\$ 7,269,294	\$ 5,447,783

See Notes to Financial Statements.

Statement of Budgetary Resources and Actual Expenses (NOTE 12)

Saint Lawrence Seaway Development Corporation as of September 30, 2008

	Budget		
	Resources	Obligations	Expenses
Saint Lawrence Seaway Development Corporation Fund	\$ 32,856,547	\$ 18,217,904	\$ 19,169,254
Budget Reconciliation:			
Total expenses			19,169,254
Adjustments			
Add:			
Capital acquisitions			982,239
Deduct:			
Depreciation			(2,379,790)
Imputed expenses			(871,725)
Decrease in net plant in service, property disposals			(217)
Decrease in inventories			13,632
Increase in other assets			6,494
Less reimbursements:			
Trust funds			(17,392,000)
Revenues from non-federal sources			(1,221,930)
			<hr/>
Accrued expenditures			\$ (1,694,043)

See Notes to Financial Statements.

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

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2006	\$ 91,064,503	\$ -	\$ (809,777)
Appropriations expended	-	(15,230,844)	15,230,844
Fiscal Year 2007 appropriations	-	16,223,160	-
Other financing sources	-	-	2,394,549
Operating expenses, excluding depreciation and imputed expenses	-	-	(16,085,872)
Depreciation expense	-	-	(2,439,830)
Imputed expenses	-	-	(962,471)
Transfer from invested capital for depreciation	(2,439,830)	-	2,439,830
Capital expenditures	992,316	(992,316)	-
Balance, September 30, 2007	89,616,989	-	(232,727)
Appropriations expended	-	(16,409,761)	16,409,761
Fiscal Year 2008 appropriations	-	17,392,000	-
Other financing sources	-	-	2,093,655
Operating expenses, excluding depreciation and imputed expenses	-	-	(15,917,739)
Depreciation expense	-	-	(2,379,790)
Imputed expenses	-	-	(871,725)
Transfer from invested capital for depreciation	(2,379,790)	-	2,379,790
Capital expenditures	982,239	(982,239)	-
Balance, September 30, 2008	<u>\$ 88,219,438</u>	<u>\$ -</u>	<u>\$ 1,481,225</u>

See Notes to Financial Statements.

Notes to Financial Statements

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

NOTE 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

NOTE 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, 2008. 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 remaining balance of lock spare parts, totaling \$582,724 at September 30, 2008, 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 U.S. 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 (FY) 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.

Notes to Financial Statements

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

NOTE 2. (continued)

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 FY 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 \$18,997,000 for FY 2008, \$17,392,000 from the Fund (Public Law 110-161), \$705,000 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 \$18,217,904 for FY 2008. The Corporation's unobligated balance at September 30, 2008 totaled \$14.6 million including \$3.2 million unused borrowing authority. For FY 2009, the Corporation is operating on a Continuing Resolution based on the FY 2008 level of \$17,392,000. In addition, authority to obligate \$900,000 of non-federal revenues has been apportioned by OMB for FY 2009.

Statements 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.

NOTE 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.

NOTE 4. Accounts Receivable and Other Current Assets

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables and other current assets as of September 30, 2008 and 2007 are as follows:

	2008	2007
Other	\$ 49,335	\$ 48,945
Due from concession contracts	38,320	39,107
Interest on deposits in minority banks	20,415	32,961
Total	<u>\$108,070</u>	<u>\$ 121,013</u>

Notes to Financial Statements

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

NOTE 5. Plant in Service

Plant in service as of September 30, 2008 and 2007 as follows:

Plant in Service	Estimated Life (Years)	2008		2007	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	\$ 77,709,718	\$ 42,597,663	\$ 77,507,366	\$ 41,491,060
Channels and canals	95	36,870,221	17,166,035	36,870,221	16,778,898
Buildings, grounds and utilities	50	15,506,027	6,535,131	14,936,558	6,229,911
Permanent operating equipment	5 - 40	12,279,407	8,906,126	12,359,436	8,893,701
Roads and bridges	50	9,548,428	8,689,652	9,417,700	8,498,683
Land rights & relocations	95	5,639,064	2,649,538	5,639,064	2,590,328
Navigation aids	10 - 40	2,913,052	2,550,034	2,929,698	2,509,562
Public use facilities	50	918,409	682,833	918,409	664,465
Lands in fee	N/A	867,326	-	867,326	-
Total plant in service		\$162,251,652	\$ 89,777,012	\$ 161,445,778	\$ 87,756,608

Plant in service includes costs of certain features of the Seaway International Bridge Corporation, Ltd. (SIBC), 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.

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

The Corporation owns, on behalf of the U.S. Government, 50 percent 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.

Notes to Financial Statements

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

NOTE 7. Other Revenues

Other revenues for the years ended September 30, 2008 and 2007 consist of the following:

	2008	2007
Concession operations	\$ 425,616	\$ 369,442
Miscellaneous (net)	127,647	352,681
Pleasure craft/non-commercial tolls	95,738	112,572
Rental of administration building	34,686	63,506
Shippers' payments for damages to locks	28,113	487
Total	<u>\$ 711,800</u>	<u>\$ 898,688</u>

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.

NOTE 8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2008 and 2007 are as follows:

	2008	2007
Personnel services and benefits	\$ 12,606,903	\$ 12,245,565
Contractual services	1,613,769	2,206,875
Supplies and materials	911,331	719,729
Rental, communications and utilities	437,190	597,159
Travel and transportation	191,464	150,296
Equipment not capitalized	132,259	124,789
Printing and reproduction	24,823	41,459
Subtotal	<u>15,917,739</u>	<u>16,085,872</u>
Depreciation expense	2,379,790	2,439,830
Imputed expenses	871,725	962,471
Total operating expenses	<u>\$ 19,169,254</u>	<u>\$ 19,488,173</u>

Notes to Financial Statements

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

NOTE 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.

The Corporation paid contributions to the retirement plans and Social Security for the years ended September 30, 2008 and 2007 as follows:

	2008	2007
Federal Employees Retirement System:		
Automatic contributions	\$ 833,288	\$ 781,150
Matching contributions	230,201	211,870
Social Security	449,631	422,628
Civil Service Retirement System	157,996	172,080
Total	<u>\$1,671,116</u>	<u>\$ 1,587,728</u>

Effective with FY 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, they offset each other with no impact upon the Corporation's net position. The imputed financing and offsetting imputed expense amounts for the years ended September 30, 2008 and 2007 were \$871,725 and \$962,471, respectively.

Notes to Financial Statements

Saint Lawrence Seaway Development Corporation as of September 30, 2008 and 2007

NOTE 10. Related Party Transactions

The Corporation receives rental payments for office space at its administration building in Massena, New York. For the year ended September 30, 2008, revenue totaled \$32,910 for space provided to the U.S. Coast Guard and the Internal Revenue Service. For the year ended September 30, 2007, revenue total \$60,040 for space provided to the U.S. Coast Guard, the Internal Revenue Service and the U.S. Citizenship and Immigration Services. The lease for the U.S. Citizenship and Immigration Services ended in August 2007 and was not renewed.

The Corporation made rental payments to the General Services Administration for our Washington, D.C. office totaling \$262,952 and \$259,348 for fiscal years 2008 and 2007, 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 2008 and FY 2007 were as follows:

	2008	2007
Office of the Secretary of Transportation	\$ 68,386	\$ 67,698
Federal Highway Administration	19,297	21,138
General Services Administration	6,660	5,799
Federal Aviation Administration	4,532	4,000
U.S. Census Bureau	1,459	1,459
Office of Personnel Management	776	-
Federal Occupational Health	364	364
Department of Interior	273	278
Environmental Protection Agency	74	86
National Science Foundation	28	12
Department of Energy	21	30,019
Pipeline and Hazardous Materials Safety Administration	-	100
Volpe National Transportation System Center	-	25,000
Total	<u>\$ 101,870</u>	<u>\$ 155,953</u>

Accounts payable at September 30, 2008 and 2007 include \$1,073,219 and \$1,105,520 respectively, of amounts payable to the U.S. Government.

In fiscal years 2008 and 2007, the Corporation accrued costs of \$105,601 and \$95,560, respectively, to the Canadian St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

NOTE 11. Contingencies and Commitments

As of September 30, 2008, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2008 and 2007 there were undelivered orders and contracts amounting to \$4,209,108 and \$2,944,334, respectively.

The Corporation leases office space in Washington, D.C. from the General Services Administration. The current lease term is on a fiscal year basis. The Corporation also provides office space to several agencies under various lease agreements. The leases agreements are cancelable.

NOTE 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 \$32,856,547 consist of the Corporation's unobligated balance of \$14,209,374 brought forward from October 1, 2007, and reimbursements earned of \$18,613,930 and recoveries of prior year's obligations of \$33,243 during FY 2008.

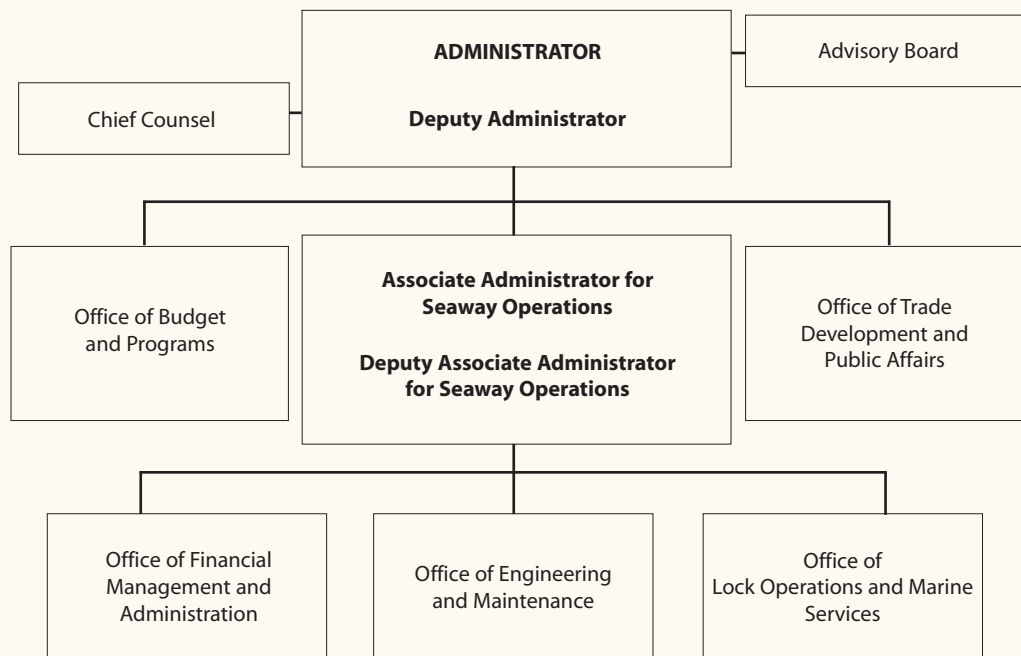
Advisory Board and Organizational Chart



SLSDC has a statutorily mandated five-member Advisory Board which reviews the general policies of the SLSDC and advises the Administrator with respect to these policies. The members of the Advisory Board are appointed by the President with the advice and consent of the U.S. Senate.

Scott K. Walker, Chairman	Milwaukee, Wis.
Jack E. McGregor	Bridgeport, Conn.
George Milidrag	Troy, Mich.
Charles "Trip" Dorkey III	New York, N.Y.
William Wilson	Saint Paul, Minn.

Saint Lawrence Seaway Development Corporation
Organizational Chart



Contacts

Washington, D.C. Office

Administrator	(202) 366-0091
Deputy Administrator	(202) 366-0105
Chief of Staff	(202) 366-0107
Chief Counsel	(202) 366-0091
Trade Development and Public Affairs	(202) 366-5418
Budget and Programs	(202) 366-8982
Congressional Affairs	(202) 366-6114

Massena, N.Y. Office

Associate Administrator	(315) 764-3209
Deputy Associate Administrator	(315) 764-3211
Chief Financial Officer	(315) 764-3275
Financial Management and Administration	(315) 764-3230
Engineering and Maintenance	(315) 764-3251
Lock Operations and Marine Services	(315) 764-3294
Lock Operations (after hours)	(315) 764-3292

Facsimile Numbers

Washington, D.C. Office	(202) 366-7147
Administration Building (Massena, N.Y.)	(315) 764-3235
Maintenance Building (Massena, N.Y.)	(315) 764-3258
Eisenhower Lock (Massena, N.Y.)	(315) 764-3250
Operations and Maintenance (Massena, N.Y.)	(315) 764-3242

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FISCAL YEAR 2008 ANNUAL REPORT

