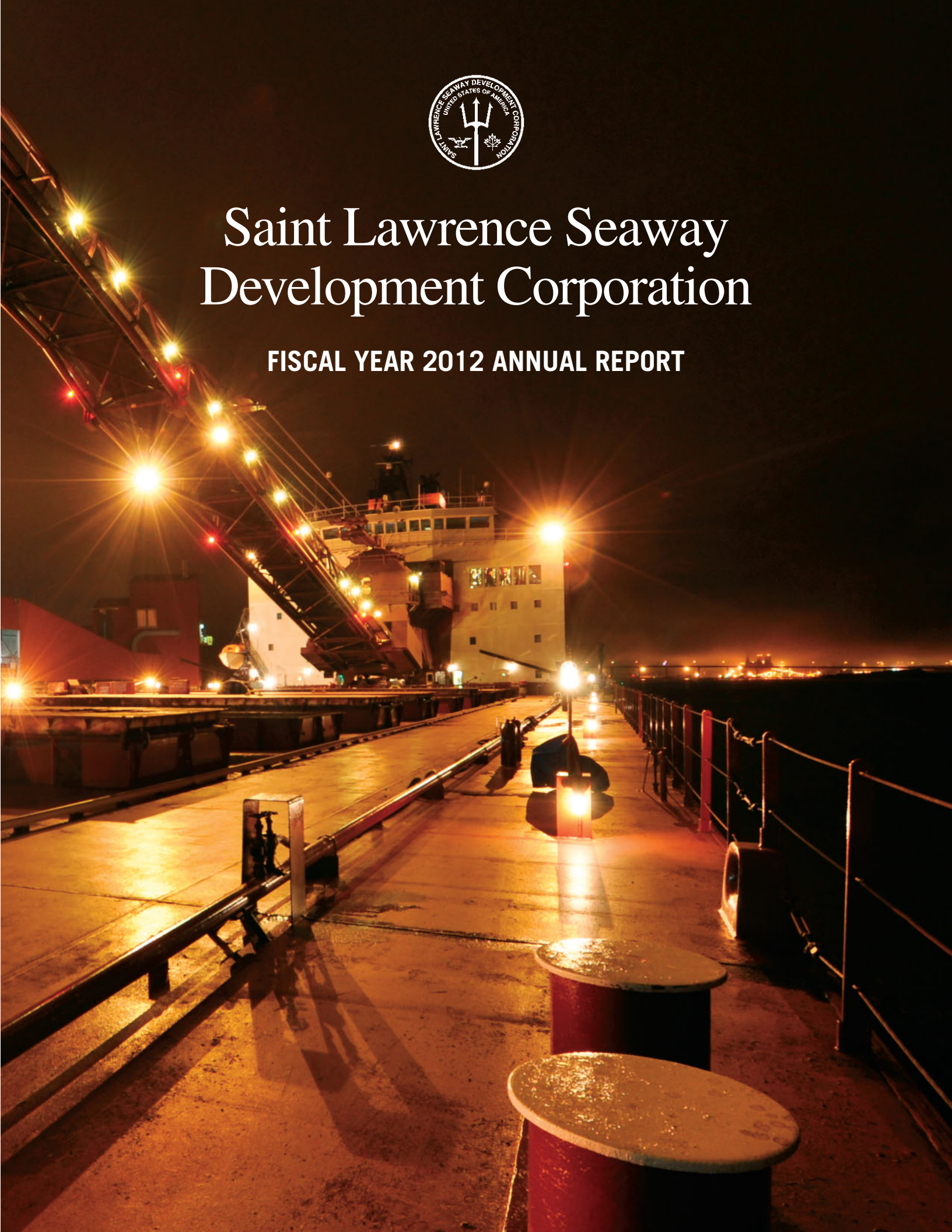




# Saint Lawrence Seaway Development Corporation

**FISCAL YEAR 2012 ANNUAL REPORT**



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### 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 (DOT), 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. Maritime commerce on the Great Lakes Seaway System annually sustains more than 225,000 U.S. and Canadian jobs, \$14.1 billion in personal income, \$33.6 billion in transportation-related business revenue, \$6.4 billion in local purchases, and \$4.6 billion in federal, state, provincial, and local taxes. The binational waterway also provides approximately \$3.6 billion in annual transportation cost savings compared to competing rail and highway routes.

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, operation 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 SLSDC operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development activities focused on economic development for the Great Lakes St. Lawrence Seaway System. Its mission is to serve the marine transportation industry by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway, in cooperation with the Canadian SLSMC.

### Vision Statement

The SLSDC 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.



### Saint Lawrence Seaway Development Corporation

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**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation  
Office of Inspector General

# Memorandum

Subject: **INFORMATION:** Quality Control Review of  
Audited Financial Statements for  
Fiscal Years 2012 and 2011, Saint Lawrence  
Seaway Development Corporation  
Report Number: QC-2013-008

Date: November 2, 2012

From: Louis C. King   
Assistant Inspector General for Financial and  
Information Technology Audits

Reply to  
Attn. of: JA-20

To: Saint Lawrence Seaway Development  
Corporation Administrator

I respectfully submit our report on the quality control review (QCR) of the Saint Lawrence Seaway Development Corporation's (SLSDC) audited financial statements for fiscal years 2012 and 2011.

The audit of SLSDC's financial statements as of and for the years ended September 30, 2012, and September 30, 2011, was completed by Chiampou Travis Besaw & Kershner LLP, of Amherst, New York (see Attachment), under contract to SLSDC. The contract required the audit to be performed in accordance with generally accepted Government auditing standards and Office of Management and Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.

Chiampou Travis Besaw & Kershner LLP concluded that the financial statements present fairly, in all material respects, the financial position of SLSDC as of September 30, 2012, and September 30, 2011, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. The report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested.

We performed a QCR of Chiampou Travis Besaw & Kershner LLP's report and related documentation. Our QCR, as differentiated from an audit performed in

accordance with generally accepted Government auditing standards, was not intended for us to express, and we do not express, an opinion on SLSDC's financial statements or conclusions about the effectiveness of internal controls or compliance with laws and regulations. Chiampou Travis Besaw & Kershner LLP is responsible for its report dated October 12, 2012, and the conclusions expressed in that report. However, our QCR disclosed no instances in which Chiampou Travis Besaw & Kershner LLP did not comply, in all material respects, with generally accepted Government auditing standards. Because Chiampou Travis Besaw & Kershner LLP did not make any recommendations, a response to this report is not required.

We appreciate the cooperation and assistance of representatives of SLSDC and Chiampou Travis Besaw & Kershner LLP. If we can answer any questions or be of any further assistance, please call me at (202) 366-1407, or George Banks, Project Manager, at (410) 962-0186.

Attachment

#



# From the Acting Administrator



In accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards, I am pleased to present the annual management report and financial audit of the Saint Lawrence Seaway Development Corporation (SLSDC) for the fiscal year (FY) ending September 30, 2012.

The first section of the report was prepared by the SLSDC to provide information on the agency, its mission, and the success of its performance measures. The second section consists of FY 2012 audited financial statements with associated notes and the reports of Chiampou Travis Besaw & Kershner, LLP.

FY 2012 marked another successful year for SLSDC operations as vital safety, reliability, and management accountability performance measures were met. In addition, the SLSDC completed the fourth year of its Asset Renewal Program (ARP), which was developed to modernize the U.S. Seaway infrastructure, including the two U.S. Seaway locks in Massena, N.Y. Finally, 2012 saw increased commercial traffic growth through the St. Lawrence Seaway and significant investments by ports and carriers throughout the Great Lakes Seaway System.

There are several noteworthy agency accomplishments to highlight:

**Draft Information System (DIS) Technology** In July 2012, the SLSDC and Canadian St. Lawrence Seaway Management Corporation, introduced the latest technological innovation for Seaway commercial users – the Draft Information System (DIS). This new technology enhances safety and increases cargo-carrying efficiency on the St. Lawrence Seaway by up to three additional inches of sailing draft by providing mariners with real-time information on current and projected distances between a vessel's keel and river bottom. The St. Lawrence Seaway is the first inland waterway in the world to implement DIS technology into its operations and vessels equipped with this new technology carried nearly 400 metric tons of additional cargo on each transit.

**SLSDC Asset Renewal Program** Several major infrastructure projects were completed in FY 2012 including upstream miter gate rehabilitation at Snell Locks, structural rehabilitation of the Seaway International Bridge, modernization of the emergency vertical lift gate at Eisenhower Lock, and the purchase of important equipment to help revitalize our infrastructure. During FY 2012, the SLSDC obligated \$15.8 million on 32 ARP projects.

**Great Lakes/Seaway Ballast Water Collaborative** More than 70 representatives from the shipping industry, ballast water treatment technology industry, state and federal governments,

and academia attended the two-day meeting of the Great Lakes St. Lawrence Seaway Ballast Water Collaborative that was held on August 2-3, 2012, in Duluth, Minn. This was the sixth meeting of the Collaborative, which came together in 2009 to facilitate the exchange of information and cultivate relationships among academia, scientists, the shipping industry, policymakers, and other stakeholders.

**Great Lakes/Seaway Ballast Water Working Group** The 2011 *Summary of Great Lakes Seaway Ballast Water Working Group (BWWG)* report was released in February 2012 examining the U.S./Canada Great Lakes Seaway System ballast water ship inspection program. The BWWG consists of the SLSDC, SLSMC, U.S. Coast Guard and Transport Canada. The report found that 100 percent of all ocean-going ships bound for Seaway System ports from outside U.S. or Canadian waters in 2011 received a ballast tank exam.

**European Seaway Trade Mission** The Seaway led a Great Lakes/Seaway delegation of 14 U.S. and Canadian stakeholders on a trade mission to Antwerp and Ghent, Belgium in June. The mission provided the delegation with the opportunity to participate in the Journal of Commerce's annual Breakbulk Europe Conference attended by nearly 4,000 officials, educate new contacts about the advantages the Seaway System provides for getting cargo into the heartland of North America, and learn from industry experts about the European Union's future plans for bioenergy and coal.

**SLSDC Facebook Page** The SLSDC was excited to launch its Facebook page ([www.facebook.com/usdotslsc](http://www.facebook.com/usdotslsc)) in May 2012, and looks forward to continuing to share important information, offer Seaway-related content, and interact with Seaway stakeholders through with this new information portal.

To learn more about the latest Seaway developments, programs, and activities, please visit our binational website at [www.greatlakes-seaway.com](http://www.greatlakes-seaway.com). We look forward to continuing our efforts to provide the commercial shipping industry with a safe, efficient, competitive, and environmentally-friendly commercial waterway.

Craig H. Middlebrook  
Acting Administrator



## SELECTED FINANCIAL INDICATORS\*

(in thousands of dollars)

For the Fiscal Years Ended September 30	2012	2011	Change	
			\$	%
<b>Operating Revenues</b>	<b>24,350</b>	<b>21,303</b>	<b>3,047</b>	<b>14</b>
Appropriations expended	23,490	20,542	2,947	14
Other	860	760	100	13
<b>Operating Expenses</b>	<b>17,842</b>	<b>26,356</b>	<b>(8,515)</b>	<b>(32)</b>
Personnel services and benefits	12,635	13,118	(483)	(4)
Other	5,207	13,239	(8,032)	(61)
<b>Imputed Financing and Expenses</b>				
Imputed financing	899	1,016	(117)	(12)
Imputed expenses	899	1,016	(117)	(12)
<b>Total Assets</b>	<b>135,955</b>	<b>125,299</b>	<b>10,656</b>	<b>9</b>
<b>Time Deposits in Minority Banks</b>	<b>10,248</b>	<b>10,714</b>	<b>(466)</b>	<b>(4)</b>
Short-term	8,212	8,878	(666)	(8)
Long-term	2,036	1,836	200	11
<b>Interest Income from Minority Banks</b>	<b>118</b>	<b>162</b>	<b>(44)</b>	<b>(27)</b>

\*Rounding may affect the addition of rows and columns in the table.

# Financial Highlights for Fiscal Year 2012

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 investments 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. With the enactment of the Water Resources Development Act of 1986, P.L. 99-662, which created the Harbor Maintenance Trust Fund (HMTF), the SLSDC became an appropriated agency. Although the U.S. portion of Seaway tolls was still collected, the Act required the U.S. Treasury to rebate the U.S. toll collections to users. 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.

## Operating Revenues

Operating revenues, excluding imputed financing, totaled \$24.3 million in Fiscal Year (FY) 2012, a \$3 million increase. Appropriations expended, representing the amount of the HMTF expended for operating purposes, increased \$2.9 million while other revenues increased \$100,000.

## Operating Expenses

Overall operating expenses of \$17.8 million, excluding depreciation and imputed expenses, decreased by \$8.5 million. Personnel services and benefits decreased \$500,000 while other

costs decreased \$8 million. Personnel services and benefits represented 71 percent of the Corporation's operating expenses in FY 2012.

Other costs of \$5.2 million included \$4 million for other contractual services; \$659,000 for supplies and materials; \$221,000 for travel and transportation of persons and things; \$217,000 for rent, communications, and utilities; and \$120,000 for equipment not capitalized.

The Corporation employed 128 people as of September 30, 2012, including no temporary employees.

## Imputed Financing and 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 \$136 million. Plant, property, and equipment are valued at \$91 million.

## Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling \$10.2 million at year-end. A decrease in short-term deposits of \$666,000 was partially offset by an increase in long-term deposits of \$200,000. Fewer funds invested, due to fewer banks participating in the program, and lower interest rates led to a 27 percent decrease in interest on deposits in minority banks. The interest income is an important financing source for the Corporation.





## Unobligated Balance

The Corporation had an unobligated balance on September 30, 2012 of \$16 million, comprised of \$3.2 million of unused borrowing authority and \$12.8 million in financial reserves. 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 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).

## Agency Operations

Other-than-personnel expenditures for Agency Operations totaled \$3.3 million. Specific operating expenditures for Agency Operations included \$524,000 for special operating projects; \$387,000 for general operating expenses; \$153,000 for lock inspection and maintenance; \$135,000 for building maintenance, and \$128,000 for equipment, vehicle, and vessel maintenance.

## SLSDC's Asset Renewal Program

As part of its FY 2009 budget request to Congress, the SLSDC developed an Asset Renewal Program (ARP) to address the long-term asset renewal needs of the U.S. Seaway infrastructure. A perpetual infrastructure asset, such as a lock, requires a capital investment equivalent to its original cost over its design life, which is typically 50 years, in order to sustain itself. The U.S. portion of the St. Lawrence Seaway was built in the late 1950s at an original cost of \$130 million. Prior to the start of the ARP in FY 2009, only \$47 million in capital expenditures had been invested in the U.S. Seaway locks since they opened in 1959.

The 58 projects included in the current ARP are estimated at \$181 million and address various needs for the two U.S. Seaway locks, the Seaway International Bridge connecting Ontario and New York, maintenance dredging, operational systems, and Corporation facilities and equipment. None of these investments will result in increases to the authorized depth or width of the

navigation channel or to the size of the two existing U.S. locks.

In FY 2012, the SLSDC obligated \$15.8 million in other-than-personnel, including accrued expenditures and undelivered orders, for Year Four ARP projects. ARP other-than-personnel accrued expenditures, not including undelivered orders, totaled \$10 million and primarily includes expenditures of \$2.4 million for culvert valve machinery, \$2 million for the upstream miter gate rehabilitation at Snell Lock, \$1.4 million for floating plant upgrades, \$1 million for the Seaway International Bridge rehabilitation, \$834,000 for maintenance dredging, \$553,000 for downstream miter gate rehabilitation, \$347,000 for the spare gate storage and assembly area rehabilitation at Snug Harbor, \$282,000 to make final repairs and adjustments to the vertical lift gate at Eisenhower Lock, \$184,000 for replacement of the underground storage tank at the Maintenance Building with aboveground tank, \$182,000 for the replacement of double-skin culvert valves with single-skin valves, and \$140,000 for installation of a new ice flushing system at Snell Lock.

**ARP Project No. 4: Both Locks – Culvert Valve Machinery – Upgrade to Hydraulic Operation** – Hohl Industrial Services completed work to upgrade the north side valve operating machinery at both Eisenhower and Snell Locks to hydraulic operation. Upon completion of the work it was determined that due to an error in the design, which was completed by a third party, the new machinery would not open the valves to the full open position. The problem was investigated, a solution was found, and Hohl Industrial completed work to correct this problem for the north filling valve at Eisenhower Lock. Hohl Industrial has also commenced fabrication of components for the 2013 winter upgrade of the south side valve operating machinery at both locks.

**ARP Project No. 31: Both Locks – Rehabilitate Upstream Miter Gates** – Kubricky Construction completed work for rehabilitating the upstream miter gate at Snell Lock which included replacing miter and quoin contact blocks, diagonals, gate anchorage assemblies, pintles, bushings, and rubber gate seals. C&S Engineers inspected the work to ensure specification conformance. The Chesapeake Machine Company fabricated parts for the miter gate rehabilitation work.



**ARP Project No. 12:** *Corporation Equipment – Upgrade / Replace Floating Plant* – Continental Construction began work to upgrade multiple systems on the SLSDC’s “Grasse River” gatelifter. This work included replacing the mooring winches, ballast valves with actuators, pumps, and an air compressor; upgrading the sanitary system; and improving the below-deck access and egress. Marine Systems Corporation completed work to design and prepare specifications, drawings, and cost estimates for upgrades to the SLSDC’s buoy barge.

**ARP Project No. 6:** *Seaway International Bridge – Perform Structural Rehabilitation and Corrosion Prevention* – Abhe and Svoboda continued to blast clean and paint the south span of the Seaway International Bridge and LiRo Engineers continued to monitor the work to ensure specification conformance. The contractor completed blast cleaning and painting the north tower and Canadian side span and commenced work on the Canadian viaduct, which will complete the work on the south span. The work on the Canadian viaduct is being funded by Seaway International Bridge Corporation toll revenues and not through the SLSDC’s ARP.

**ARP Project No. 17:** *Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments* – White Lake Dock and Dredge continued to dredge river bottom sediments from the navigation channel at the International Tangent and in the Intermediate Pool between Eisenhower and Snell Locks to ensure that vessels can pass safely at the Seaway-specified maximum draft. Parsons Brinckerhoff continued to monitor the work to ensure specification conformance.

**ARP Project No. 2:** *Both Locks – Rehabilitate Downstream Miter Gates* – The Chesapeake Machine Company fabricated parts for the rehabilitation work on the down-stream miter gates at both Eisenhower and Snell Locks.

**ARP Project No. 32:** *Snug Harbor – Rehabilitate Spare Gate Storage and Assembly Area* – Tioga Construction completed work to repair a failed section of sheetpile retaining wall along the north side of the spare gate storage and assembly area.

**ARP Project No. 18:** *Eisenhower Lock – Vertical Lift Gate – Replace Wire Ropes* – B-S Industrial worked with SLSDC Maintenance personnel to make final repairs and adjustments to the emergency vertical lift gate that could not be completed before Eisenhower Lock had to open for the 2012 navigation season.

**ARP Project No. 55:** *Underground Storage Tank at Maintenance Building – Replace with Aboveground* – T.R. Weniger completed removal of existing underground unleaded gasoline and diesel fuel storage tanks and construction of a fueling station with aboveground unleaded gasoline and diesel fuel storage tanks with dispensers in a building at the Corporation’s maintenance facility.

**ARP Project No. 7:** *Both Locks – Culvert Valves – Replace with Single-Skin Valves* – Corporation personnel installed one single-skin culvert valve with strut/stem to replace the original double-skin filling valve at the south side of Snell Lock during the winter of 2011. The U.S. Army Corps of Engineers is performing physical modeling of the new single-skin valve design to determine how best to resolve issues with that design before installing the second single-skin valve, that has already been purchased but not installed, or before ordering any additional valves.

**ARP Project No. 41:** *Snell Lock – Install Ice Flushing System Technologies* – Parsons Brinckerhoff completed the final designs, specifications, drawings, and cost estimates for the installation of an ice flushing system at Snell Lock.

### Significant Future Costs and Anticipated FY 2013 Accomplishments

Included in the SLSDC’s FY 2013 budget request to Congress was a five-year ARP Capital Investment Plan. For the FY 2013–2017 time frame, the Seaway ARP includes 39 projects estimated at \$94.8 million, 23 of which are multi-year projects, with total funding for each year of the plan constrained to funding targets for those years as estimated and approved by the Office of Management and Budget (OMB).



LEFT: The M/V H. Lee White, American Steamship Company, transited through the U.S. locks several times in the 2012 navigation season.



*RIGHT: Preparing for installation of a new single skin culvert valve at the upstream south side of Snell Lock.*

The Corporation's FY 2013 budget request included 28 Year-Five ARP projects totaling \$16 million. Some of the major projects include:

**ARP Project No. 41:** *Snell Lock – Install Ice Flushing System Technologies (Capital Project) (\$3,000,000)* – This multi-year project will result in the installation of an ice flushing system at Snell Lock similar to the one already in operation at Eisenhower Lock. The project is critical to the safe and efficient operation of Snell Lock during the waterway's opening and closing periods when ice is present. With today's larger ships transiting the Seaway, the lock must be flushed almost completely free of ice before a vessel can be allowed to enter the locks because of the limited space between the vessels and the lock walls. Currently, ice is flushed from the Snell Lock chamber by utilizing the lock filling valves, exposing them to very high water flow/velocity for long periods of time. This causes the valves to vibrate and, in some instances, incur damage.

**ARP Project No. 43:** *Both Locks – Miter Gate Machinery – Upgrade / Replace (Capital Project) (\$2,600,000)* – This project is for replacing the operating machinery for the miter gates at both locks. This machinery is more than 50 years old and needs to be upgraded to ensure its continued reliability. The upgrade will include new hydraulic operating equipment to match the improvements made at the Canadian Seaway locks at the Welland Canal and at other locks in the United States.

**ARP Project No. 29:** *Eisenhower Lock – Walls, Sills, and Culverts – Rehabilitate Concrete (Capital Project) (\$2,000,000)* – This project is to replace deteriorated/damaged concrete at Eisenhower Lock. This includes concrete that was of poor quality when placed during original construction and concrete that has been damaged by freeze-thaw cycles and by vessel impacts. This project includes resurfacing the mass concrete that forms the locks walls as well as filling and emptying culverts and the gate sills by replacing concrete to depths ranging between approximately 8 inches and 24 inches.

**ARP Project No. 14:** *Corporation Facilities – Replace Paving and Drainage Infrastructure (Capital Project) (\$900,000)* – This

project is for improving the pavement and drainage along lock approach walls as well as the roadways, public parking, and work areas at all Corporation facilities. In Upstate New York, the damage to pavements caused by winter conditions is significant. If repairs are not made before the damage is too severe, complete replacement of the pavement, down to and often including the base materials, is required at a much higher cost.

**ARP Project No. 42:** *Both Locks – Miter Gates – Structural Rehabilitation (Capital Project) (\$765,000)* – This project is to blast clean and paint the miter gates at both locks to prevent further corrosion of these structures. They were last cleaned and painted 30 years ago.

**ARP Project No. 15:** *Eisenhower Lock Highway Tunnel – Rehabilitate (Capital Project and Non-Capital Maintenance Project) (\$750,000)* – This is an ongoing project to maintain the highway tunnel which goes through the upper sill area of Eisenhower Lock, providing the only access to the north sides of both Eisenhower and Snell Locks, to the New York Power Authority's Robert Moses Power Project and to the New York State Park on Barnhart Island. This project includes grouting to limit the water leaking into the tunnel, upgrading the tunnel lighting, replacing damaged and missing tiles from the walls and ceiling, replacing deteriorated and damaged gratings and railings, stabilizing and repairing wingwalls at the tunnel approaches and clearing tunnel drains which are becoming plugged with concrete leachate products. Due to the fact that this tunnel is the only means of access to the facilities noted above, any problems that would make it necessary to close the tunnel for repair would have very significant impacts.

**ARP Project No. 26:** *Corporation Facilities – Upgrade Storage for Lock Spare Parts (Capital Project) (\$750,000)* – This project is for constructing shelters and buildings for storage of lock spare parts and equipment to prevent them from corroding. Many of these items are currently not stored under cover and/or are stored in old storage sheds that are in need of repair or replacement.



# Operational Initiatives

## Seaway Agencies Make Available Draft Information System Vessel Safety Technology

In July 2012, the SLSDC and Canadian SLSMC jointly introduced the availability of a new technology to enhance safety and increase cargo-carrying efficiency on the St. Lawrence Seaway by providing mariners with real-time information on current and projected distances between a vessel's keel and river bottoms. Known as the Draft Information System (DIS), the new onboard technology will reduce the potential for groundings and allow ships to carry more cargo by better taking advantage of the available water levels. The Seaway is the first inland waterway in the world to implement this technology.

The SLSDC and SLSMC have always required a minimum safety margin between the ship's keel and river bottom (under-keel clearance) that vessels must maintain while transiting the waterway. The DIS technology provides a more precise way of measuring that clearance by giving mariners real-time operational and navigational information while the vessel is in transit. The DIS provides vessel operators with accurate data on river bottom contours and water levels along with the vessel's speed and heading. As a result, mariners will have a greater ability to implement effective course changes or other required reactions in transit.

Over the past several years, the two Seaway agencies, as well as Seaway carriers and technology vendors, worked together to plan, test, and implement DIS technology on the St. Lawrence Seaway. For three seasons, the SLSDC and SLSMC conducted a pilot program to allow fully-loaded vessels with DIS technology onboard to sail the Montreal-Lake Ontario section of the Seaway at 26 feet, 9 inches, or three inches above the maximum allowable draft.

Although use of the DIS is currently an optional requirement for transiting the St. Lawrence Seaway, ships equipped with the new technology can travel the binational waterway more safely, with more cargo. Depending on the commodity carried

and the size of the vessel, an additional three inches of draft could mean transporting as much as 360 additional metric tons per voyage. In July and August 2012, 12 vessels safely completed 29 transits through the Seaway using the DIS technology.

## SLSDC Maintains 100 Percent Inspections of Foreign Vessels Entering the St. Lawrence Seaway

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. The inspection focuses on safety and environmental protection issues and occurs in Montreal, Quebec, before the vessel enters the Seaway and U.S. waters. In March 1997 the SLSDC and the U.S. Coast Guard (USCG) signed a Memorandum of Understanding (MOU) to develop the program of coordinated vessel inspection and associated enforcement activities to expedite the safe transit of shipping through the Great Lakes St. Lawrence Seaway System. This MOU was developed in conjunction with the Canadian SLSMC and Transport Canada and continues to guide Seaway maritime policies and procedures.

ESI inspections are jointly performed by the SLSDC and the SLSMC marine inspectors and cover both Seaway-specific fittings as well as port state control items identified by the USCG and Transport Canada as critical for the vessel to transit the Seaway/Great Lakes. In the event major deficiencies are identified, Transport Canada and the USCG are notified and the vessel is detained in Montreal until the deficiencies are cleared.

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





*ABOVE: M/V Baie St. Paul makes her maiden voyage on the Great Lakes Seaway System.*

The SLSDC's goal for performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2011 navigation season, with 231 inspections conducted by SLSDC personnel. As of September 30, 176 vessel inspections had been completed in 2012.

### **SLSDC Continues Role on Great Lakes Regional Waterways Management Forum**

In FY 2012, 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 across multiple jurisdictional zones and/or those involving international issues and is further tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes.

### **SLSDC Hosts Annual Emergency Exercise; Updates Emergency Response Plan**

The SLSDC sustains an Emergency Response Plan that enhances the Corporation's ability to respond to any vessel incident. The SLSDC works closely with local, state, and federal agencies to prepare for a quick and safe response to mitigate the impact of an accident or oil spill on the local environment and on Seaway trade and commerce. Annual training and drills are practiced to ensure that resources are adequate for an effective response. Most training and drills are multi-agency led and attended by local response agencies and environmental groups.

The SLSDC conducted a boom deployment exercise on October 11, 2011 with representatives of the St. Regis Mohawk Tribe. In addition, the SLSDC conducted a thorough review of its Emergency Response Plan resulting in a complete update of the document to make it more user friendly. Distribution of the updated plan was completed in April 2012.

*BELOW: The annual emergency response exercise was held at the Seaway Maintenance Facility in Massena, N.Y. with a boom deployment training exercise held at Snell Lock. The exercise was a joint effort between the United States Coast Guard, the SLSDC, the St. Regis Mohawk Tribe, and the Mohawk Council of Akwesasne.*



# Environmental Initiatives

## Federal Report Highlights Continued Effectiveness of the Great Lakes Seaway System Ballast Water Inspection Program

In FY 2012, a U.S. government report showed the continued effectiveness of the current Great Lakes Seaway ballast water management regime during the 2011 navigation season. This was evident in both the number of ballast tank inspections of oceangoing commercial ships entering the Great Lakes St. Lawrence Seaway System from outside U.S. or Canadian waters, as well as the extent of compliance with ballast water management requirements.

The *2011 Summary of Great Lakes Seaway Ballast Water Working Group* released by the USCG examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. The report found that 100 percent of all ocean-going ships bound for the Seaway System ports from outside U.S. or Canadian waters in 2011 received a ballast tank exam, compared with 100 percent in 2010, 100 percent in 2009, 99 percent in 2008, and 74 percent in 2007. Moreover, the report found that 7,203 ballast tanks during 396 vessel transits were assessed in 2011. Vessels that were unable to exchange their ballast water/residuals and that were required to retain them onboard, received a verification boarding during their outbound transit prior to exiting the Seaway. The effectiveness of the Seaway's ballast water inspection program has been publicly credited as a key factor in preventing the discovery of establishment of any new species in the Great Lakes since 2006 – the longest such period of non-detection on record.

The report was prepared by the Great Lakes Seaway Ballast Water Working Group (BWWG), which includes representatives of the SLSDC, Canadian SLSMC, the USCG's Ninth District, and Transport Canada. The group coordinates U.S. and Canadian enforcement and compliance efforts to reduce the introduction of aquatic invasive species in the Great Lakes via ships' ballast water.

In addition to ballast tank exams for all oceangoing vessels

entering the St. Lawrence Seaway in 2011, 100 percent of ballast water reporting forms were screened to assess ballast water history, compliance, voyage information, and proposed discharge location. In 2011, Transport Canada issued four Letters of Warning for vessels found with discrepancies in its ballast water management plan, records, or reports. These letters are used for minor first-time offenses with a warning of possible assessment of a fine if not corrected. BWWG agencies issued Letters of Retention for 60 vessel transits involving 223 tanks. Rather than retain non-compliant ballast water, three vessels altered course to enable satisfactory exchange. Verification boardings were conducted on every outbound vessel issued a Letter of Retention. In 2011, each of these vessels received a verification boarding and one vessel was found to be out of compliance. The SLSDC issued a Notice of Violation and fined the vessel owner \$3,000.

In 2008, the SLSDC implemented regulations requiring all oceangoing ships with no ballast in their tanks to conduct saltwater flushing of their empty ballast water tanks before arriving in the Seaway. Under these requirements, vessels must conduct saltwater flushing of their tanks that contain residual amounts of ballast water and/or sediment. Flushing must occur in an area 200 nautical miles from any shore before entering waters of the Seaway.

## SLSDC Continues to Support Binational “Green Marine” and “Marine Delivers” Programs

In FY 2012, the SLSDC continued to financially support and participate in 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.

In May 2009, the Green Marine CEO Governance Board mandated a small group of industry members to develop a strong, proactive communications plan to better support the marine industry. This new initiative was launched in FY 2010 and is called “Marine Delivers”.

Marine Delivers is a binational industry collaboration created to demonstrate the positive economic and environmental benefits, safety, energy efficiency, and sustainability of shipping on the Great Lakes Seaway System. The primary mission of the Marine Delivers communications program is to provide responsible, timely, consistent and relevant information about the Great Lakes St. Lawrence Seaway System maritime industry.

Marine Delivers is jointly managed by the Canadian Chamber of Marine Commerce and the American Great Lakes Ports Association. Program funding is secured from contributions from shipping companies, ports, the St. Lawrence Seaway entities, and other stakeholders with interests in the Great Lakes-Seaway region. The SLSDC serves as an “ex officio” member on the Marine Delivers Executive Board and provides input into program activities.

### **SLSDC Plays Leadership Role on Great Lakes Ballast Water Collaborative**

In late FY 2009, the SLSDC facilitated the creation of the Great Lakes Ballast Water Collaborative (BWC), in conjunction with the International Joint Commission, to bring together industry and state and federal regulators on the issues of ballast water and invasive species in the region. One of the primary goals of the BWC is to share relevant, useful, and accurate information and foster better communication and collaboration among the key stakeholders engaged in the effort to reduce the risk of introduction and spread of aquatic nuisance species.

A particular emphasis of the BWC has been to bring state representatives together with marine industry representatives and respected scientists to find workable and effective solutions to the aquatic invasive species challenge as they relate to the Great Lakes St. Lawrence Seaway System. The aim of the BWC is not to take away from any preexisting efforts in this regard, but rather to complement those efforts.

In September 2009, the BWC held its first meeting in Detroit, Mich., as an information-sharing forum on ballast water issues for the Great Lakes Seaway System. To date, the SLSDC has helped facilitate six BWC meetings at different locations throughout the Great Lakes Seaway System. BWC meeting attendees include representatives from state and provincial governments (Minnesota, Wisconsin, Illinois, Ohio, Michigan, New York, and Ontario); U.S. and Canadian regulatory agencies; senior executives from the U.S.-flag laker, Canadian-flag laker, and international fleets; and leading academic ballast water scientists and researchers from Canada and the United States. In FY 2012, the SLSDC organized and facilitated a BWC meeting in Duluth, Minn. (August 2-3) that was attended by more than 70 individuals.

In FY 2012, the BWC played a key role in developing stronger connections among scientists, regulators, environmental non-governmental organizations (NGOs), and Seaway users. It has been instrumental in developing a more uniform regulatory approach for ballast water for the Great Lakes and for the entire country.





# Trade Development Initiatives

*BELOW: The Saint Lawrence Seaway Development Corporation and The St. Lawrence Seaway Management Corporation lead a delegation of Great Lakes Seaway stakeholders on a trade mission to Antwerp and Ghent, Belgium.*

The SLSDC's Office of Trade Development (OTD) develops and implements marketing activities to support increased trade on the Great Lakes St. Lawrence Seaway System. The SLSDC's Canadian counterpart, the St. Lawrence Seaway Management Corporation (SLSMC), has a full-time staff of five devoted to trade development. The two marketing offices work in tandem on nearly all Seaway trade development activities. The most notable binational marketing activity is the Seaway Trade Mission program, which was launched in 1985. Since then, the two Seaway agencies have led 33 trade missions to 37 countries and 66 cities. The program's goal is to educate foreign business owners about important manufacturing and agricultural markets in North America's heartland and the use of the St. Lawrence Seaway while also learning of new trading opportunities in those countries.

By working collaboratively with the Canadian SLSMC and stakeholders from around the system, the SLSDC has developed and executed numerous promotional programs designed to educate international audiences about the many opportunities for moving cargo to and from the heartland of North America.

## **SLSDC Co-Sponsors Binational Seaway Trade Mission to Belgium**

The SLSDC and SLSMC hosted the 33rd annual Seaway Trade Mission to Antwerp and Ghent, Belgium, May 20-24, 2012. The binational Trade Mission provided Great Lakes St. Lawrence Seaway System Stakeholders with the opportunity to participate in the annual Breakbulk Europe conference, meet with the waterway's largest client base in the breakbulk industry, educate new contacts about the advantages the Seaway System provides for getting cargo into the heartland of North America, and learn from industry experts about the European Union's future plans for bioenergy and coal. The delegation also met with long-time Seaway customers to further trade and marketing efforts between the Great Lakes Seaway System and eight German ports. The Seaway delegation consisted of 14 stakeholders representing the ports of Duluth (Minn.), Oswego (N.Y.), Milwaukee (Wis.), Burns Harbor (Ind.), Thunder Bay (Ont.), Oshawa (Ont.), the



shipping agency Robert Reford, and carrier McKeil Marine.

The Breakbulk Europe conference provided Trade Mission participants with the opportunity to interact with over 4,000 attendees and 200 exhibitors showcasing their respective operations. Breakbulk Europe has become the largest gathering of breakbulk and project cargo logistics decision-makers on the globe. Conference attendees had the opportunity to meet and develop relationships with leading specialized carriers, freight forwarders, ports, and terminals with the expertise and resources to handle oversized cargoes with unique handling requirements. The SLSDC and SLSMC staffed an information booth that promoted the international waterway. Mission delegates were on hand to answer questions, provide information, and highlight opportunities for those interested in shipping to/from the Seaway.

The delegation met with key officials from the Ports of Antwerp and Ghent. Discussions focused on strategic development plans, commodities and tonnage, environmental initiatives, short sea shipping, long-term efforts to accommodate additional bulk cargoes, container traffic, and the handling of key Seaway commodities such as steel and grain.

The 2012 Seaway Trade Mission provided a valuable opportunity for Great Lakes Seaway System stakeholders to develop new business through personal contacts with numerous marine industry professionals. Meetings with diverse industry representatives – energy, shipping, and trade – and active participation in Breakbulk Europe offered delegates a chance to broaden their knowledge, hone marketing skills, and strengthen existing business relationships.

### **SLSDC Participates at Annual Seatrade Cruise Convention in Miami**

In coordination with the Great Lakes Cruising Coalition, the SLSDC participated in the annual Seatrade Cruise Convention, March 12-15, 2012 in Miami, Fla. For more than 25 years, the cruise ship industry has gathered in Miami to promote every aspect of the marine passenger travel industry. This year's event attracted more than 11,000 visitors and 1,000 exhibitors. The Seaway delegation introduced cruising on the Great Lakes to new customers and reaffirmed current and past customers that the Great Lakes remains one of the safest destinations for cruise ships and a comfortable environment for travelers seeking vacation options closer to home. The delegation also staffed an information booth that highlighted the Great Lakes Seaway System and the many destination ports for cruise ship passengers to explore. The SLSDC's Marine Specialist worked directly with cruise ship owners and operators and discussed requirements and provided technical information for cruise ships entering the Seaway System.

### **SLSDC Participates in Wind Industry Forums**

In FY 2012, the SLSDC's Office of Trade Development continued to dedicate resources to the development of renewable energy trade on the Great Lakes Seaway System, especially the wind sector. The first shipments of wind cargoes into U.S. and Canadian Great Lakes ports occurred less than a decade ago and movements have increased steadily each year.

The SLSDC actively participates in the Great Lakes Wind Collaborative (GLWC), a multi-stakeholder group working to facilitate sustainable development of wind energy in the region. The SLSDC has worked with the GLWC for more than four years primarily in the offshore working group and the economic development group. The SLSDC participated in GLWC wind and waterfront webinars and the 5th Annual GLWC meeting in Erie, Pa. The St. Lawrence Seaway is the marine gateway for wind components moving into and out of states and provinces, and is expected to play a significant role in the ultimate establishment of an offshore wind industry.

During FY 2012, the SLSDC participated in two wind industry related workshops: The Wind Turbine Blade Workshop in Albuquerque, N.M., and Navigant Workshop in Chicago, Ill. Meetings were also held with representatives from the West Michigan Port Operators and the Michigan Alternative and Renewable Energies Center to discuss port operations and growing regional onshore wind industry for the Port of Muskegon (Mich.).

### **SLSDC and SLSMC Host Domestic Trade Mission to Houston and New Orleans**

The SLSDC and SLSMC hosted a binational Domestic Trade Mission to Houston, Tex., and New Orleans, La., October 24-28, 2011. The mission was developed based on input from Great Lakes Seaway System stakeholders who wanted to gain insight on how the waterway's competition operates on a daily basis. Meetings and port and terminal tours took place at the Port of Houston, Texas Terminals, and Port of New Orleans. Following scheduled events in both Gulf Coast cities, the delegation participated in the annual Breakbulk Exhibition in New Orleans. The three-day event is one of the largest and most important gatherings in North America for companies involved in the shipping of heavy-lift cargo and traditional breakbulk cargoes. Shippers had the opportunity to meet and develop relationships with the leading specialized carriers, freight forwarders, ports, and terminals that have the expertise and resources to handle oversized cargoes with unique handling requirements.



ABOVE: The Saint Lawrence Seaway Development Corporation and The St. Lawrence Seaway Management Corporation host a binational domestic trade mission to Houston, Texas and New Orleans, Louisiana.







### Four U.S. Ports Earn SLSDC's Robert J. Lewis Pacesetter Award

In March 2012, the SLSDC announced four winners of its Robert J. Lewis Pacesetter Award for the 2011 navigation season. This annual award is presented to U.S. Great Lakes Seaway System ports that register an increase in international cargo tonnage shipped through the Seaway over the previous navigation season.

The four ports that earned the 2011 Pacesetter award were: Cleveland-Cuyahoga County Port Authority; Port of Green Bay; Port of Indiana-Burns Harbor; and Port of Chicago.

Compared to the 2010 navigation season, in 2011 the Port of Green Bay realized a tonnage increase of 139 percent, the Port of Chicago reported a 21 percent increase, the Port of Cleveland saw a 10 percent increase, and the Port of Indiana-Burns Harbor posted an increase of 5 percent.

### SLSDC and SLSMC Host Annual Stakeholder Appreciation Reception

In conjunction with the annual events surrounding Montreal Marine Club, the SLSDC and SLSMC sponsored their annual trade promotion and stakeholders appreciation reception in Montreal, Quebec, December 1, 2011. This event allows the Seaway Corporations to promote the ongoing and future marketing efforts that are designed to raise the profile of the System, and increase tonnage and vessel activity. This event is also an opportunity to thank stakeholders for their continued support of the Great Lakes Seaway System. This year's reception was attended by more than 150 stakeholders as well as current and potential customers from several European countries.



*ABOVE LEFT: SLSDC Administrator Collister Johnson, Jr. (right), presents the Robert J. Lewis Pacesetter Award to Will Friedman, President and CEO, Cleveland-Cuyahoga County Port Authority. During the 2011 navigation season, the port shipped 302,047 metric tons of cargo through the Seaway, a 10 percent increase over the previous season.*

*ABOVE RIGHT: During the 2011 navigation season, the Brown County Port and Solid Waste Department moved 60,888 metric tons of cargo through the Seaway, a huge increase of 139 percent over the 2010 season. Pictured left to right – Neil McKloskey, Harbor Commissioner; Troy Streckenbach, Brown County Executive; Dean Haen, Interim Director, Brown County Port and Solid Waste Department; and Collister Johnson, Jr., SLSDC Administrator.*



*ABOVE: Terence Bowles (left), President and CEO, The St. Lawrence Seaway Management Corporation, and Craig Middlebrook (right), Acting Administrator, SLSDC, welcome the stakeholders to the annual Stakeholder Appreciation Reception held in Montreal, Canada.*



# Management Initiatives



## **SLSDC, Maritime Industry Release Results of U.S.-Canadian Great Lakes Seaway System Maritime Commerce Economic Impact Study**

On October 18, 2011, the findings of a new U.S.-Canadian Great Lakes St. Lawrence Seaway System economic impact study were released, the study documented that maritime navigation on the binational waterway system supports more than 227,000 jobs and generates tens of billions of dollars in income and revenues annually in both the U.S. and Canada. The comprehensive study, “The Economic Impacts of the Great Lakes St. Lawrence Seaway System 2010” was commissioned by the marine shipping industry, in partnership with government agencies including the SLSDC, and peer reviewed by U.S. and Canadian economists.

The study measured the effects of 2010 cargo movements at U.S. and Canadian Great Lakes St. Lawrence Seaway ports, including employment, personal income, business revenues, local purchases, and federal, state, provincial, and local taxes. The study was performed by Martin Associates of Lancaster, Pa.

The analysis found that maritime commerce on the Great Lakes Seaway System helped support 227,000 U.S. and Canadian jobs, including 93,000 direct jobs. In addition, maritime activity on the binational waterway supported \$35 billion in business revenue, \$14 billion in personal income, and \$5 billion in federal, state, provincial, and local tax revenue.

In 2010, U.S. and Canadian ports and marine terminals on the Great Lakes Seaway System handled 322.1 million metric tons of cargo (moved approximately 164 million metric tons), including grain, iron ore, coal, manufactured iron and steel products, stone, and specialty cargoes such as wind energy components. A link to the full study can be found at [www.greatlakes-seaway.com](http://www.greatlakes-seaway.com) or [www.marinedelivers.com](http://www.marinedelivers.com).

## **SLSDC Completes Fourth Year of Asset Renewal Program**

During FY 2012, the SLSDC continued its work in the area of U.S. Seaway infrastructure renewal as part of its multi-year Asset Renewal Program (ARP). The ARP was started in FY 2009 to

rehabilitate the U.S. Seaway’s navigation infrastructure, the Seaway International Bridge, and Corporation facilities in Massena, N.Y.

In FY 2012, the SLSDC obligated \$15.8 million on 32 ARP projects. Major ARP activities obligated in FY 2012 included Snell Lock ice flushing system installation (\$11.5 million), buoy barge improvements (\$2.2 million), culvert valve machinery hydraulic upgrades (\$540,000), and facility upgrades to meet HSPD-12 requirements (\$352,000). There were several small obligations associated with out-year ARP projects in preparation for future work, which greatly increased the number of projects funded during the fiscal year. Through the first four years of ARP funding (FYs 2009-2012), the SLSDC has obligated \$65 million on more than 40 separate projects.

The SLSDC’s ARP is resulting in not only modernized infrastructure and new equipment to ensure the long-term reliability of the St. Lawrence Seaway, but it is also having a positive and significant impact on the Upstate New York economy. Approximately 70 percent of the ARP funds obligated during the program’s first four years, totaling more than \$40 million, were awarded within the region. In addition to these contracts, the ARP is producing approximately \$2.5 million in additional economic benefits to the region (local permanent and temporary hires, local spending on supplies and equipment, lodging, meals, etc.) each year.

In FY 2012, the SLSDC completed its first year of large-scale ARP winter work projects. SLSDC employees, as well as eight contractor firms, seven of which were from Upstate New York, completed six ARP projects at the two U.S. locks. The number of workers represented the largest number to work on the Seaway locks since their construction in the 1950s. Major ARP projects completed included the upstream Snell Lock miter gate rehabilitation, the vertical lift gate improvements at the Eisenhower Lock, and the upstream culvert valve machinery hydraulic upgrades at both locks. All of the projects, as well as numerous other winter preventative maintenance projects, were completed on time. The total number of work man-hours lost due

*LEFT: Saint Lawrence Seaway Development Corporation employees were honored by U.S. Department of Transportation Secretary and Saint Lawrence Seaway Development Corporation, Acting Administrator Craig Middlebrook at an award ceremony held in Washington, D.C. (left to right), Craig Middlebrook, Acting Administrator; Karl Livingston, Chief and Electrician Maintenance Division; Anita Blackman, Chief of Staff; Nancy Alcalde, Director of Congressional and Public Relations; Fred Carter, President of AFGE Local 1968; and Dave Sanford, Civil Engineer.*

to safety-related incidents represented only one-quarter of 1 percent (0.272%) for work spanning three months and comprising over 50,000 documented work man-hours.

The SLSDC's ARP represents the first comprehensive effort since 1959 to reinvest in and modernize the U.S. Seaway infrastructure. Without such significant reinvestment in these perpetual transportation assets, it would become increasingly difficult to maintain the future availability and reliability of the Seaway (currently at greater than 99 percent). An economic analysis concluded that the economic impact of a shutdown of either of the two U.S. locks would result in a loss to those dependent on this mode of transportation of \$1.3-\$2.3 million per day, depending on the length of the delay.

The completion of ARP projects will extend the life of the U.S. Seaway infrastructure and reduce the risk of system delays to commercial navigation caused by lock equipment malfunction. In addition, several ARP projects will involve the implementation of new and improved technologies for the operation of the Seaway infrastructure, which will result in minimized maintenance needs.

The ARP supports the engineering considerations highlighted in the Great Lakes St. Lawrence Seaway Study (published in November 2007) and follows the asset renewal activities currently underway on the Canadian Seaway locks. Beginning with the passage of the Canada Marine Act in 1998, the Canadian government started addressing the asset renewal needs of its 13 Seaway locks, including the eight Welland Canal locks that are over 75 years old.

### **SLSDC Employees Receive DOT Award**

On November 3, 2011, SLSDC employees from Massena, N.Y. and Washington, D.C. were honored by U.S. Transportation Secretary Ray LaHood and SLSDC Deputy Administrator Craig Middlebrook at the 44th Annual DOT Awards Ceremony held in Washington. The Secretary recognized high performance employees and teams working together to meet the Department's strategic goals and accomplish its mission.

SLSDC Engineering, Maintenance, and Procurement staff from Massena were presented a Team Award for the implementation of four major capital projects to improve the U.S. lock infrastructure, the first significant improvements since the Seaway was constructed in the 1950s. Representing the SLSDC team at the ceremony were Karl Livingston, Chief, Maintenance Division; Dave Sanford, Civil Engineer; Fred Carter, Electrician and President of the SLSDC's AFGE Local 1968; and Patricia White, Chief of Procurement and Supply.

Three employees in the SLSDC's Washington office were also recipients of a Team Award. Anita K. Blackman, Chief of Staff; Nancy Alcalde, Director of Congressional and Public Relations; and Adam Schlicht, Management Analyst, served on the DOT

Awards and Recognition Working Group, a cross-modal team comprised of representatives from each of the Department's Operating Administrations. The group was tasked to review DOT's awards and recognition programs, make recommendations to ensure policy consistency and fairness throughout the Department, and standardize the allocation of awards. In addition, Adam Schlicht, who serves as the SLSDC's Emergency Coordinator, was recognized for his contribution to the Department's Emergency Response Team involved in earthquake and hurricane incidents in 2011.

### **SLSDC Maintains ISO 9001:2008 Status**

On July 19-20, 2012, the SLSDC successfully completed a two-day surveillance audit of its International Standards Organization (ISO) 9001:2008 certified quality management system. The audit, conducted by Lloyd's Register of Quality Assurance, found that the SLSDC's Quality Management System continues to be effectively implemented and ably demonstrated.

Areas for improvement were identified related to the management of computerized maintenance system records, as well as compliance with procedures for conducting internal audits. Additionally, activities regarding the scheduling and planning for the certification renewal in FY 2013 were addressed.

In 1998, the SLSDC began the process of certifying its operational business practices through the internationally recognized ISO standards. 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. The SLSDC's certification is internationally recognized and complements the agency's marketing and trade development efforts overseas. Customer feedback is taken seriously and improvements are made as a result. 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.

### **Transportation Secretary LaHood Appoints SLSDC Deputy Administrator Middlebrook as Acting Administrator**

In May 2012, U.S. Secretary of Transportation Ray LaHood appointed SLSDC Deputy Administrator Craig H. Middlebrook to serve as the agency's Acting Administrator following the departure of Administrator Collister Johnson, Jr. Mr. Middlebrook previously served as the SLSDC Acting Administrator in 2006.



### SLSDC Serves on GLMRI Advisory Board

During FY 2012, the SLSDC continued to serve as a member of the Advisory Board of the Great Lakes Maritime Research Institute (GLMRI), which was established in 2004 as a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth and includes 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. Other GLMRI board members include: the U.S. Maritime Administration; the U.S. Coast Guard; the U.S. Army Corps of Engineers; the Great Lakes Commission; the Lake Carriers' Association; the American Great Lakes Ports Association; and the Society of Naval Architects and Marine Engineers.

### DOT Deputy Secretary Visits SLSDC's Massena, N.Y. Operations

On August 9-10, 2012, U.S. Deputy Secretary of Transportation John Porcari traveled to Massena, N.Y. to tour the SLSDC's operational facilities. Deputy Secretary Porcari held an all-hands meeting with staff, toured the administration and maintenance facilities buildings, rode on the SLSDC tug *Robinson Bay*, met with Seaway International Bridge officials, visited the SLSDC's Vessel Traffic Control Center, and toured the lock infrastructure and the Eisenhower Lock Visitors' Center. He completed the visit by meeting with senior officials from the Canadian SLSMC.

### SLSDC and SLSMC Continue Joint Strategic and Business Development Initiatives

During FY 2012, the SLSDC and SLSMC continued work on their joint strategic and business development initiatives to ensure that the two Seaway governing entities work toward the common



*U.S. Deputy Secretary of Transportation John Porcari travels to Massena, N.Y., to tour the SLSDC's operational facilities, meet with the workforce, and present a Special Act Award to the Marine Division. (Mr. Porcari is fourth from the left.)*

goals of improving customer service and reducing costs. SLSDC and SLSMC officials met in St. Lambert, Quebec, on December 5-6, 2011, and in Massena, N.Y., on June 27-28, 2012.

At each set of meetings, SLSDC and SLSMC senior managers delivered presentations in the areas of stakeholder engagement, business growth, and operational initiatives. Group discussions focused on coordination between the two agencies for continued service improvement, including follow-up on a number of priorities established at earlier joint sessions. Other topics at the meetings included: an update on ballast water regulations and recent actions taken by Great Lakes states; the Draft Information System (DIS) and other technological advancements; impact of relevant legislative proposals in both the U.S. and Canadian governments; and a recap of marketing activities, the 2012 Seaway Trade Mission, and opportunities for tonnage growth.

*U.S. Secretary of Transportation Ray LaHood presents David McMillan, SLSDC Advisory Board member with his official presidential certificate.*



*U.S. Secretary of Transportation Ray LaHood swears in Wenona Singel to the SLSDC Advisory Board.*





### SLSDC Welcomes Two New Advisory Board Members

On June 12, 2012, U.S. Secretary of Transportation Ray LaHood swore in two new SLSDC Advisory Board members – Wenona T. Singel and David J. McMillan. The SLSDC's Advisory Board is statutorily mandated to review the general policies of the SLSDC and advise the SLSDC Administrator with respect to these policies. Members of the five-person Board are appointed by the President with the advice and consent of the U.S. Senate and not more than three members can belong to the same political party. The SLSDC Advisory Board meets at least once every 90 days.

Ms. Singel of East Lansing, Mich., is the Assistant Professor of Law and Associate Director of the Indigenous Law and Policy Center at the Michigan State University College of Law. Mr. McMillan of Duluth, Minn., is Senior Vice President of Marketing, Regulatory and Public Affairs and Executive Vice President of Minnesota Power, ALLETE, Inc.

Ms. Singel and Mr. McMillan join Mr. Charles E. "Trip" Dorkey, III of New York City and partner in the law firm of McKenna, Aldridge & Long, LLP, on the SLSDC's Advisory Board.

### SLSDC Launches Facebook Page

In June 2012, the SLSDC launched a Facebook page ([www.facebook.com/usdotslslsd](http://www.facebook.com/usdotslslsd)) to help promote the agency and the Great Lakes St. Lawrence Seaway System. The SLSDC is utilizing Facebook to share important information, offer Seaway-related content, interact with Seaway stakeholders, and incorporate many of the other unique features available across social media. While the binational Seaway website ([www.greatlakes-seaway.com](http://www.greatlakes-seaway.com)) remains the definitive source for all U.S. and Canadian-related Seaway information, the SLSDC's Facebook page will also be used as a central location for Seaway-related content.



*High school juniors of the Massena Tech Prep Program visited Lock Operations as part of their Corporate Tours.*

### SLSDC Promotes Local 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 school juniors and seniors for post school employment. The SLSDC served as one of the corporate partners for the Tech Prep case studies. The students were asked to create an interactive display for the SLSDC's Dwight D. Eisenhower Visitors' Center that would be low cost and education based. In addition, fifth graders from Jefferson Elementary School in Massena, N.Y., participated in the Seaway's National Transportation Week Poster Contest in June 2012. The SLSDC selected the contest winners, Jonathan Russell and Keely Thompson-Cook, and presented them with U.S. Savings Bonds.

*The theme of the 2012 National Transportation Week Poster Contest was "St. Lawrence Seaway Helps the Nation Move," and pictured are the two winners. Left photo is Jonathan Russell with his teacher Ms. Coffin and the right photo is Keely Thompson-Cook with her teacher Mr. Graham.*



# SLSDC FY 2012 Performance Measures and Results

*BELOW: The Corporation's Administration Building in Massena, N.Y., built in April 1958.*

## 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 2011 season, with 231 vessel inspections conducted by SLSDC personnel. As of September 30, 2012, 176 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. The goal was achieved during the 2011 season with an availability rate of 99.5 percent. System availability during the 2012 navigation season, through September 30, was 99.6 percent. Final FY 2012 system availability was 99.7 percent.

**Lock Equipment Maintenance** – “Minimize vessel delays due to lock equipment failure or malfunction.” The goal each year is zero hours of delay. In 2011, the goal was not met when the SLSDC recorded 2 hours, 29 minutes of lock-related delays. Through September 30, 2012, lock-related delays totaled 6 hours, 6 minutes, which also ended up as the final FY 2012 lock-related delay total.



## Management Accountability

**Administrative Expenses** – “Reduce the administrative overhead expense ratio of total operating expenses, excluding ARP projects, depreciation, and imputed expenses, to 25 percent or lower.” The administrative expense ratio goal was met in FY 2012 at 22 percent.

**Financial Reserve Balance** – “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 2012 with a year-end balance of \$12.8 million.

**Financial 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 in FY 2012 as the Corporation received its 48th consecutive unqualified opinion of its financial statements for FY 2011 with no material weaknesses or reportable conditions in October 2011.

# 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, 2012 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, 2012, 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 2012 and prior years.





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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned U.S. Government corporation, as of September 30, 2012 and 2011, and the related statements of operations and changes in cumulative results of operations, cash flows, and changes in equity of the U.S. Government for the years then ended and the statement of budgetary resources and actual expenses for the year ended September 30, 2012. 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 audits.

We conducted our audits 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*", as amended. 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 audits provide 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, 2012 and 2011, and the results of its operations and its cash flows for the years 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 12, 2012, 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, 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 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and performance measures and results information on pages 3 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Chiangpou Travis Besaw & Kershner LLP*

October 12, 2012



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS 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, 2012, and have issued our report thereon dated October 12, 2012. 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*", as amended.

Internal Control over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Advisory Board, management of Saint Lawrence Seaway Development Corporation and certain other designated U.S. Government Agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Chiangpou Travis Besaw & Kershner LLP*

October 12, 2012



**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2012 and 2011**

Assets	2012	2011
<b>Current Assets</b>		
Cash		
Held by U.S. Treasury	\$ 29,197,027	\$ 24,131,299
Held in banks and on hand	1,371	154,311
Short-term time deposits in minority banks (Note 3)	8,212,000	8,878,000
Accounts receivable (Note 4)	171,521	459,157
Inventories (Note 2)	277,184	273,305
Other current assets (Note 4)	11,440	26,320
Total current assets	<u>37,870,543</u>	<u>33,922,392</u>
<b>Long-Term Investments</b>		
Long-term time deposits in minority banks (Note 3)	<u>2,036,000</u>	<u>1,836,000</u>
<b>Plant, Property and Equipment</b>		
Plant in service (Note 5)	186,372,774	174,916,955
Less: Accumulated depreciation	<u>(99,600,002)</u>	<u>(96,855,579)</u>
Net plant in service	86,772,772	78,061,376
Work in progress	<u>3,960,902</u>	<u>6,722,740</u>
	<u>90,733,674</u>	<u>84,784,116</u>
<b>Other Assets</b>		
Lock spare parts (Note 2)	719,149	506,726
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	<u>7,440</u>	<u>7,440</u>
	<u>726,589</u>	<u>514,166</u>
<b>Deferred Charges</b>		
Worker's compensation benefits (Note 2)	<u>4,587,923</u>	<u>4,242,279</u>
Total assets	<u>\$ 135,954,729</u>	<u>\$ 125,298,953</u>

*See Notes to Financial Statements*

(Continued)



**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2012 and 2011**

Liabilities and Equity of the U.S. Government	2012	2011
<b>Current Liabilities</b>		
Accounts payable	\$ 2,959,386	\$ 5,243,975
Accrued annual leave (Note 2)	919,841	876,388
Accrued payroll costs	<u>748,706</u>	<u>782,952</u>
Total current liabilities	<u>4,627,933</u>	<u>6,903,315</u>
<b>Actuarial Liabilities</b>		
Worker's compensation benefits (Note 2)	<u>4,587,923</u>	<u>4,242,279</u>
Total liabilities	<u>9,215,856</u>	<u>11,145,594</u>
<b>Equity of the U.S. Government</b>		
Invested capital (Note 2)	105,879,033	99,920,854
Cumulative results of operations	<u>20,859,840</u>	<u>14,232,505</u>
	<u>126,738,873</u>	<u>114,153,359</u>
Total liabilities and equity of the U.S. Government	<u>\$ 135,954,729</u>	<u>\$ 125,298,953</u>

*See Notes to Financial Statements*

(Concluded)

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF OPERATIONS AND CHANGES**  
**IN CUMULATIVE RESULTS OF OPERATIONS**  
**For the Years Ended September 30, 2012 and 2011**

	2012	2011
<b>Operating Revenues</b>		
Appropriations expended	\$ 23,489,530	\$ 20,542,485
Imputed financing (Note 9)	899,133	1,016,146
Other (Note 7)	860,466	760,031
Total operating revenues	<u>25,249,129</u>	<u>22,318,662</u>
<b>Operating Expenses (Note 8)</b>		
Locks and marine operations	3,560,903	3,540,903
Maintenance and engineering	5,571,886	13,797,652
General and development	5,029,825	5,185,969
Administrative expenses	3,678,934	3,831,873
Depreciation	2,811,291	2,614,314
Imputed expenses (Note 9)	899,133	1,016,146
Total operating expenses	<u>21,551,972</u>	<u>29,986,857</u>
Operating income (loss)	3,697,157	(7,668,195)
<b>Other Financing Sources</b>		
Interest on deposits in minority banks	118,392	162,385
Transfer from non-expenditure funding source	495	4,581
Transfer from invested capital for depreciation	2,811,291	2,614,314
Total other financing sources	<u>2,930,178</u>	<u>2,781,280</u>
Operating revenues and other financing sources over (under) operating expenses	6,627,335	(4,886,915)
Beginning cumulative results of operations	<u>14,232,505</u>	<u>19,119,420</u>
Ending cumulative results of operations	<u>\$ 20,859,840</u>	<u>\$ 14,232,505</u>

*See Notes to Financial Statements*

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2012 and 2011**

	2012	2011
<b>Cash flows from operating activities:</b>		
Operating revenues and other financing sources over (under) operating expenses	\$ 6,627,335	\$ (4,886,915)
Adjustments to reconcile operating revenues and other financing sources over (under) operating expenses to net cash provided by (used in) operating activities:		
Depreciation	2,811,291	2,614,314
Transfer from invested capital for depreciation	(2,811,291)	(2,614,314)
Net loss (gain) on property disposals	1,150	(10,869)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	287,636	(373,146)
Increase in inventories	(3,879)	(6,820)
Decrease (increase) in other current assets	14,880	(25,560)
Decrease (increase) in other assets	(212,979)	85,515
Increase (decrease) in accounts payable	(2,284,589)	3,067,336
Increase in accrued liabilities	9,207	11,690
Net cash provided by (used in) operating activities	<u>4,438,761</u>	<u>(2,138,769)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from property disposals	8,027	16,398
Acquisition of plant, property and equipment	(8,769,470)	(11,716,867)
Net decrease in time deposits	466,000	444,000
Net cash used in investing activities	<u>(8,295,443)</u>	<u>(11,256,469)</u>
<b>Cash flows from financing activities:</b>		
Appropriations for plant, property and equipment	<u>8,769,470</u>	<u>11,716,867</u>
<b>Net increase (decrease) in cash</b>	<b>4,912,788</b>	<b>(1,678,371)</b>
<b>Cash at beginning of year</b>	<u><b>24,285,610</b></u>	<u><b>25,963,981</b></u>
<b>Cash at end of year</b>	<u><b>\$ 29,198,398</b></u>	<u><b>\$ 24,285,610</b></u>

*See Notes to Financial Statements*



**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)**  
**For the Year Ended September 30, 2012**

	----- Budget -----		
	Resources	Obligations	Expenses
<b>Saint Lawrence Seaway Development Corporation Fund</b>	\$ 48,831,368	\$ 32,833,559	\$ 21,551,972
<b>Budget Reconciliation:</b>			
<b>Total expenses</b>			21,551,972
Adjustments			
Add:			
Capital acquisitions			8,769,470
Increase in inventories			3,879
Increase in other assets			212,979
Deduct:			
Depreciation			(2,811,291)
Imputed expenses			(899,133)
Decrease in net plant in service, property disposals			(9,177)
Less reimbursements:			
Trust funds			(32,259,000)
Revenues from non-federal sources			(978,858)
Transfer in from federal sources			<u>(495)</u>
Accrued expenditures			<u>\$ (6,419,654)</u>

*See Notes to Financial Statements*

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT**  
**For the Years Ended September 30, 2012 and 2011**

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
<b>Balance, September 30, 2010</b>	\$ 90,818,301	\$ -	\$ 19,119,420
Appropriations expended	-	(20,542,485)	20,542,485
Fiscal Year 2011 appropriations	-	32,259,352	-
Other financing sources	-	-	1,938,562
Operating expenses, excluding depreciation and imputed expenses	-	-	(26,356,397)
Depreciation expense	-	-	(2,614,314)
Imputed expenses	-	-	(1,016,146)
Transfer from non-expenditure funding source	-	-	4,581
Transfer from invested capital for depreciation	(2,614,314)	-	2,614,314
Capital expenditures	11,716,867	(11,716,867)	-
<b>Balance, September 30, 2011</b>	99,920,854	-	14,232,505
Appropriations expended	-	(23,489,530)	23,489,530
Fiscal Year 2012 appropriations	-	32,259,000	-
Other financing sources	-	-	1,877,991
Operating expenses, excluding depreciation and imputed expenses	-	-	(17,841,548)
Depreciation expense	-	-	(2,811,291)
Imputed expenses	-	-	(899,133)
Transfer from non-expenditure funding source	-	-	495
Transfer from invested capital for depreciation	(2,811,291)	-	2,811,291
Capital expenditures	8,769,470	(8,769,470)	-
<b>Balance, September 30, 2012</b>	<u>\$ 105,879,033</u>	<u>\$ -</u>	<u>\$ 20,859,840</u>

*See Notes to Financial Statements*

## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

## Notes to Financial Statements

As of and for the years ended September 30, 2012 and 2011

**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.

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, improvements and betterments costing \$5,000 or more are capitalized when they have an expected useful life of two years or more. 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.

Lock spare parts consists of 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 financial statements. The liability and deferred charge recorded of \$4,587,923 and \$4,242,279 at September 30, 2012 and 2011, respectively, reflects the actuarial liability as determined by the Department of Labor.

### Seaway Tolls

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

### Invested Capital

The Corporation was initially funded by revenue bonds issued by the U.S. Treasury. On December 18, 1982, Congress cancelled the outstanding revenue bonds of \$109,976,000 (P.L. 97-369, 96 Stat. 1782). With cancellation of the debt, the amount was converted to invested capital. Since 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 \$33,159,000 for FY 2012, \$32,259,000 from the Fund (Public Law 112-55) and \$900,000 from non-federal revenues. FY 2012 funding includes year four of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled \$32,833,559 for FY 2012. The Corporation's unobligated balance at September 30, 2012 totaled \$16.0 million including \$3.2 million unused borrowing authority. For FY 2013, the Corporation is currently funded by a Continuing Resolution based on the FY 2012 level increased by .612 percent for a current rate of \$32,456,425. However, automatic apportionment as provided by the Continuing Resolution is limited to the FY 2012 level of \$32,259,000. In addition, authority to obligate \$900,000 of non-federal revenues has been apportioned by OMB for FY 2013.

### 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.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 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, 2012 and 2011 are as follows:

	2012	2011
Due from concession contracts	\$ 132,728	\$ 111,584
Other	44,778	56,904
Interest on deposits in minority banks	5,455	6,688
Federal Railroad Administration	-	310,301
Total	<u>\$ 182,961</u>	<u>\$ 485,477</u>

**Note 5. Plant in Service**

Plant in service as of September 30, 2012 and 2011 is as follows:

Plant in Service	Estimated Life (Years)	2012		2011	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	\$ 92,863,181	\$ 46,825,319	\$ 82,177,158	\$ 45,650,784
Channels and canals	95	36,870,221	18,714,584	36,870,221	18,327,447
Buildings, grounds and utilities	50	17,532,584	7,836,960	16,771,752	7,497,119
Permanent operating equipment	5 - 40	15,950,265	10,357,501	15,950,909	9,878,326
Roads and bridges	50	12,564,980	9,539,853	12,564,980	9,288,554
Land rights & relocations	95	5,639,064	2,886,379	5,639,064	2,827,168
Navigation aids	10 - 40	3,154,779	2,682,821	3,145,171	2,648,203
Public use facilities	50	930,374	756,585	930,374	737,978
Lands in fee	N/A	867,326	-	867,326	-
Total plant in service		<u>\$ 186,372,774</u>	<u>\$ 99,600,002</u>	<u>\$ 174,916,955</u>	<u>\$ 96,855,579</u>

The U.S. portion of the St. Lawrence Seaway was built in the late 1950s. The Corporation developed, as part of its FY 2009 budget request to Congress, a ten-year Asset Renewal Program (ARP) estimated at \$186 million to address the long-term asset renewal needs of the aging U.S. Seaway Infrastructure. The ARP includes various needs for the two U.S. Seaway Locks, the Seaway International Bridge, maintenance dredging, operational systems, and Corporation facilities and equipment. The total amount that has been expended and / or committed (including undelivered orders) in the program through September 30, 2012, excluding personnel compensation, amounted to \$65,548,709.

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.



**Note 7. Other Revenues**

Other revenues for the years ended September 30, 2012 and 2011 consist of the following:

	2012	2011
Concession operations	\$ 637,284	\$ 480,976
Pleasure craft/non-commercial tolls	104,451	111,824
Miscellaneous	63,665	90,041
Rental of administration building	51,849	51,140
Vessel services	1,200	4,512
Gain on property disposals	1,151	10,870
Shippers' payments for damages to locks, net	866	10,668
Total	<u>\$ 860,466</u>	<u>\$ 760,031</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, 2012 and 2011 are as follows:

	2012	2011
Personnel services and benefits	\$ 12,634,770	\$ 13,117,669
Contractual services	3,967,515	11,552,392
Supplies and materials	658,608	825,989
Travel and transportation	221,499	230,116
Rental, communications and utilities	216,631	473,743
Equipment not capitalized	119,514	141,833
Printing and reproduction	20,710	14,655
Loss on property disposals	2,301	-
Subtotal	<u>17,841,548</u>	<u>26,356,397</u>
Depreciation expense	2,811,291	2,614,314
Imputed expenses	899,133	1,016,146
Total operating expenses	<u>\$ 21,551,972</u>	<u>\$ 29,986,857</u>

## 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, 2012 and 2011 as follows:

	2012	2011
Federal Employees Retirement System:		
Automatic contributions	\$ 1,012,072	\$ 968,568
Matching contributions	267,229	264,546
Social Security	502,996	505,330
Civil Service Retirement System	95,754	108,152
Total	<u>\$ 1,878,051</u>	<u>\$ 1,846,596</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, 2012 and 2011 were \$899,133 and \$1,016,146, respectively.

**Note 10. Related Party Transactions**

The Corporation receives rental payments for office space at its administration building in Massena, New York. For the years ended September 30, 2012 and 2011, revenue totaled \$47,394 and \$46,813 for space provided to the U.S. Coast Guard and the Internal Revenue Service.

The Corporation made rental payments to the General Services Administration for its Washington, D.C. office totaling \$305,479 for fiscal year 2011. Effective October 1, 2011, the Corporation relocated its offices under the terms of an Intra-agency Agreement (IAA) with the Federal Aviation Administration. The fiscal year 2012 costs of \$318,339 are included in the reimbursable agreements listed below.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Reimbursable agreements with federal agencies for FY 2012 and FY 2011 were as follows:

	2012	2011
Federal Aviation Administration	\$ 330,345	\$ 13,916
Office of the Secretary of Transportation	50,283	58,063
Federal Highway Administration	40,979	50,922
Volpe National Transportation Systems Center	10,000	28,000
Department of Commerce	9,065	9,653
General Services Administration	7,975	10,349
Office of Personnel Management	969	1,486
Federal Occupational Health	325	338
U.S. Census Bureau	-	982
Department of Health & Human Services	-	84
Department of Education	-	27
National Science Foundation	-	25
Total	<u>\$ 449,941</u>	<u>\$ 173,845</u>

Accounts payable and accrued payroll benefits at September 30, 2012 and 2011 include \$1,557,543 and \$1,827,584 respectively, of amounts payable to the U.S. Government.

In fiscal years 2012 and 2011, the Corporation accrued costs of \$130,416 and \$124,615, 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, 2012, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2012 and 2011 there were undelivered orders and contracts amounting to \$22,203,616 and \$16,388,442, respectively.

Through Fiscal Year 2011, the Corporation leased office space in Washington, D.C. from the General Services Administration. Effective October 1, 2011, the Corporation relocated its leased offices in Washington, D.C. under the terms of an IAA with the Federal Aviation Administration which is subject to annual funding obligations.

The Corporation also provides office space to several agencies under various lease agreements. The lease 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 \$48,831,368 consist of the Corporation's unobligated balance of \$15,393,330 brought forward October 1, 2011, and reimbursements earned of \$33,237,858, recoveries of prior year's obligations of \$199,685, and a transfer of unobligated balance from another federal account of \$495 during FY 2012.

# Advisory Board

The SLSDC has a statutorily mandated five-member Advisory Board, which reviews the general polices of the SLSDC and advises the Administrator with respect to these polices. The members of the Advisory Board are appointed by the President with the advice and consent of the U.S. Senate. There are currently three active members sitting on the SLSDC’s Advisory Board:

- Charles E. “Trip” Dorkey, III

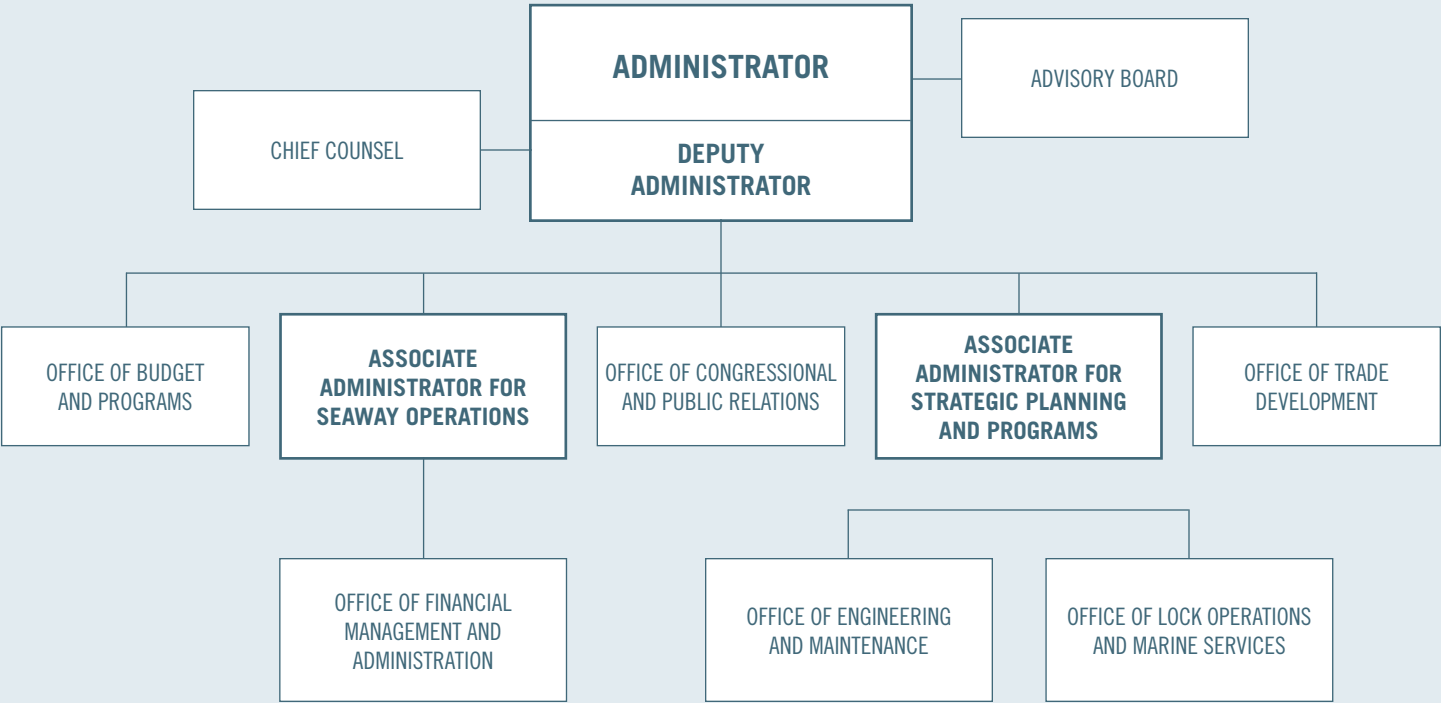
New York, N.Y.
- Wenona T. Singel

East Lansing, Mich.
- David J. McMillan

Duluth, Minn.



# Organizational Chart





# Contacts

## WASHINGTON, D.C. OFFICE

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

## Facsimile Number

Washington, D.C. Office	(202) 366-7147
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## MASSENA, N.Y. OFFICE

Associate Administrator for Seaway Operations	(315) 764-3209
Associate Administrator for Strategic Planning and Programs	(315) 764-3211
Chief Counsel	(315) 764-3231
Chief Financial Officer	(315) 764-3273
Human Resources	(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

Administration Building	(315) 764-3235
Maintenance Building	(315) 764-3258
Eisenhower Lock	(315) 764-3250
Operations and Maintenance	(315) 764-3242

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