



**WRITTEN STATEMENT OF
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SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**

**BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES**

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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. The SLSDC has total assets of \$160 million (cost basis), which includes locks, navigation equipment, buildings, and other equipment and supplies necessary for the operation of the Seaway.

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 binational waterway is expected to become an even more important commercial transportation route over the next decade as the U.S. and Canadian governments seek ways to ease highway and rail congestion, especially along North America's East and West Coasts and Midwest region. In the past few years, the St. Lawrence Seaway has enjoyed significant growth in new business as the waterway has become a viable alternative for shippers looking to avoid port, highway, and rail congestion. Each Seaway maximum size vessel carries roughly 25,000 metric tons, the equivalent of 870 semi-trucks. As congestion-related initiatives such as Short Sea Shipping continue to develop, the St. Lawrence Seaway will further improve its position as a competitive alternative for shipments to and from the Midwest.

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 2006 navigation season alone, 47.2 million metric tons of cargo, mostly grain, iron ore, steel and other bulk, passed through the Seaway, representing a cargo value of \$7.7 billion.

FISCAL YEAR (FY) 2008 BUDGET ESTIMATE

The Saint Lawrence Seaway Development Corporation's (SLSDC) budget request for Fiscal Year (FY) 2008 is \$17,392,000, derived from the Harbor Maintenance Trust Fund (HMTF). This appropriations request, coupled with the SLSDC's estimated non-federal revenues (\$900,000), will allow the agency to fund its 157 Full-Time Equivalent (FTE) staff and continue its operational and maintenance programs for the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

The budget request includes a non-capital maintenance / special projects program of \$2,070,000, a net increase of \$385,000 above the FY 2007 request level, and a capital plan budget of \$740,000, a decrease of \$1.1 million below the FY 2007 request level.

The SLSDC's total FY 2008 request is \$47,000 above the FY 2007 President's Budget request level. Within the net increase, there are several baseline and program changes:

- \$660,000 increase in net personnel compensation and benefits;
- \$385,000 increase in maintenance-related special projects;
- \$74,000 increase in inflationary adjustments;
- \$16,000 increase in DOT Working Capital Fund projections;
- \$15,000 increase in Homeland Security Presidential Directive (HSPD-12) security-related improvements;
- \$1,100,000 decrease in capital replacements and improvements; and a
- \$3,000 decrease in GSA rent estimates for the Washington office.

The SLSDC's request directly supports four of the five President's Management Agenda initiatives (the SLSDC is exempt from competitive sourcing as a government corporation) as well as the Department's strategic goals of Global Connectivity (efficient cargo movement) and Security, Preparedness and Response (supplemental goal of Seaway readiness). Additionally, the request addresses the SLSDC's internal strategic and performance goals. These internal goals include improving safety and security; protecting the environment; increased transportation capacity and more efficient movement of goods; trade development; and management accountability. The request, separated by Department strategic goals and performance measures, includes \$17,182,000 directed at maritime navigation programs and personnel, and \$210,000 towards the SLSDC's security and infrastructure protection activities.

The FY 2008 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 2006 navigation season, the SLSDC reported a 99.1 percent system availability rate for the U.S. portion of the Seaway (99.0 percent during FY 2006).

MAJOR PROGRAMS AND ACTIVITIES

Non-Capital Maintenance / Special Projects

For FY 2008, the SLSDC is proposing a non-capital maintenance / special projects program of \$2,070,000 to fund two key maintenance projects – concrete replacement at the U.S. locks and dredging in the U.S. portion of the Seaway.

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 is using a contractor to perform the concrete replacement with SLSDC personnel providing lock covering work and stairway construction. The \$1.5 million requested for concrete replacement in FY 2008 is included in the agency's non-capital maintenance base level funding and will fund work to be completed in January – March 2009, following the completion of the 2008 navigation season.

The other major maintenance project for FY 2008 is to dredge approximately 750 cubic yards of river bottom material from high spots in the navigation channel in U.S. waters east of Snell Lock (\$570,000). These high spots could impact the drafts of vessels transiting the Seaway during periods of low water. The Corporation has been working with the U.S. Army Corps of Engineers and the N.Y. State Department of Environmental Conservation to secure permits to complete this work.

Capital Equipment and Infrastructure Projects

The SLSDC's FY 2008 capital plan budget of \$740,000 will fund several capital-related projects including: replacement of a 20-ton capacity hydraulic crane utilized for lock and facility

maintenance activities that include handling both materials and personnel (\$250,000); repair of paved areas along the approach walls at the locks that are used by SLSDC personnel and vessel crew members for tying up vessels during transits (\$100,000); and Automatic Identification System (AIS) / Traffic Management System (TMS) improvements (\$95,000).

The decrease in the capital plan request as compared to the FY 2007 request is due to both the completion of several one-year projects in FY 2007 and the SLSDC's decision to defer the second year mechanical upgrade to the lock valve operating equipment. This multi-year project, proposed to start in FY 2007, will convert the existing electro-mechanical culvert valve operating machinery with hydraulic equipment. Plans were to replace the machinery for two valves each year over a four-year period until the machinery for all eight valves at the two U.S. locks have been replaced. These valves are used to fill and empty the locks. The SLSDC will use the off year in FY 2008 to inspect and evaluate the first two valve hydraulic systems replaced in FY 2007. This additional time would allow the SLSDC to make additional modifications, as necessary, for the remaining six valve hydraulic systems to be replaced starting in FY 2009.

Great Lakes St. Lawrence Seaway Study

In mid 2007, the U.S. Army Corps of Engineers (USACE) is expected to release its final report on recommendations for the future viability of the Great Lakes St. Lawrence Seaway System, including 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 excellent working condition for the next 50 years.

The Great Lakes St. Lawrence Seaway Study will detail the condition of the various "perpetual assets" of the Seaway, which, for the most part, were acquired in the late 1950s and early 1960s. Many of these assets are showing signs of wear and are in need of technological upgrades. In many cases, both U.S. and Canadian Seaway infrastructure assets, including locks, bridges, and tunnels, have not been renewed at a level sufficient to perpetuate the assets.

The report will also highlight the improvement on the part of the Canadian Seaway Corporation and Transport Canada over the last decade in restructuring its long-term capital planning and commitment to reinvesting in the Canadian portion of the Seaway. Among other reforms, Canada separated SLSMC's capital budget from its operating and maintenance budget. The SLSMC now negotiates five-year capital budgets with Transport Canada, which retained ownership of the assets, and the Government of Canada pays for this capital investment out of general treasury funds. In this way, the SLSMC is able to plan rationally for its long term capital needs.

On May 1, 2003, DOT and Transport Canada signed a Memorandum of Cooperation for the two federal entities to carry out the study. The MOC initiated this current phase of the study, and expressed the intention of Transport Canada and DOT to enhance their joint collaboration and cooperation and further the long-term viability of the Great Lakes Seaway System as a safe, viable, reliable, and efficient transportation route. By its obligations under international agreement and long-standing custom, the SLSDC is to be an equal partner with the SLSMC with respect to the operation and management of the Seaway.

The study is being directed by a Steering Committee comprised of DOT, SLSDC; Transport Canada, the USACE, and the SLSMC. 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 2008, 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. Inspections performed in Montreal eliminate duplicative inspections, allow for a seamless and efficient transit of the Seaway, and provide a better location for repair resources, if required. 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.

During the 2006 navigation season, the SLSDC achieved its internal performance goal of inspecting all ocean vessels with 252 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 2006 season, Seaway marine inspectors conducted 82 ballast water inspections in conjunction with the ESI program, and performed an additional 57 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. Announced on July 12, 2006, 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.

The SLSDC is also involved in the “Green Marine” program, a marine industry partnership program aimed at demonstrating and communicating the maritime industry’s commitment to addressing a number of key environmental issues. The objective of the Green Marine program is to build and maintain strong relations with key stakeholders and develop a greater awareness of the maritime industry’s activities, benefits and challenges. To accomplish this, activities will be directed towards strengthening the industry’s environmental standards and performance through a process of continuous improvement, helping the maritime industry to speak with one voice, and strengthening industry involvement in regulatory processes and improving regulatory outcomes.

The SLSDC also serves on the advisory board of the Great Lakes Maritime Research Institute (GLMRI), a National Maritime Enhancement Institute established in 2004. 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 Maritime Transportation Act of 2004.

In addition, the SLSDC plays a key role on the Great Lakes Regional Waterways Management Forum, a group of U.S. and Canadian federal representatives who work cooperatively to identify and resolve waterways management issues that involve the Great Lakes region. The Forum specifically reviews issues that cross multiple jurisdictional zones and/or involve international issues and is tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes. Over the past few years, the SLSDC has played an active role on the Forum's ballast water working group. The ballast water working group was developed to harmonize efforts between the USCG, Transport Canada, and the two Seaway Corporations to coordinate and exchange compliance and research efforts for reducing aquatic nuisance species invasions via ballast water in the Great Lakes.

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.

Most recently, the SLSDC has been working with several entrepreneurs interested in starting cross-lake ferry service between U.S. and Canadian ports to improve transportation efficiencies and mitigate congestion delays, especially in the Detroit and Buffalo regions. The SLSDC has initiated several meetings with DOT and other federal entities to discuss the various regulatory changes needed to make the cross-lake Short Sea Shipping initiative a reality.

The SLSDC collaborates with the Canadian SLSMC 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 9.4 million page hits from visitors from more than 150 countries with significant increases in usage each year. In 2006 alone, the site set an annual record with 2.6 million page hits.

In FY 2008, the two Seaway Corporations will host a Seaway Trade Mission to Brazil. Brazil currently ranks third for overall Great Lakes Seaway System tonnages, accounting for approximately one million tons annually. The Seaway Trade Mission program last visited Brazil in 1995.

During the mission, the delegation will host formal presentations with ship owners, operators, cargo representatives, and government and maritime officials from both countries. The two Seaway Corporations will facilitate one-on-one meetings and tour some of South America's largest ports and cargo facilities.

Security Activities

The FY 2008 request for the SLSDC security activities is \$210,000, a reduction of \$40,000 compared with the FY 2007 request level. The reduction is due to the expected reduction in costs for a multi-year capital-related project included in the FY 2007 President's Budget request. 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 local, state, and federal security and intelligence agencies as situations arise.

A new program included in the SLSDC's Security request relates to Homeland Security Presidential Directive (HSPD) 12, as part of the Department's efforts to implement a common identification card with smart card technologies. This initiative will be led by the Office of the Secretary and SLSDC's related costs are estimated at \$15,000.

2006 NAVIGATION SEASON OVERVIEW

Significant increases in the St. Lawrence Seaway's traditional cargoes — grain and steel — during the 2006 navigation season resulted in 47.2 million metric tons of cargo moving through the binational waterway, its highest overall tonnage level since 1999. The increase of 3.9 million metric tons represented a 9 percent increase compared to the 2005 season.

Lower prices for imported steel products, drought conditions in Australia's agricultural region, and increased highway, rail, and border crossing congestion in North America were all factors in the Seaway posting its second busiest shipping year in 20 years. Vessel transits in 2006 were 4,613, the second highest amount since 1984. However, low water level conditions in several Upper Great Lakes required cargo vessels to carry lighter loads than normal.

Grain exports totaled 11.5 million metric tons (18 percent increase), serving both traditional markets and those impacted by a lack of sufficient Australian grain exports. General cargoes were also up significantly (4.6 million metric tons, up 40 percent), led by imports of manufactured iron and steel and steel slabs.

In addition to increases in the Seaway's "bread-and-butter" commodities of grain and steel, the binational waterway also enjoyed increases in several new and diversified cargoes, including imports of wind turbine components for several U.S. Great Lakes communities and mining-petroleum machinery destined for Canada's tar oil sands mega project in the Western province of Alberta.

Celebrating its 48th navigation season in 2006, the St. Lawrence Seaway also established a new record for the longest shipping season. With the waterway's opening on March 23 and the passage of the *Kathryn Spirit* on December 30, the Seaway recorded a 283-day season, exceeding by two days the previous record set in 2004.

I want to thank you Chairwoman Johnson, Ranking Member Baker, and all the members of the subcommittee for your continued support of the Great Lakes St. Lawrence 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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