

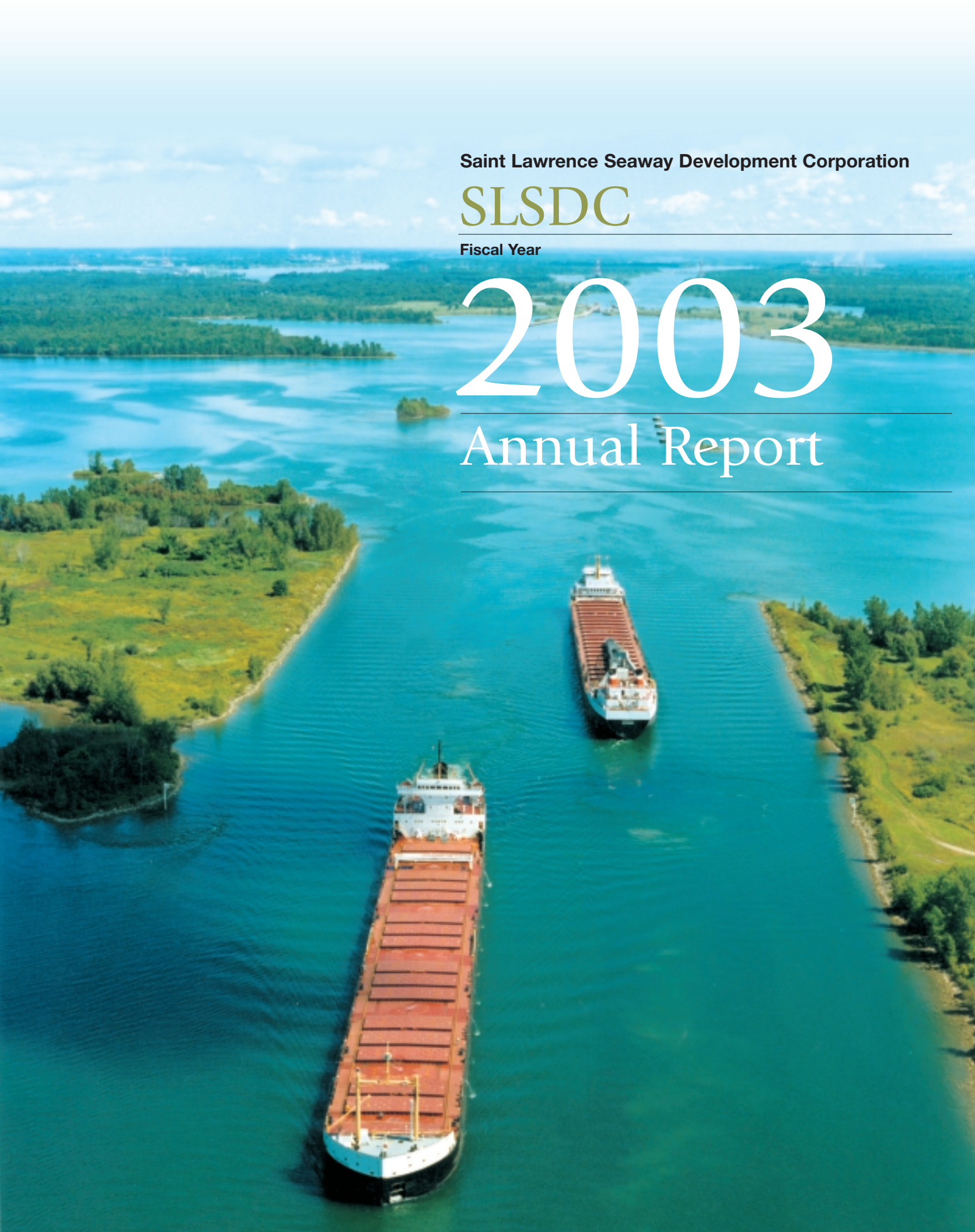
Saint Lawrence Seaway Development Corporation

SLSDC

Fiscal Year

2003

Annual Report



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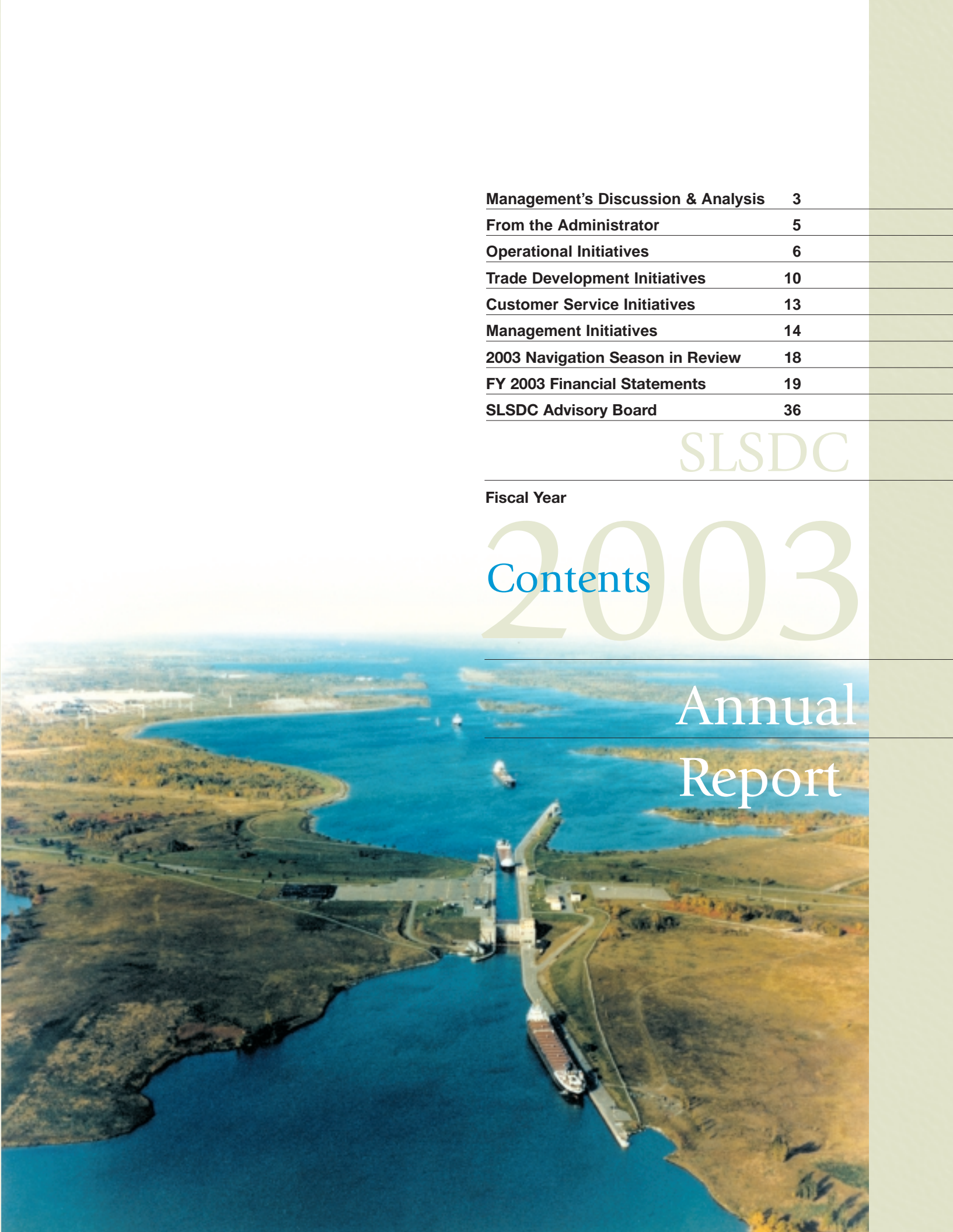
SLSDC

Fiscal Year

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Annual
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Mission Statement

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

Vision Statement

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

Core Organizational Values

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



The Great Lakes Seaway System annually generates more than 150,000 U.S. jobs, \$4.3 billion in personal income, \$3.4 billion in transportation-related business revenue, and \$1.3 billion in federal, state, and local taxes.

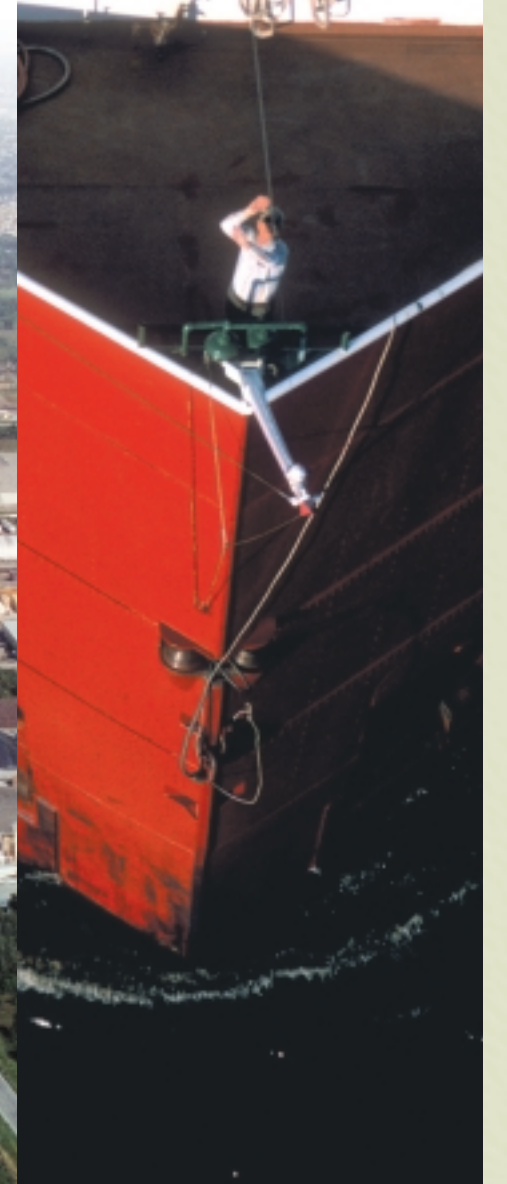
Authority

Overview

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC), a wholly owned government corporation and an operating administration of the U.S. Department of Transportation, is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization. The Great Lakes Seaway System annually generates more than 150,000 U.S. jobs, \$4.3 billion in personal income, \$3.4 billion in transportation-related business revenue, and \$1.3 billion in federal, state, and local taxes.

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

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





ALBERT S. JACQUEZ

From the Administrator

Each year, in accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards, Progress on the Seaway, I have the privilege of reporting to thousands of Great Lakes St. Lawrence Seaway System stakeholders on operational and financial issues through my organization's annual report. This report describes in detail the financial integrity and operational accomplishments of the Saint Lawrence Seaway Development Corporation in the fiscal year (FY) ended September 30, 2003.

Performance throughout FY 2003 on the Seaway underscored employee commitment to accomplishing our core mission of ensuring safe, efficient, reliable service on North America's premier inland deep draft waterway. We aggressively sought trade development opportunities with potential customers worldwide. Safe and secure transit of passengers, cargo, and mariners has never been more apparent to all. We worked diligently with a respected security firm to upgrade our engineering plan to implement security-related enhancements. In addition to performing critical maintenance during the winter months, we conducted a Continuity of Operations (COOP) exercise scenario, positing an armed terrorist takeover of a tanker in Eisenhower Lock.

Last season marked the first full year of mandatory carriage on the Seaway of the Automatic Identification System (AIS). The AIS navigation technology was used first on the Seaway before any other waterway in the Western Hemisphere. Its System-wide use begins in December 2004. Essential "lessons learned" were identified on the Seaway last fiscal year.

Strong U.S.-Canadian partnership has long characterized Seaway actions and planning, and last year was no different. The Memorandum of Cooperation signed in May by our transportation ministers stresses the importance of continuing a fruitful partnership that delivers safety, efficiency, and reliability in the Great Lakes Seaway System for the benefit of millions of our citizens.

The signing ceremony was the venue for the announcement of long-awaited Canadian participation in a comprehensive navigation study of the Great Lakes St. Lawrence Seaway System. This study will complement a U.S. Army Corps of Engineers Reconnaissance report that, when completed, will provide stakeholders vital engineering, economic, and environmental data on the state of the entire System's current and long-term infrastructure needs.

Our new film, "The Great Lakes St. Lawrence Seaway System – A Vital Waterway" and a new marketing brochure help us successfully market our System's many competitive advantages. The most important by far is our employees. The Corporation earned an upgrade to its International Standards Organization (ISO) certified quality management system in January 2003. The new standard (ISO 9001:2000) certification provides documented proof that our employees possess the skills expected by marine professionals. The proof shows in a 98.9 percent lock availability rate absent a single major accident in more than 2,500 transits. Those details and others, like our 40th 'clean audit' is in this report. It exudes confidence that we know our business and welcome yours.

ALBERT S. JACQUEZ
Administrator
Saint Lawrence Seaway Development Corporation



Last season marked the first full year of mandatory carriage on the Seaway of the Automatic Identification System (AIS). The AIS navigation technology was used first on the Seaway before any other waterway in the Western Hemisphere.

At the end of FY 2003, the SLSDC finalized plans to install a fiber optic network necessary for the electronic-based security enhancements.



Operational Initiatives

Critical Infrastructure and Navigation Security Measures

The SLSDC was proactive in implementing increased security measures following the events of September 11, 2001. Within days of the terrorist attacks, risk assessment inspections of all foreign-flagged vessels were conducted in Montreal, prior to their entry into U.S. waters. This protocol was developed with the full cooperation of the Canadian SLSMC, as well as U.S. and Canadian law enforcement and Coast Guard personnel. The protocol was further refined in March 2002 when the risk assessment inspection was combined with the existing Enhanced Seaway Inspection (ESI) program. The principal goal of the ESI program is to inspect all ocean vessels related to safety and environmental protection issues in Montreal, before they enter U.S. waters. By combining the two inspections into a single process, foreign-flag vessels will not be unnecessarily delayed for security screenings, unless the initial risk assessment compels additional scrutiny.

Security procedures, both maritime and internal, were developed to ensure that security was enhanced while minimizing any impacts on the efficiency of Seaway operations. In late 2001, SLSDC inspection personnel logged substantially more staff hours in carrying out the risk assessment protocol than normally projected. However, when the protocol was refined in 2002 and merged with the existing ESI program, this impact was negated.

In FY 2003, the SLSDC contracted with the firm of Edwards and Kelsey to

conduct an engineering plan for the implementation of other security-related enhancements recommended in the previous assessments. At the end of FY 2003, the SLSDC finalized plans to install a fiber optic network necessary for the electronic-based security enhancements. In FY 2004, the fiber network will be installed and the purchase and installation of video cameras and smart card/EZ pass systems for access to gates and buildings will be finalized.

Seaway Automatic Identification System (AIS) Project

Since 1992, the SLSDC has worked with the U.S. Department of Transportation's Volpe National Transportation Systems Center and Canadian partners to design and implement state-of-the-art AIS navigation technology.

On March 31, 2003, with the start of the navigation season, the U.S. and Canadian Seaway agencies began enforcing mandatory AIS use on commercial vessels entering the waterway in North America as a requirement for transit. The AIS project represents a major step forward in marine navigation technology. In fact, the Seaway is currently the world leader in developing shore-side applications for AIS.

AIS technology uses data from ship-to-ship, ship-to-shore, and shore-to-ship, thereby enabling a constant two-way communication between mariners and the three Seaway vessel traffic control centers. Originally developed primarily for safety reasons, AIS has become increasingly of interest to maritime security officials in the

post 9/11 environment as it offers the ability to track with precision any vessel carrying the transponder.

In the near future, permanent installation of AIS equipment will be required onboard commercial vessels in the entire Great Lakes St. Lawrence Seaway System from the Lakehead in Duluth, Minn., to traffic entering the Gulf of St. Lawrence on the Atlantic. Adoption of the technology, which has been approved by the International Maritime Organization, was embraced early on by the Canadian Shipowners Association and the Shipping Federation of Canada, both of which provided technical and financial assistance. The Department's Volpe National Transportation Systems Center served as technical contractor for development of the AIS project, which began almost a decade ago. AIS will soon be required internationally on commercial vessels.

Foreign Vessel Inspection Program

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

Each year, numerous foreign-flag vessels from more than 50 nations transit the U.S. locks and channels of the Seaway to and from the major port facilities in the Great Lakes. Prior to 1997, ship inspections were conducted at the U.S. Seaway locks in Massena, N.Y., which reduced safety and delayed ship traffic. The SLSDC, working closely with the USCG, restructured the inspection program in 1997. The goal of the revised program was to perform 100 percent of Enhanced Seaway Inspections (ESI) in Montreal for the first inbound transit of each ocean vessel in advance of entering U.S. waters. During the 2003 navigation season, through September 30, there were 177 inspections completed, all performed by SLSDC Marine Inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's goal of partnering for excellence.

The ballast water exchange program continues to be an important function of the ship inspection program. These inspections are carried out concurrently with the ESIs, by Corporation personnel in Montreal and by USCG and Corporation personnel at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. During the 2003 navigation season, through September 30, there were 41 ballast water exams conducted in Montreal and 22 in Massena, N.Y.

The Enhanced Seaway Inspection program exemplifies the Department of Transportation's goal of partnering for excellence.





SLSDC Winter Inspection and Preventative Maintenance Program

During the 2003 winter months, the SLSDC's Office of Maintenance and Marine Services completed a number of critical inspections and maintenance repairs on equipment and structures at both locks.

The 2002 Fall Buoy Run was completed on December 27 with the removal of aids from the South Cornwall Channel. Maintenance crews started installing stoplogs at both locks on December 26, 2002. Covering of Eisenhower was completed on December 31 and dewatering of the lock commenced. Setup of the Eisenhower Lock (stairs, furnaces, load centers) was completed on January 8, 2003.

Equipment and structures at both locks were inspected, with few problems found and routine repairs and annual preventive maintenance (switchgear, traveling nut limits and greasing) performed. A number of special projects targeted to improving the reliability and availability of the locks were completed.

Emergency Response Plan

A Continuity of Operations (COOP) exercise was conducted on November 20, 2002. This scenario involved an armed terrorist takeover of a tanker in the Eisenhower Lock. A simulated evacuation of the Lock and surrounding area, including the VTC, was conducted and shared traffic control was transferred to the SLSMC Control Center at St. Lambert Lock and our recently established alternate Traffic Control Center in our Administration

Building. This exercise met its goals to expeditiously evacuate Eisenhower Lock while maintaining vessel traffic control.

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

The Water Resources Development Act of 1999 directed the U.S. Army Corps of Engineers (USACE), in consultation with U.S. Department of Transportation (DOT through the SLSDC), to undertake the Navigation Study to examine improvements to the commercial navigation infrastructure of the Great Lakes St. Lawrence Seaway System. Possible improvements include new Seaway locks, deepening of connecting channels, and improvements to ports, dams, harbors, and other related features. Since January 2001, the USACE has partnered closely with DOT/SLSDC to carry out the Study's Reconnaissance Phase. The USACE was appropriated \$1 million to conduct this phase.

Earlier this year, the USACE approved the Reconnaissance Report, which recommends that the USACE prepare a supplement to further document the current condition of the commercial infrastructure of the Great Lakes St. Lawrence Seaway System. This will provide baseline data for the engineering, economic, and environmental features/conditions of the System, and will require close cooperation among five entities: Transport Canada, DOT, USACE, SLSDC, and the Canadian SLSMC. This next phase is expected to take several years to complete. The FY 2003 Appropriation Omnibus Bill passed by the Congress

and signed by the President included \$1.5 million for the USACE to carry out the next step in the Study. Canada has expressed its intention to contribute to the cost of the study as well.

On May 1, U.S. Transportation Secretary Mineta and Transport Canada Minister David Collenette signed a Memorandum of Cooperation (MOC) to ensure the ongoing success of the Great Lakes and St. Lawrence Seaway. The agreement serves as a keystone document for future binational cooperation, including the Navigation Study.

Currently, all projects related to the supplemental phase of the Reconnaissance Report are underway (engineering, economics, and environmental), along with meetings of the Study's Steering Committee. The Steering Committee is made up of the senior level officials from all U.S. and Canadian parties, with proposed additional representatives from the U.S. Fish and Wildlife Service and Environment Canada.



On May 1, U.S. Transportation Secretary Norman Y. Mineta and Transport Canada Minister David Collenette signed a Memorandum of Cooperation (MOC) to ensure the ongoing success of the Great Lakes and St. Lawrence Seaway.



Trade Development Initiatives

Trade Development Meetings

Twice a year the SLSDC brings together stakeholders who represent a cross section of the maritime community from the Great Lakes St. Lawrence Seaway System. These meetings provide an opportunity for both SLSDC and SLSMC leadership to discuss current and future initiatives, and also provide a forum for our stakeholders to discuss any concerns or marketing ideas they may have regarding their operations on the Great Lakes Seaway System. Prior to this year, the Trade Development meetings were held in U.S. locations, such as Chicago, Cleveland, and Detroit. The meetings were predominately attended by U.S. stakeholders. In an effort to increase the participation of Canadian stakeholders, it was decided that the spring meeting would be held in Montreal and the fall meeting in Chicago. As expected, the Canadian participation increased due to the location of the meeting, and the fall meeting maintained its normal presence of U.S. stakeholders.

The Spring Trade Development Meeting occurred on April 29, 2003, in Montreal, Quebec. This meeting marked the first time that both Seaway Corporations jointly hosted the semi-annual meeting. The fall meeting was held on September 10, 2003, in Chicago, Illinois. During both meetings, discussions focused on various pilotage issues, a recap of the 2002 navigation season, an update on the Army Corps of Engineers progress on the Great Lakes Seaway System Navigation Study, the Fall 2003 Seaway Trade Mission to Belgium and The Netherlands, and cruise ship initiatives.

New Marketing Brochure

In late FY 2003, the SLSDC's Office of Trade Development published a new, eight-page marketing brochure that is complete with detailed descriptions and photos of operating on the Great Lakes St. Lawrence Seaway System. The brochure will be used as a marketing tool for domestic and international audiences, and expands on the competitive advantages of using the Seaway System, Great Lakes Seaway System cargoes, state-of-the-art maritime technology, and industry contacts throughout the System.

Marketing and Public Awareness Videos

In January 2003, the SLSDC and Canadian SLSMC unveiled their new binational marketing video: The Great Lakes St. Lawrence Seaway System – A Vital Waterway. The two Corporations conducted the initial screenings of the 10-minute marketing video to Seaway stakeholders during the Toronto and Cleveland Marine Day events, January 2003. Seaway stakeholders, both Canadian and U.S., are extremely pleased with the final product. Through film coverage of the ports, lakes, rivers, channels, and locks, the video depicts the many competitive advantages of using the waterway, and expands on Seaway cargoes and our binational goals to maintain a safe and reliable waterways system.

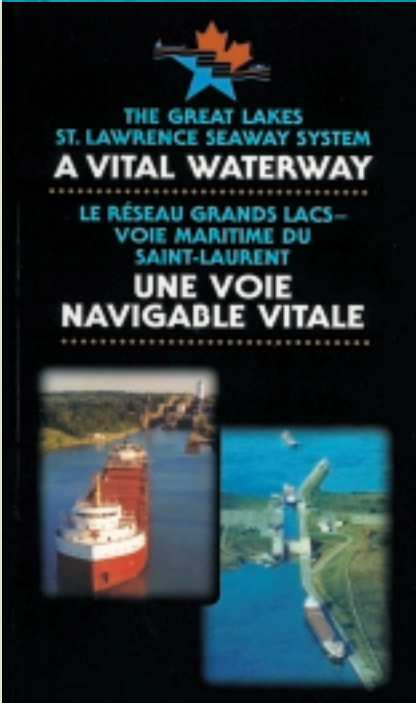
In an effort to increase awareness and educate individuals about the Great Lakes Seaway System, the two Seaway entities will also produce a second video entitled: The Great Lakes St. Lawrence Seaway System: Perspective of a Vital Waterway. The 22-minute

video will capture the history of the Seaway System from the construction phase to current operations and depict why the St. Lawrence Seaway is considered to be one of the top 10 public works projects of the 20th century. The distribution of this video is intended for public schools in the eight-State, two-Province Great Lakes region, to museums and community groups surrounding the Great Lakes ports, Public Broadcast Stations, and Congressional and Ministerial members and staff. Filming began in June 2003 and completion is expected in early FY 2004.

Cruise Vessel Promotional Activities

On March 3-7, 2003, Administrator Albert S. Jacquez, Trade Development and Public Affairs Director Rebecca McGill, and Marine Specialist Tom Rausch traveled to Miami, Florida, to attend the annual Seatrade Cruise Convention to promote the Great Lakes Seaway System as an attractive cruise ship destination. This is one of the largest trade shows for the cruise ship industry, attracting more than 100,000 people who work as executives, operations staff, travel agents, suppliers, ship owners, shipbuilders, ship operators, tour operators, and itinerary planners. Over the past few years, the SLSDC, in concert with the Great Lakes Cruising Coalition, has focused a segment of its trade development initiative on attracting cruise ships into the Great Lakes St. Lawrence Seaway System. In addition to providing a Great Lakes Seaway Technical Cruise Vessel Guide, a promotional brochure was distributed by the SLSDC that highlighted the advantages of cruising through the Great Lakes Seaway System. The two Seaway entities also have developed a special section for their binational web site to highlight cruising initiatives.

The annual Seatrade Cruise Convention is one of the largest trade shows for the cruise ship industry, attracting more than 100,000 people.



Above: New Marketing Brochure and Public Awareness Video.

The site had record-setting months throughout the year, with September 2003 reaching 135,000 page hits, and also recorded its one-millionth page hit for the year.



Binational Seaway Website

On February 26, 2001, the SLSDC and SLSMC launched a new jointly developed Great Lakes St. Lawrence Seaway System binational Internet website – www.greatlakes-seaway.com. The website is a unique public-private partnership and is the result of feedback from Seaway customers who requested a “one-stop” Internet site for locating U.S. and Canadian information related to transiting the Seaway System. It is intended to promote the binational system in an effort to generate new business.

The binational website has been extremely well-received domestically and internationally from the maritime and trade communities since its launch in February 2001. The site had record-setting months throughout the year in FY 2003, with September 2003 reaching 135,000 page hits, and also in September 2003, the site recorded its one-millionth page hit for the year.

Recent highlights for the site include exceeding 850 subscribers to the free e-mail notification system and the posting of the new Seaway marketing video on-line for viewing via the Internet.

Ship Drawing Reviews

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

Burns Harbor (right) and Cleveland (below) were two U.S. Great Lakes ports and terminals that have registered increases in overseas cargo tonnage shipped through the Seaway during the preceding navigation season. They received the Robert J. Lewis Pacesetter Award presented annually by the SLSDC.



attracting ocean freighter and passenger vessel traffic to the Seaway.

Seaway Ship Inspectors completed 58 formal ship drawing reviews for the 2003 navigation season, through September 30.

Seaway Tie-Up Service

To accommodate vessel operators who have elected not to install or use landing booms, the Seaway entities initiated tie-up services in 1995 on a cost-recovery basis. The fee for the service continues to be C\$1,500 for each round trip through the Montreal-Lake Ontario and Welland Canal sections. During the 2003 navigation season, through September 30, a total of 102 vessels requested the tie-up service in the Montreal-Lake Ontario section, and 65 vessels requested the service in the Welland Canal section.



Customer Service Initiatives

Seaway Robert J. Lewis Port Pacesetter Awards

The Robert J. Lewis Pacesetter Award is presented by the SLSDC annually to those U.S. Great Lakes ports and terminals that have registered increases in overseas cargo tonnage shipped through the Seaway during the preceding navigation season. The 2003 presentations marked the 12th anniversary of the award.

During the 2002 navigation season there were four U.S. Great Lakes ports and one terminal operator that received the award: the Port of Milwaukee reported a 25 percent increase; Ports of Indiana - Burns Harbor, Indiana reported a 3 percent increase; Cleveland-Cuyahoga County Port Authority, Ohio, reported an 18 percent increase; Ogdensburg Bridge and Port Authority, N.Y. reported a 34 percent increase; and Lake Superior Warehousing Co. terminal in Duluth, Minn., reported a 29 percent increase.



Management Initiatives



Award recipients left to right:
Randy Derouchie
Jill Hamilton
Craig Middlebrook



SLSDC/SLSMC Joint Strategic and Business Development Plan

During FY 2003, the SLSDC and SLSMC continued work on their joint binational strategic business plan to ensure that the two Seaway governing entities work toward the common goals of improving customer service and reducing costs. Joint initiatives completed during FY 2003 included binational Seaway trade development meetings, the completion of joint studies looking at the Seaway's competitiveness and market growth, and the continued operation of the binational web site.

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

SLSDC Departmental Awards Recipients

On November 14, 2002, three SLSDC employees and an SLSDC team were honored by Secretary Mineta at the Thirty-Fifth Annual DOT Awards Ceremony held in Washington, D.C. They were:

Craig Middlebrook, Deputy Administrator, Washington, D.C., received the Volunteer Service Secretary's award. Mr. Middlebrook was recognized for extraordinary dedication and commitment to serving his local community, church, and the Department's education task force of the Garrett A. Morgan Technical and Transportation Futures Program.

Jill Hamilton, Team Leader, Massena, N.Y., received the silver medal Secretary's award for Meritorious Achievement, the third highest award within the Department for civilian employees. Ms. Hamilton was recognized for her extraordinary achievement in the development of Corporation plans in support of the President's Management Agenda.

Randy Derouchie, Lock and Dam Operator, Massena, N.Y., received the Secretary's Award for Excellence. Mr. Derouchie was recognized for outstanding performance and contributions to the safety and suggestion programs.

The Secretary's Team Award was given to the Mechanical Maintenance Team, Massena, N.Y. for outstanding teamwork in providing maintenance services that ensure the reliability and safety of the U.S. Seaway locks.

SLSDC Personnel Re-Organization

On December 1, 2002, the SLSDC Washington, D.C. office re-organized, streamlining from three units to two. The Communications team was transferred to the Director of Trade Development and Public Affairs. The name of the Budget and Logistics office was changed to reflect new responsibilities, now being recognized as the Office of Budget, Strategic Planning and Information Technology (OBSPIT).





Lori Curran

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 internal and external.



Carol Fenton

Fenton Named SLSDC Deputy Associate Administrator

On December 9, 2002, the SLSDC named Carol Fenton as Deputy Associate Administrator in the operations headquarters in Massena, N.Y. Fenton's new position makes her second in command in Massena and principal advisor to the Associate Administrator. She formerly served as the Corporation's Director of Lock Operations.

Curran Named SLSDC Director of Lock Operations

On January 10, 2003, the SLSDC named Lori Curran as Director of Lock Operations in Massena, N.Y. In the new position, Curran has the authority and responsibility for the direction of lock operations, vessel traffic control, vessel inspection programs, and the International Organization for Standardization program.

ISO Certification

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

tomers, assessed their needs, and improved SLSDC services.

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

Education/Mentoring Programs

The SLSDC continued its Adopt-A-School program with the Jefferson Elementary School in Massena, N.Y., and its partnering efforts with the Tech Prep/School-to-Work-Initiative with Massena Central High School and Clarkson University's School of Business, to prepare high school juniors and seniors for post school employment. In FY 2003, one student participated in the job-shadowing program. SLSDC employees attended Jefferson Elementary School to participate in a "Who Does This Job" match game with the students. SLSDC employees explained their jobs and the subjects that prepared them for their careers. The fifth grade class also participated in the National

Management Initiatives



Winners of the 5th grade "St. Lawrence Seaway...It keeps America Moving" contest.

Transportation Poster Contest; the theme was "St. Lawrence Seaway...It Keeps America Moving." Winners were selected and awarded U.S. Savings Bonds by SLSDC's Associate Administrator Sal Pisani. In recognition of Earth Day, the sixth graders at Jefferson Elementary were given a presentation by the Seaway on the osprey nesting platform project and tern nesting sites project that are ongoing in coordination with area environmental groups. As part of the Jefferson Elementary's Annual Outdoor Activities Week, 75 sixth graders were given a tour of the SLSDC Grasse River Gatelifter and a tug ride onboard the SLSDC's Robinson Bay.



2003 Navigation Season In Review

Estimated total tonnage through the Montreal-Lake Ontario section (MOLO) of the St. Lawrence Seaway in 2003 was 28.9 million metric tons, 1.1 million metric tons or 4 percent below the 2002 total. The decrease can be attributed, in large part, to higher global freight rates due to strong demand from China, weaker U.S. dollar valuation, the continuation of grain export reductions due to lower European grain imports, and significant reductions to general cargoes, including iron and steel products. The reduction of import steel also had a secondary effect on export grain. It is estimated that approximately 20-30 percent of ocean-going vessels exporting grain from the Great Lakes Seaway System enter the waterway carrying steel. The final weeks of the navigation season did result in high levels of grain movements on Canadian laker vessels as the Canadian Wheat Board began moving more grain exports via the St. Lawrence Seaway. In addition to cargo movements, estimated total commercial transits through the Montreal-Lake Ontario section were slightly below 2002 levels at 2,579 transits.

Several commodities posted increases in 2003: Canadian grain (up 4 percent to 5.8 million metric tons), petroleum products (up 30 percent to 1.6 million metric tons), potash (up 87 percent to 99,000 metric tons), ores and concentrates (up 67 percent to 357,000 metric tons), chemicals (up 10 percent to 632,000 metric tons), and gypsum (up 25 percent to 632,000 metric tons).

2003 Commodity and Transit Summary				
Montreal-Lake Ontario Section — Volume in Metric Tons				
Commodities	2003	2002	Change	
			Tons	Percent
Grain	9,189,000	9,863,912	(674,912)	(7%)
Government Aid	8,000	25,834	(17,834)	(70%)
Iron Ore	9,262,000	8,166,897	1,095,103	13%
Coal	215,000	336,425	(121,425)	(36%)
Coke	681,000	847,622	(166,622)	(20%)
Other Bulk	6,963,000	6,589,510	373,490	6%
Manufactured				
Iron and Steel	2,062,000	2,929,512	(867,512)	(30%)
Steel Slabs	427,000	1,138,112	(711,112)	(62%)
Other General	56,000	89,747	(33,747)	(38%)
Containers	15,000	14,721	279	2%
Cargo Total	28,878,000	30,002,292	(1,124,292)	(4%)
			Change	
			Transits	Percent
Vessel Transits	2002	2001		
Loaded Transits	1,734	1,818	(84)	(5%)
Ballast Transits	845	794	51	6%
Transit Total	2,579	2,612	(33)	(1%)

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Fiscal Year

Financials

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Corporation’s Statement on Internal Accounting and Administrative Control System

- 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.

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, 2003 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 concept of reasonable assurance recognizes that in implementing them, the cost of internal control should not exceed the benefits expected to be derived from, 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, 2003, 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 2003 and prior years.



Report of Independent Auditors on the Financial Statements

To the Administrator of the Saint Lawrence Seaway Development Corporation

We have audited the accompanying statements of financial position of the Saint Lawrence Seaway Development Corporation (the Corporation) a wholly-owned U.S. Government corporation, as of September 30, 2003 and 2002, and the related statements of Operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses and changes in equity of the U.S. Government for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in U.S. *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with U.S. *Government Auditing Standards*, we have also issued our report dated November 14, 2003, on our consideration of Saint Lawrence Seaway Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with U.S. *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Daniel Eke and Associates, P.C.

Silver Spring, Maryland
November 14, 2003

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

To the Administrator of the Saint Lawrence Seaway Development Corporation

We have audited the financial statements of the Saint Lawrence Seaway Development Corporation (the Corporation) as of and for the years ended September 30, 2003 and 2002, and have issued our report thereon dated November 14, 2003. We conducted our audits in accordance with U.S. *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saint Lawrence Seaway Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under U.S. *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Saint Lawrence Seaway Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Saint Lawrence Seaway Development Corporation. However, this report is a matter of public record and its distribution is not limited.

Daniel Eke and Associates, P.C.

Silver Spring, Maryland
November 14, 2003

Statements of Financial Position

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2003 and 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash:		
Held by U.S. Treasury	\$3,160,909	\$3,163,310
Held in banks and on hand	90,128	86,179
Short-term time deposits in minority banks (Note 3)	10,858,000	10,906,000
Accounts receivable (Note 4)	63,379	93,043
Inventories (Note 2)	254,695	262,463
Total current assets	14,427,111	14,510,995
LONG-TERM INVESTMENTS:		
Long-term time deposits in minority banks (Note 3)	392,000	98,000
Total long-term investments	392,000	98,000
PLANT, PROPERTY AND EQUIPMENT:		
Plant in service (Note 5)	157,842,397	157,121,402
Less: Accumulated depreciation	(78,393,301)	(76,071,169)
Net plant in service	79,449,096	81,050,233
Work in progress	676,986	575,997
Total plant, property and equipment	80,126,082	81,626,230
OTHER ASSETS:		
Lock spare parts (Note 2)	785,095	837,341
Less: Accumulated depreciation	(229,743)	(229,186)
Net lock spare parts	555,352	608,155
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	7,440	7,440
Total other assets	562,792	615,595
DEFERRED CHARGES:		
Workman's compensation benefits (Note 2)	1,989,436	1,722,394
Total deferred charges	1,989,436	1,722,394
TOTAL ASSETS	\$97,497,421	\$98,573,214

The accompanying notes are an integral part of these statements.

Statements of Financial Position

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2003 and 2002

LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	2003	2002
CURRENT LIABILITIES:		
Accounts payable	\$786,137	\$888,241
Accrued annual leave (Note 2)	698,950	674,072
Accrued payroll costs	291,099	244,547
Disbursements in transit	-	31,921
Total current liabilities	1,776,186	1,838,781
ACTUARIAL LIABILITIES:		
Workman's compensation benefits (Note 2)	1,989,436	1,722,394
Total actuarial liabilities	1,989,436	1,722,394
Total liabilities	3,765,622	3,561,175
EQUITY OF THE U.S. GOVERNMENT:		
Invested capital (Note 2)	95,098,850	96,594,627
Cumulative results of operations (deficit)	(1,367,051)	(1,582,588)
Total equity of the U.S. Government	93,731,799	95,012,039
TOTAL LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	\$97,497,421	\$98,573,214

The accompanying notes are an integral part of these statements.

Statements of Operations and Changes in Cumulative Results of Operations

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES IN CUMULATIVE RESULTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2003 and 2002

	2003	2002
OPERATING REVENUES:		
Appropriations expended	\$12,964,344	\$12,122,046
Imputed financing (Note 9)	864,442	716,842
Other (Note 7)	418,809	424,401
Total operating revenues	14,247,595	13,263,289
OPERATING EXPENSES (NOTE 8):		
Locks and marine operations	2,839,906	2,673,230
Maintenance and engineering	3,551,308	3,406,562
General and development	3,468,309	3,426,995
Administrative expenses	3,533,046	3,257,011
Depreciation	2,505,874	2,379,819
Imputed expenses (Note 9)	864,442	716,842
Total operating expenses	16,762,885	15,860,459
Operating loss	(2,515,290)	(2,597,170)
OTHER FINANCING SOURCES:		
Interest on deposits in minority banks	224,953	424,296
Transfer from invested capital for depreciation	2,505,874	2,379,819
Total other financing sources	2,730,827	2,804,115
OPERATING REVENUES AND OTHER FINANCING SOURCES OVER OPERATING EXPENSES	215,537	206,945
Beginning cumulative results of operations (deficit)	(1,582,588)	(1,789,533)
ENDING CUMULATIVE RESULTS OF OPERATIONS (deficit)	\$(1,367,051)	\$(1,582,588)

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating revenues and other financing sources over operating expenses	\$215,537	\$206,945
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by operating activities:		
Depreciation	2,505,874	2,379,819
Transfer from invested capital for depreciation	(2,505,874)	(2,379,819)
Net (gain) loss on property disposals	(11,419)	5,552
Change in assets and liabilities		
Decrease in accounts receivable	29,664	77,073
Decrease (increase) in inventories	7,768	(3,808)
Decrease in other current assets	-	400
Decrease (increase) in other assets	52,246	(103,670)
Decrease in accounts payable	(102,104)	(111,065)
Increase in accrued liabilities	39,509	119,644
Net cash provided by operating activities	231,201	191,071
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from property disposals	16,347	44,427
Acquisition of plant, property and equipment	(1,010,097)	(1,182,954)
Net decrease in time deposits	(246,000)	687,000
Net cash used in investing activities	(1,239,750)	(451,527)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations for plant, property and equipment	1,010,097	1,182,954
NET INCREASE IN CASH	1,548	922,498
Cash at beginning of period	3,249,489	2,326,991
CASH AT END OF PERIOD	\$3,251,037	\$3,249,489

The accompanying notes are an integral part of these statements.

Statement of Budgetary
Resources and Actual
Expenses (NOTE 12)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	BUDGET		
	Resources	Obligations	Expenses
Saint Lawrence Seaway Development Corporation Fund	\$28,877,982	\$14,068,116	\$16,762,885
Budget Reconciliation:			
Total expenses			16,762,885
Adjustments			
Add:			
Capital acquisitions			1,010,097
Deduct:			
Depreciation			(2,505,874)
Imputed expenses			(864,442)
Decrease in net plant in service, property disposals			(4,928)
Decrease in inventories			(7,768)
Increase in other assets			(52,246)
Less reimbursements:			
Trust funds			(13,974,441)
Revenues from non-federal sources			(643,762)
Accrued expenditures			\$(280,479)

The accompanying notes are an integral part of these statements.

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

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
FOR THE YEARS ENDED SEPTEMBER 30, 2003 and 2002

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2001	\$97,791,492	\$-	\$(1,789,533)
Appropriations expended		(12,122,046)	12,122,046
Fiscal Year 2002 appropriations		13,305,000	
Other financing sources			1,565,539
Operating expenses, excluding depreciation and imputed expenses			(12,763,798)
Depreciation expense			(2,379,819)
Imputed expenses			(716,842)
Transfer from invested capital for depreciation	(2,379,819)		2,379,819
Capital expenditures	1,182,954	(1,182,954)	-
Balance, September 30, 2002	96,594,627	-	(1,582,588)
Appropriations expended		(12,964,344)	12,964,344
Fiscal Year 2003 appropriations		13,974,441	
Other financing sources			1,508,204
Operating expenses, excluding depreciation and imputed expenses			(13,392,569)
Depreciation expenses			(2,505,874)
Imputed expenses			(864,442)
Transfer from invested capital for depreciation	(2,505,874)		2,505,874
Capital expenditures	1,010,097	(1,010,097)	-
Balance, September 30, 2003	\$95,098,850	\$-	\$(1,367,051)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. THE CORPORATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Included in lock spare parts are certain items having an expected service life between 5 and 50 years. The cost of these items totals \$247,809 at September 30, 2003. These lock spare parts are an integral part of the lock machinery that allow for replacement of parts, periodically removed from service for maintenance, without causing a shutdown of the Seaway. Effective for the fiscal year ended September 30, 1993, lock spare parts having expected service lives are depreciated over their service life. The balance of lock spare parts totaling \$537,286 at September 30, 2003, consists of expendable inventory items valued at the lower of cost or market with cost being determined using the weighted-average method.

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

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

fiscal year 1994, the actuarial liability of these benefits are recognized and recorded in these statements. The liability and deferred charge recorded reflects the actuarial liability as determined by the Department of Labor.

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

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

Budget Authority – The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of \$14,874,441 for fiscal year (FY) 2003, \$13,974,441 from the Fund (Public Laws 108-7) and \$900,000 from non-federal revenues. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled \$14,068,116 for FY 2003. The Corporation's unobligated balance at September 30, 2003 totaled \$14.8 million including \$3.2 million unused borrowing authority. For FY 2004, the Corporation is operating on a Continuing Resolution based on the FY 2003 level of \$13,974,441. In addition, authority to obligate \$900,000 of non-federal revenues has been apportioned by OMB for FY 2004.

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

3. TIME DEPOSITS IN MINORITY BANKS

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

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (September 30, 2003 and 2002)

4. ACCOUNTS RECEIVABLE

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables as of September 30, 2003 and 2002 are as follows:

	2003	2002
Due from concession contracts	\$ 21,810	\$ 18,473
Interest on deposits in minority banks	9,314	14,319
Reimbursable work	-	12,764
Other	32,255	47,487
Total	\$ 63,379	\$ 93,043

5. PLANT IN SERVICE

Plant in service as of September 30, 2003 and 2002 is as follows:

Plant in Service	Estimated Life (Years)	2003		2002	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Lands in fee	N/A	\$ 867,526	N/A	\$ 867,526	N/A
Land rights & relocations	95	5,639,064	2,353,487	5,639,064	2,294,277
Locks & guidewalls	40-100	75,601,335	37,617,844	75,564,326	36,634,789
Roads & bridges	50	9,152,820	7,754,923	9,152,820	7,571,866
Channels & canals	95	36,870,221	15,230,349	36,870,221	14,843,211
Public use facilities	50	918,409	590,993	892,157	572,529
Navigation aids	10-40	2,939,691	2,288,377	2,939,691	2,229,814
Buildings, grounds & utilities	50	13,810,723	5,078,136	13,382,772	4,807,748
Permanent operating equipment	5-40	12,042,608	7,479,192	11,812,825	7,116,935
Total plant in service		\$157,842,397	\$78,393,301	\$157,121,402	\$76,071,169

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

Notes to Financial
Statements

6. INVESTMENT IN THE
SEAWAY INTERNATIONAL
BRIDGE CORPORATION,
LTD. (SIBC)

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

7. OTHER REVENUES

Other revenues for the years ended September 30, 2003 and 2002 consist of the following:

	2003	2002
Concession operations	\$ 180,181	\$ 194,459
Shippers' payments for damages to locks	29,330	16,480
Rental of administration building	63,882	61,925
Vessel towing services	7,350	40,740
Pleasure craft/non-commercial tolls	85,971	83,427
Miscellaneous (net)	52,095	27,370
Total	\$418,809	\$424,401

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.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (September 30, 2003 and 2002)

8. OPERATING EXPENSES
BY OBJECT CLASS

Operating expenses by object class for the years ended September 30, 2003 and 2002 are as follows:

	2003	2002
Personnel services and benefits	\$10,863,376	\$10,206,825
Travel and transportation	146,909	155,841
Rental, communications and utilities	430,594	444,640
Printing and reproduction	62,539	43,588
Contractual services	1,053,894	1,154,175
Supplies and materials	663,735	568,500
Equipment not capitalized	168,195	183,645
Uncollectible accounts	-	1,032
Loss on property disposals	3,327	5,552
Subtotal	\$13,392,569	\$12,763,798
Depreciation expense	2,505,874	2,379,819
Imputed expenses	864,442	716,842
Total operating expenses	\$16,762,885	\$15,860,459

9. RETIREMENT PLANS

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

Contributions to the retirement plans and Social Security for the years ended September 30, 2003 and 2002 are as follows:

	2003	2002
Civil Service Retirement System	\$ 269,131	\$ 309,186
Federal Employees Retirement System:		
Automatic contributions	569,756	516,172
Matching contributions	173,471	148,884
Social Security	333,335	305,365
Total	\$1,345,693	\$1,279,607

10. CONTINGENCIES AND
COMMITMENTS

As of September 30, 2003, there were two claims from current employees pending against the Corporation. However, no provision for liability has been recorded, as the Corporation feels it will prevail. In addition to the current liabilities at September 30, 2003 and 2002 there were undelivered orders and contracts amounting to \$1,178,364 and \$1,522,207, respectively.

11. RELATED PARTY
TRANSACTIONS

The Corporation receives rental payments for office space provided to U.S. Immigration and Naturalization Service, the U.S. Coast Guard and the Internal Revenue Service at its administration building in Massena, New York. For the years ended September 30, 2003 and 2002, revenue totaled \$60,795 and \$58,940, respectively.

The Corporation made rental payments to the General Services Administration for our Washington, D.C. office totaling \$218,744 and \$223,967 for fiscal years 2003 and 2002, respectively.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Amounts due under reimbursable agreements with federal agencies for FY 2003 and FY 2002 were as follows:

	2003	2002
Volpe National Transportation Systems Center	\$ 30,000	-
Department of Commerce	35,000	35,000
Office of the Secretary of Transportation	14,526	14,226
United States Coast Guard	895	856
Total	\$ 80,421	\$ 50,082

Accounts payable at September 30, 2003 and 2002 include \$540,580 and \$540,730 respectively, of amounts payable to the U.S. Government.

In fiscal years 2003 and 2002, the Corporation accrued costs of \$62,648 and \$53,591, respectively, to the St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

12. STATEMENT OF BUDGETARY
RESOURCES AND ACTUAL
EXPENSES

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

Budget resources of \$28,877,982 consist of the Corporation's unobligated balance of \$14,185,544 brought forward from October 1, 2002, and reimbursements earned of \$14,618,203 and recoveries of prior year's obligations of \$74,235 during FY 2003.

SLSDC Advisory Board

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Former Governor of Wisconsin
Madison, Wisconsin
1996-present

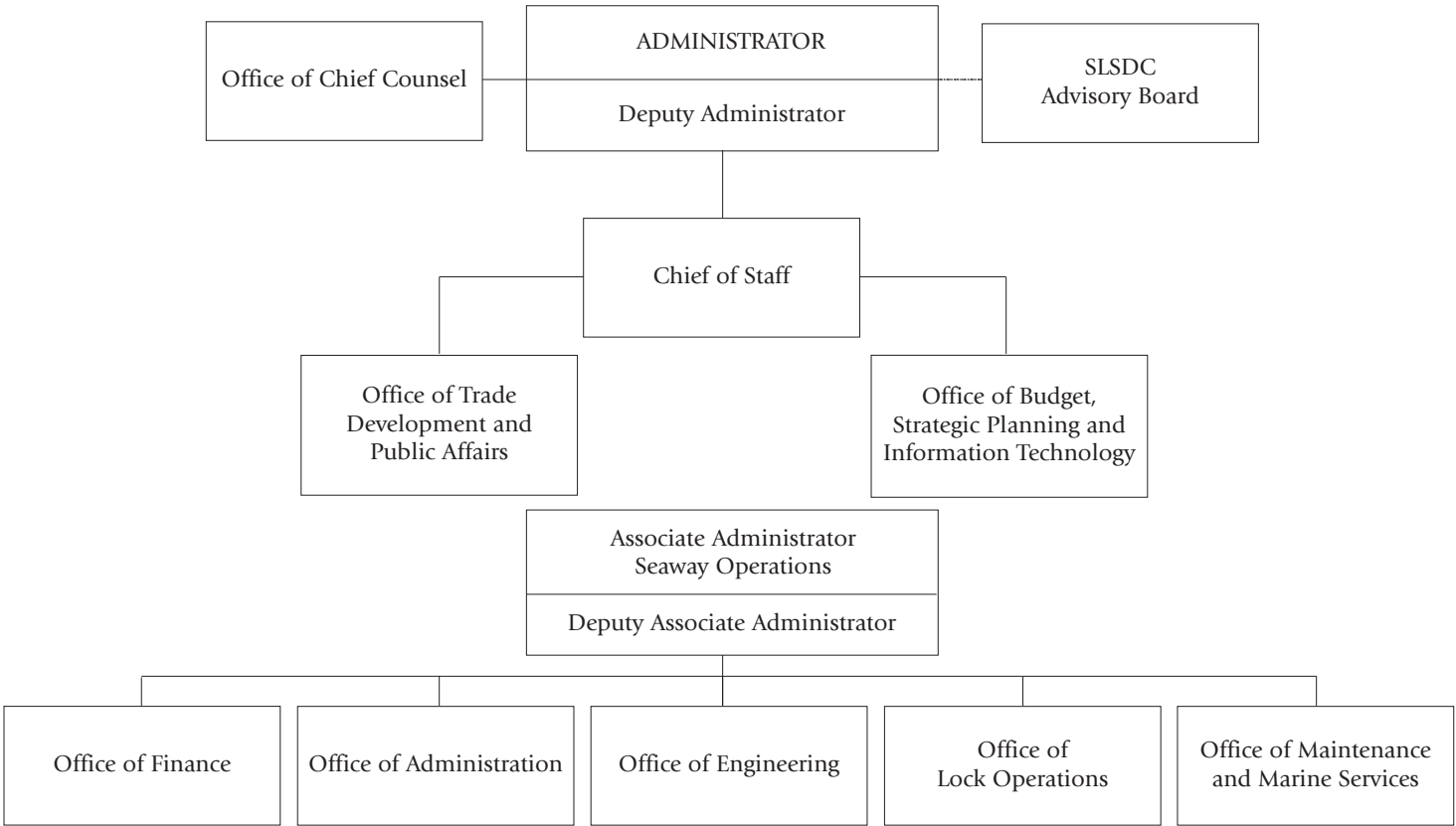
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1996-present

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Founder, Engineering Technology, Ltd.
Clarkson, Michigan
1996-present

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

SLSDC organizational chart





SLSDC

Saint Lawrence Seaway Development Corporation

Policy Headquarters

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