STATEMENT OF
CRAIG H. MIDDLEBROOK, DEPUTY ADMINISTRATOR
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
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The U.S. Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) is a wholly owned government corporation and an operating administration of the U.S. Department of Transportation (DOT) 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 awareness and use of the Great Lakes St. Lawrence Seaway System.

For nearly 50 years, the binational St. Lawrence Seaway has served as a vital transportation corridor for the international movement of bulk and general cargoes such as steel, iron ore, grain, and coal, serving a North American region that makes up one quarter of the U.S. population and nearly half of the Canadian population. Maritime commerce on the Great Lakes Seaway System is a critical transportation link for the continent's agricultural and industrial heartland, annually generating more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes.

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

The SLSDC's principal performance goal is to provide a safe, secure, reliable, and efficient U.S. portion of the St. Lawrence Seaway to its commercial users. Since opening in 1959, more than 2.4 billion metric tons of cargo has been transported through the combined sections of the St. Lawrence Seaway (Montreal-Lake Ontario and Welland Canal) with an estimated value of more than $400 billion. During the 2005 navigation season alone, an estimated 43.3 million metric tons of cargo, mostly grain, iron ore, coal, steel and other bulk, passed through the Seaway, representing a cargo value of $7.1 billion.

FISCAL YEAR (FY) 2007 BUDGET ESTIMATE

The SLSDC's FY 2007 proposed funding level of $18,245,000 includes an appropriation request of $7,920,000 from the Harbor Maintenance Trust Fund (HMTF), $9,425,000 through the re-establishment of U.S. Seaway commercial tolls, and $900,000 in estimated non-federal revenues. This funding level will allow the agency to fund its 157 Full-Time Equivalent (FTE) staff and continue the day-to-day operational and maintenance programs for the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

As highlighted in its OMB Program Assessment Rating Tool (PART) for the FY 2007 budget cycle, the SLSDC has an effective program for its overall operations, maintenance and administrative activities. The FY 2007 request will allow Corporation officials to continue its efficient and effective programs and initiatives and to meet its performance goals.

These programs include managing vessel traffic control in areas of the St. Lawrence River and Lake Ontario, and maintaining, operating, and securing the two U.S. Seaway locks located in Massena, N.Y. In addition, the SLSDC performs trade development activities designed to enhance Great Lakes St. Lawrence Seaway System awareness and use.

The budget request calls for the re-establishment of U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC. The SLSDC was self-funded through commercial tolls from the Seaway's inaugural season in 1959 to 1987. Since April 1, 1987, the SLSDC has been funded through an appropriation from the HMTF, coupled with its non-federal revenues from interest income, pleasure craft tolls, concession operations and rental payments.

The FY 2007 request is $1,224,000 above the FY 2006 enacted level ($545,000 in baseline changes and $679,000 in program changes). This change is directly attributable to:

- $478,000 increase in net personnel compensation and benefits, including the annualization of the FY 2006 Pay Act increase;
- $493,000 increase in capital replacements and improvements;
- $186,000 increase in maintenance-related special projects;
- $69,000 increase in inflationary adjustments; and a
- $2,000 decrease in U.S. DOT Working Capital Fund projections.

The SLSDC's request directly supports four of the five President's Management Agenda initiatives: budget and performance integration, strategic management of human capital, financial performance improvement, and electronic government expansion (SLSDC is exempt from competitive sourcing as a government corporation). In addition, SLSDC activities support the Department's strategic goals of Global Connectivity (efficient cargo movement) and Security (supplemental goal of Seaway readiness), as well as the agency's internal strategic goals. These internal goals include safety, security, and the environment; reliability and availability; trade development; and

management accountability. The request, separated by Department strategic goals and performance measures, includes $17,995,000 directed at maritime navigation programs and personnel, and $250,000 towards the SLSDC's security and infrastructure protection activities.

The FY 2007 request reflects the Administration's commitment to providing the global commercial users of the St. Lawrence Seaway with a safe, secure, efficient, and reliable transportation route. The SLSDC's principal performance measure, both in its internal strategic plan as well as the Department's annual performance plan, is to ensure that the U.S. portion of the St. Lawrence Seaway, including the two U.S. locks, is available to its customers 99 percent of the navigation season. During the 2005 navigation season, the SLSDC reported a 99.5 percent system availability rate for the U.S. portion of the Seaway.

The majority of causes for delays were weather and vessel incidents. Of the remaining factors that cause system non-availability, the Corporation has the most control over the proper functioning of its lock equipment. Lock equipment malfunction delays for the 2005 navigation season totaled 2 hours, 43 minutes, which represented 8 percent of all delays and only four-hundredths of one percent of the navigation season.

Other 2005 performance results include:

- Achieving the agency's 42nd consecutive unqualified, or "clean", annual financial audit. *(Met goal of unqualified audit)*

- Performing safety and environmental inspections on 100 percent of ocean vessels during their first inbound voyage into the St. Lawrence Seaway in Montreal, Quebec. *(Met goal of 100 percent)*

- Maintaining an administrative overhead expense ratio of total operating expenses at 25.4 percent. *(Missed goal of 25 percent or lower)*

- Increasing the SLSDC financial reserve account to $10.9 million to ensure contingency funding for catastrophic emergencies. *(Met goal of $10.0 million minimum balance)*

U.S. SEAWAY COMMERCIAL TOLLS PROPOSAL

The President's FY 2007 budget proposes for the second consecutive year to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC. The FY 2006 President's budget request introduced the concept of reintroducing U.S. Seaway tolls. Ultimately, the House and Senate appropriations committees rejected that request for FY 2006 and funded the SLSDC through the Harbor Maintenance Trust Fund, as it has each year since the fund's establishment in 1987 when U.S. tolls were eliminated. Last June, the Administration submitted a draft legislative bill to the Congressional authorizing committees seeking approval for the SLSDC to begin collecting commercial tolls. No formal action has been taken on that bill.

The draft bill specifically addressed the principal concern of "double taxation" voiced by those stakeholders and members of Congress who disagreed with the tolls proposal. Nearly every argument against the Seaway tolls proposal was based on the concern that U.S. Seaway tolls would be charged in addition to the Harbor Maintenance Tax. Opponents argued that the Water Resources Development Act of 1986 not only established the Harbor Maintenance Tax, but also removed U.S. Seaway commercial tolls at the same time to avoid double taxation and ensure the competitiveness of the Great Lakes Seaway System. The Administration took note of this concern and provided draft language that would amend the Internal Revenue Code of 1986 to stipulate an exemption from the Harbor Maintenance Tax for cargo transiting the U.S. Seaway locks.

For FY 2007, the budget proposal calls for $7.920 million in appropriations from the HMTF, with the remaining $9.425 million derived from the collection of commercial tolls. The split between tolls and traditional appropriations from the HMTF in the FY 2007 request was based on an assumption that U.S. Seaway toll collections would begin with the start of the 2007 navigation season (late March/early April), and on projected transit and cargo levels.

The FY 2007 budget request once again includes the Administration's proposal to reestablish U.S. commercial tolls. Unlike last year's request, which specifically stated that a legislative bill would be forthcoming, this year's request includes detailed appropriation language that would give the appropriators the opportunity to provide the SLSDC with the approval needed to begin collecting and using commercial toll receipts.

The Administration supports efforts to improve service delivery and believes that this proposal would enable the SLSDC to function more like a private corporation. The SLSDC's Canadian counterpart, the St. Lawrence Seaway Management Corporation, directly supports its operations through fees. The Canadian SLSMC is a not-for-profit corporation managing and operating the Canadian assets of the St. Lawrence Seaway for the Canadian government under a long-term agreement with Transport Canada.

U.S. tolls would only be collected in the Montreal-Lake Ontario section of the Seaway, where the SLSDC owns and operates two of the seven locks in that section at Massena, New York. The toll levels established would be based on the type of cargo being shipped as well as a vessel charge based on the gross registered tonnage of the transiting vessels.

The reinstitution of U.S. Seaway tolls would require diplomatic coordination and collaboration with Canada as it relates to the 1959 Seaway Tariff of Tolls Agreement. U.S. Seaway toll levels would be subject to the binational agreement and to the U.S./Canadian Seaway toll negotiations process. These negotiations would include both the toll levels for each commodity as well as the revenue split between the two entities.

MAJOR SLSDC PROGRAMS AND ACTIVITIES

Capital Equipment and Infrastructure Projects

The need to ensure that the two U.S. Seaway locks are safe, secure, reliable, and efficient becomes an even more important agency priority as the waterway nears half a century of operation. Costs for repairing, maintaining, and preserving the locks in working condition are increasing annually. For FY 2007, the SLSDC is proposing a capital plan of $1,840,000, which is an increase of $493,000 above the FY 2006 enacted level.

The SLSDC's annual capital budget request is based on its capital plan, which details equipment and projects required to maintain the agency's lock infrastructure, buildings, and other property. Each year, SLSDC engineering and maintenance teams update their plans for the next five-year period, which results in the agency's five-year capital plan for equipment and projects. The agency's five-year plan is based on lock inspections, projected lifecycles of parts and machinery, and the U.S. Army Corps of Engineers' 1999 Seaway lock survey and evaluation.

Time, weather, and usage take a toll on the Seaway locks' workable or useable condition as on any concrete-based transportation infrastructure. Adding to the deterioration of the lock structures are the freeze and thaw cycles resulting from the harsh winter weather conditions in Upstate New York. Since their opening in 1959, the U.S. Seaway locks have never experienced a major shutdown due to lock equipment malfunctioning. This significant accomplishment is due, in large part, to the SLSDC's pro-active preventative maintenance program that targets lock machinery, parts, and equipment in need of inspection, repair or replacement.

SLSDC maintenance and engineering staff use the Seaway's closure during the winter months to drain the water from the locks, inspect critical lock parts and components, and perform necessary repairs and upgrades. Without sufficient funding to make the necessary capital replacements and improvements each year, the risk of a lock malfunction or shutdown increases. It is vital that the SLSDC continue to complete its capital and maintenance programs, as planned, to ensure that the Seaway System remains safe, reliable, and efficient.

The most expensive FY 2007 capital project relates to a mechanical upgrade to the lock valves. This request includes funding for the first year of a four-year project to replace the electro-mechanical culvert valve operating machinery with hydraulic equipment. Plans are to replace the machinery for two valves each year until all eight valves at the two U.S. locks have been replaced. These valves are used to fill and empty the locks. The existing machinery is almost 50 years old and is exhibiting significant signs of wear. The U.S. Army Corps of Engineers in its 1999 lock survey of the U.S. locks recommended the replacement of the lock valve machinery. The FY 2007 request for this project is $950,000. The SLSDC estimates that its principal performance measure of system/lock availability could be negatively affected by 4.2 percent without the increase in funding for capital-related items in 2007. The resulting level of system availability would potentially be the lowest on the Seaway in nearly 15 years.

Concrete Replacement Project

In January 2006, the SLSDC began the first year of work on a four-year, $6 million concrete replacement project at the two U.S. Seaway locks. The SLSDC hired contractors to perform the concrete replacement and for project management and inspection services. The $1.5 million requested for FY 2007 to continue the concrete replacement project is included in the agency's base level funding.

The replacement of deteriorated concrete has historically been one of the SLSDC's most expensive maintenance projects dating back to the Seaway's opening in 1959. The majority of the concrete replacement has occurred at the U.S. Eisenhower Lock, which has a history of concrete-related problems. Between 1959 and 2004, the SLSDC expended more than $25 million on concrete replacement at the two locks during the off-season winter months, with the majority of work taking place at the Eisenhower Lock.

Great Lakes St. Lawrence Seaway Study

The Water Resources Development Act of 1999 directed the U.S. Army Corps of Engineers (USACE), in consultation with the U.S. Department of Transportation (DOT) (through the SLSDC), to undertake a Great Lakes Navigation Study (GLNS) focusing on improvements to the commercial navigation infrastructure of the Great Lakes St. Lawrence Seaway System. Possible improvements include locks, channels, and enhancements to ports, dams, harbors, and other related features.

Since January 2001, the USACE has partnered with DOT/SLSDC to carry out the study's Reconnaissance Phase. On February 13, 2003, the GLNS Reconnaissance Report was approved, but the Corps recommended that the USACE prepare a supplement to further document the current condition of the commercial infrastructure of the Great Lakes St. Lawrence Seaway System. In partnership with the Canadian government, the Department is collaborating with the USACE to complete what is now referred to as the Great Lakes St. Lawrence Seaway Study. This study, scheduled for completion by September 2007, will include an engineering analysis that will provide the two Seaway entities and U.S. and Canadian policymakers with a detailed framework for projects and costs required to keep the current Seaway lock infrastructure in workable condition for the next 50 years.

On May 1, 2003, Transportation Secretary Norman Y. Mineta signed a Memorandum of Cooperation (MOC) with his then Canadian counterpart at Transport Canada, David Collenette, which called for Canada and the U.S. to carry out the study. The MOC initiated the supplemental phase of the study (now entitled the Great Lakes St. Lawrence Seaway Study), and expressed the intention of Transport Canada and DOT to enhance their joint collaboration and cooperation to ensure the long-term viability of the Great Lakes Seaway System as a safe, viable, reliable, and efficient transportation route.

The study is being directed by a Steering Committee comprised of DOT, SLSDC, Transport Canada, the USACE, and the Canadian St. Lawrence Seaway Management Corporation. The Steering Committee also includes Environment Canada and the U.S. Fish and Wildlife Service. DOT and Transport Canada are the co-chairs of the committee.

Foreign-Flag Vessel Inspections and Ballast Water Exams

In FY 2007, the SLSDC will continue to perform its Enhanced Seaway Inspection (ESI) program, inspecting all ocean vessels for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. The SLSDC and the U.S. Coast Guard (USCG), in conjunction with Transport Canada and the SLSMC, signed a Memorandum of Understanding in March 1997 to develop the program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes Seaway System.

The principal goal of the ESI program is to inspect all ocean vessels related to safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. Inspections performed in Montreal eliminate duplicative inspections, allows for a seamless and efficient transit of the Seaway, and provides a better location for repair resources, if required.

During the 2005 navigation season, the SLSDC achieved its internal performance goal of inspecting all ocean vessels with 212 inspections completed, all performed by SLSDC marine inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's goal of partnering for excellence.

The ballast water exchange program continues to be an important function of the ship inspection program. These inspections are carried out concurrently with the ESIs, by SLSDC personnel in Montreal and by USCG and Corporation staff at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. During the 2005 season, Seaway marine inspectors conducted 59 ballast water inspections in conjunction with the ESI program, and performed an additional 66 ballast water exams for subsequent trip vessels at the U.S. Seaway locks in Massena, N.Y.

Environmental Initiatives

Nationwide, considerable concern has been expressed regarding the introduction and spread of aquatic invasive species. The SLSDC is involved in several initiatives to combat the spread of invasive species in the Great Lakes Saint Lawrence Seaway System. One such effort is the Great Ships Initiative (GSI) which is focusing resources and expertise on producing solutions to the problem of ship-mediated invasive species in the Great Lakes. The GSI program is an industry-led cooperative effort initiated by the Northeast-Midwest Institute, in collaboration with the American Great Lakes Ports Association. It will operate on two fronts: 1) activating a set of "technology incubators" to accelerate the identification and verification of treatment alternatives to stop organism introductions by ocean-going ships; and 2) monitoring Great Lakes ports and harbors for new introductions of invasive species by ships. Both elements will be overseen by an Executive Committee of which the SLSDC is a member. Additionally, as part of the GSI, the

SLSDC is assisting with a University-based research and testing project for the development of a ballast water treatment testing facility.

The SLSDC also serves on the Advisory Committee of the Great Lakes Maritime Research Institute (GLMRI), a National Maritime Enhancement Institute. The GLMRI's mission is to conduct research to support the advancement of the Great Lakes marine transportation system. The GLMRI, a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth, will conduct research and publish findings on maritime issues including aquatic invasive species, as outlined in the Coast Guard and Merchant Marine Act of 2004.

The SLSDC is also part of a larger binational effort formed this year, referred to as the "Green Marine" initiative, to confront environmental issues in the Great Lakes Seaway System. Launched by the Chief Executive Officers of 10 major stakeholders, including the two Seaway entities, ports and carriers, the Green Marine initiative is focused on a broad array of environmental issues including aquatic invasive species, dredging, air and water pollution. The initiative is being managed by representatives from seven marine associations and includes participation from a broad spectrum of maritime, industry and government leaders from throughout the Great Lakes/Seaway region.

The SLSDC recognizes that a proactive approach to maritime environmental issues is critical to the successful future of the Great Lakes St. Lawrence Seaway System. Furthermore, the environmental benefits of the marine mode of transportation are often overlooked and the Corporation will continue its efforts to promote these in the broader context of developing a sustainable transportation system.

Trade Development Activities

In addition to its operations and maintenance activities, the SLSDC also serves the various stakeholder groups in the Great Lakes St. Lawrence Seaway System with an aggressive trade development program. Started in 1985, the SLSDC trade development program aims to reach out to current and prospective customers and markets to assist in the growth of trade through the Great Lakes Seaway System.

The SLSDC collaborates with the Canadian Seaway Management Corporation on most business development and promotional initiatives. For example, in 2001 the two Seaway agencies unveiled a single, unified binational Internet web site (www.greatlakes-seaway.com) to help promote the Seaway System and highlight the advantages of shipping through the system. Since the site's unveiling in February 2001, the site has recorded more than 6.8 million page hits from visitors from more than 150 countries with significant increases in usage each year. In 2005 alone, the site set an annual record with 2.1 million page hits.

In addition to the web site, the two Seaway agencies co-sponsor overseas trade missions to traditional and emerging markets. Since 1985, the SLSDC has either sponsored or co-sponsored 28 trade missions to 64 cities in 37 countries. Most recently, the two Seaway agencies co-sponsored a Seaway Trade Mission last October to the traditional markets of the United Kingdom and Germany. A 21-member delegation met with key current and prospective

customers to encourage cargo shipments through the waterway, briefed International Maritime Organization officials on maritime issues affecting the Great Lakes, and hosted several informational seminars and presentations with port, carrier, and cargo officials to highlight the System's outstanding record of safety, efficiency, and reliability, as well as recent operational and technical enhancements and new cargo incentives. As a result of the mission, the two Seaway entities are currently working with two German vessel operators with Seaway-size ships to develop a regular feeder ship service.

The next Seaway Trade Mission, which is scheduled for late April 2006, will focus on the world's fastest growing trading market – China. The SLSDC and SLSMC will lead a 30-member binational delegation to the cities of Beijing, Shanghai and Hong Kong. The transportation demands created by Chinese economic growth have caused significant congestion at the primary U.S. coastal ports. Consequently, these delays have forced shippers and brokers to explore alternative transportation routes to facilitate Chinese waterborne trade. A primary purpose for the increased focus on China is to create awareness of the Great Lakes Seaway System as an alternative route and highlight its ability to provide capacity to this growing market.

The meetings in Beijing will be with ministerial, regulatory, trade and development agencies and associations. While in Shanghai, the delegation will meet with terminal operators, liner operators, and import and export cargo brokers. In Hong Kong, meetings will be scheduled with ship owners and operators that are currently shipping both bulk and container cargoes to the East Coast of North America.

Finally, over the past year, the SLSDC and SLSMC have fully developed a unified marketing brand for the Great Lakes Seaway System called "Highway H_2O". For many years, the various trade and transportation industries involved with shipping on the Seaway System were fragmented. The Highway H_2O brand was developed to bring together all Seaway stakeholders and provide a common theme and message to generate trade growth for the entire waterway. This concept has been endorsed by U.S. and Canadian Great Lakes Seaway System stakeholders and includes cost-sharing partners and supporters from ports and marine-associated enterprises, associations and interest groups.

Last September, the two Seaway entities co-hosted a two-day conference in Toronto on container shipping on the St. Lawrence Seaway under the banner of their Highway H_2O marketing campaign. The conference program focused on four main areas of interest: market trends in the container industry, bottlenecks and challenges facing the transportation industry, Europe's experience with various aspects of container shipping, and Great Lakes/Seaway solutions to surface congestion.

Future Highway H_2O initiatives include workshops on short-sea shipping and the retail industry, the Seaway Trade Mission to China in April 2006, and participation at various trade and transportation exhibitions.

Security Initiatives

The SLSDC will continue to operate and maintain the St. Lawrence Seaway with a heightened awareness towards security during FY 2007. The budget request for this program in FY 2007 is $250,000, which includes $100,000 for an upgrade to electronic/security equipment to move from the existing closed circuit television (CCTV) system to a new and expanded system to be carried on a new fiber optic backbone that was completed in FY 2005.

In addition to this capital project, SLSDC staff will continue to be trained and tested on the agency's contingency measures in the event of a security or terrorist-related incident. In addition, SLSDC staff will continue to aggressively pursue the objectives of its security program, which includes greater protection of SLSDC facilities, improved measures for employee and visitor entry into facilities, and planned contingencies for facilities/infrastructure in the event of a heightened security alert. The SLSDC will also continue to work collaboratively with federal security and intelligence agencies as situations arise.

The SLSDC is currently developing a new performance measure in the area of security to focus on the agency's readiness in the event of a security-related emergency either at the U.S. Seaway locks facilities in Massena, N.Y., or at the U.S. Department of Transportation Headquarters in Washington, D.C. The measure will focus on readiness in the areas of security preparation, Continuity of Operations (COOP), involvement in U.S. and Canadian federal, state, and provincial security working groups, and participation in security-related exercises/simulations.

SLSDC PROGRAM ASSESSMENT RATING TOOL (PART) RESULTS

In preparation for the FY 2007 budget cycle, the Office of Management and Budget (OMB) conducted its Program Assessment Rating Tool (PART) to measure the effectiveness of SLSDC operations. OMB developed PART to provide a standardized way to assess the effectiveness of the federal government's portfolio of programs. The structured framework of PART provides a means through which programs can assess their activities differently than through traditional reviews. A complete listing of all PART results and recommendations across the government can be found at www.expectmore.gov.

For the FY 2007 cycle, the SLSDC received a score of 90, which equates to an "effective" federal program. Findings and recommendations for the SLSDC's PART included:

PART Finding No. 1: The SLSDC is effective in ensuring that program resources reach the intended beneficiaries. The agency's efficiency measure of keeping administrative overhead costs to 25 percent or lower makes certain that operations and maintenance programs receive the highest level of funding possible. Annual customer surveys also assist management in determining program effectiveness and priorities.

PART Finding No. 2: The SLSDC effectively addresses any management deficiencies prior to impacting operations. The agency's Quality Management System, the core to its International Standards Organization (ISO) 9001:2000 certification, requires constant review and updates to

ensure that all management practices and deficiencies, if found, are addressed and remedied. Business practices are audited externally every two years.

PART Finding No. 3: The SLSDC consistently meets its short and long-term goals. The Seaway's principal annual goal of maintaining system availability at 99 percent is either met or narrowly missed every year. Additionally, annual operational and management accountability goals are met, including 42 consecutive unqualified financial audits and no material weaknesses or reportable conditions in its system of internal controls in any year.

PART Recommendation: The SLSDC should develop a performance rating system/index related to the U.S. Seaway infrastructure to assist in determining structural conditions.

During FY 2006, the SLSDC will begin addressing this PART recommendation and will work collaboratively with the Canadian St. Lawrence Seaway Management Corporation, which has been using a similar metric called the Reliability Index to measure the long-term health of the system. This index is based on a consideration of the condition of each structure, its importance, and risk levels.

2005 NAVIGATION SEASON OVERVIEW

The estimated tonnage for the St. Lawrence Seaway in 2005 was 43.3 million metric tons. This was a 163,000 metric ton decrease below the 2004 level or 0.38 percent. The decrease was led by a sharp decline in high-valued steel imports. During the 2005 season, 3.2 million metric tons of steel and other general commodities moved through the System representing a 24 percent decrease below 2004 figures. Early projections for the 2006 season indicate an increase for steel imports into the Great Lakes region via the Seaway due to lower prices for European steel, a weakening dollar and a stabilized economy.

Other traditional Seaway commodities saw increases in 2005. For example, grain exports increased 5 percent to 9.8 million metric tons, iron ore increased 5 percent to 11.0 million metric tons, and other bulk cargoes (salt, stone, cement, coke, petroleum products) increased 2 percent to 15.5 million metric tons. In addition to cargo movements, estimated total commercial transits through the St. Lawrence Seaway were 4,408, an increase of 8 percent over 2004 levels.

CONCLUSION

The FY 2007 request reflects the Administration's commitment to providing the global commercial users of the St. Lawrence Seaway with a safe, secure, efficient, and reliable transportation route. The SLSDC will continue to work towards achieving its goal of 99 percent system availability through its primary operational programs of winter maintenance to make capital and equipment improvements to the lock infrastructure; ongoing maintenance throughout the navigation season; and efficient vessel traffic control, utilizing Automatic Identification System (AIS) technologies to improve safety, security, and transit times, and vessel inspections for safety compliance.

Funding levels insufficient to meet legislatively-mandated personnel compensation and benefits increases and necessary maintenance and repair projects to the lock infrastructure will, at a minimum, jeopardize the SLSDC's ability to provide its customers with a safe and reliable transportation system. An even worse scenario would be a lock malfunction due to the agency's inability to complete necessary and recommended improvements and replacements, causing transportation delays throughout the binational system and redirecting the waterway's competitive customer base to other modes and routes of transportation.

The St. Lawrence Seaway has proven its vital significance to America's economy over almost half a century. It is a critical marine waterway for annual movement of tens of millions of tons of bulk and general commodities into and from North America's industrial and agricultural heartland. The SLSDC budget request will provide the agency the necessary resources to provide a safe, reliable and efficient transportation route, while also improving the long-term structural integrity of the U.S. Seaway infrastructure, through capital and maintenance replacements and improvements.

I want to thank you Chairman Duncan, Ranking Member Johnson, and all the members of the subcommittee for your continued support of the Seaway System. I look forward to working with you and am glad to respond to any questions you may have on my testimony.

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