FY 2002 ANNUAL REPORT

Linking North America's Heartland to the World

Saint Lawrence Seaway Development Corporation

Introduction

The Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) is a wholly owned government corporation of the U.S. Department of Transportation (DOT) created by statute May 13, 1954, to construct, operate and maintain that part of the St. Lawrence Seaway between Montreal and Lake Erie, within the territorial limits of the United States.

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

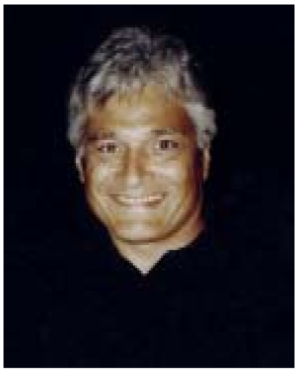
The SLSDC encourages the development of trade through the Great Lakes Seaway System, which contributes to the comprehensive economic development of the entire Great Lakes region. Maritime commerce on the Great Lakes Seaway System annually generates more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes.

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.

Annual Report Introduction from the Administrator

In accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards, I am pleased to present the annual management report of the Saint Lawrence Seaway Development Corporation (SLSDC) for the fiscal year (FY) ending September 30, 2002. This report clearly presents the financial integrity and operational accomplishments of the Corporation during FY 2002. This year will be remembered more for successes in customer service, technology, trade development initiatives, and partnerships with industry and government than traffic numbers. For even as the Seaway posted flat cargo tonnage numbers, the SLSDC was making giant strides with its Canadian Seaway partner in areas that promise to effect long-term changes in how both Corporations do business.



Customer service continued to improve as Seaway employees from vessel traffic controllers, linehandlers, marine specialists, and managers sought to exceed ISO 9002 standards that identify us as world class marine industry professionals. Our Foreign Flag Vessel Inspection Program that saves industry time and money provided one-stop shopping for safety inspection needs for more than 240 'salties' entering the System in Montreal in FY 2002.

Technology promises to increase efficiency, improve safety, and strengthen security. A decade's work with the Canadian and U.S. marine industry, the Volpe National Transportation System Center, and the St. Lawrence Seaway Management Corporation came to fruition last September when the Automatic Identification System (AIS) was unveiled. Safety, efficiency, and reliability have long been the hallmarks of Seaway navigation, and the introduction of AIS ahead of all marine competition in North America proves our ironclad commitment to mariner safety, environmental stewardship and sound business practices.

The fiscal year saw concerted trade development efforts to attract new cruise ships and increases in cargo tonnage by the Seaway's participation at the Miami Seatrade Cruise Convention and the 25th Trade Mission. The Great Lakes Cruising Coalition and the SLSDC trumpeted our System's superb marine vistas, picturesque towns and villages for shopping, exploring history, and 'rediscovering' the New World at one of the world's premier cruising conferences. In October, the Seaway's Trade Mission delegates marketed the System's short cut benefits to marine transportation professionals in France and Spain, answering questions, and developing trade contacts at the ports of Le Havre, Rouen and Barcelona.

Finally, the year will be remembered as a pivotal one – marching forward towards a long awaited system-wide study of engineering, economic, and environmental challenges confronting the Seaway and Great Lakes ports. The genesis was the U.S. Army Corps of Engineers reconnaissance report that was largely completed by year's end and helped establish a binational consensus on the advisability of further detailed study.

This Congressionally mandated report provides the public with a snapshot of the many actions that made FY 2002 an exciting one. To learn about the latest developments at the Seaway, simply click on our binational web site at *www.greatlakes-seaway.com* and contact us if you have questions.

Albert S. Jacquez
Administrator

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Accomplishments

Customer Service

Foreign Vessel Inspection Program

The Enhanced Seaway Inspection (ESI) program is a major contributor to safe navigation and protection of the environment. The safety and environmental vessel screening programs, conducted jointly with the Canadian St. Lawrence Seaway Management Corporation (SLSMC) inspectors in Montreal, Quebec, carry out the U.S. Coast Guard (USCG) required port/state vessel inspections as well as ballast water tests.

Each year, more than 250 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 delayed ship traffic. The Saint Lawrence Seaway Development Corporation (SLSDC), working closely with the USCG, restructured the inspection program in 1997. The goal of the revised program was to perform 100 percent of ESIs for the first inbound transit of each foreign-flag vessel in advance of entering U.S. waters at Montreal. In 2002, 244 ESIs were completed, 239 performed by SLSDC inspectors and 5 performed by USCG marine inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's (DOT) goal of partnering for excellence, as well as intermodal cooperation.

Left to right – Terrance Jordan, SLSDC, and Captain Lajarrige, SLSMC, measure one of the forward mooring wire eyes to assure that they are the proper length. Kneeling is the Chief Officer of the vessel.

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 personnel at Snell Lock in Massena, N.Y. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic

Customer Service

Foreign Vessel Inspection Program cont'd.

Nuisance Prevention and Control Act of 1990. In 2002, 122 ballast water examinations were conducted – 84 in Montreal (82 by the SLSDC inspectors and 2 by the USCG inspectors) and 38 in Massena, N.Y. conducted by the USCG with SLSDC inspectors in attendance.

Seaway Customer Survey

In FY 2001, the SLSDC and SLSMC conducted a customer survey, measuring customer satisfaction during the 2000 navigation season, of key vessel agents, owners, and operators of the ocean and laker fleets. The primary objectives of the customer survey were to determine the level of satisfaction with the Seaway entities, to discover what aspects of navigation are most important to the customers, and to determine what operational areas need to be improved upon by the Seaway entities. A survey document was provided to all ship captains transiting the System in 2002. Of those surveys, 63 were completed. Results of the survey will be available by the end of March 2003.

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 shipbuilders, shipping companies or agents on modifications necessary to meet requirements for transiting the Seaway. The free service has been a key factor in attracting ocean freighter and passenger vessel traffic to the Seaway.

Seaway ship inspectors completed 83 reviews for the 2002 navigation season.

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 $1,500 Canadian for each round trip through the Montreal-Lake Ontario

Accomplishments

Customer Service

Seaway Tie-Up Service cont'd.

and Welland Canal sections. In 2002, a total of 159 vessels requested the tie-up service in the Welland Canal sections.

Technology

Automatic Identification System (AIS) Project

AIS unit aboard a ship.

In FY 2002, the SLSDC took a major step forward to enhance navigation safety, security and efficiency on the St. Lawrence Seaway System by implementing the universal Automatic Identification System (AIS), and integrating it with the Seaway's Traffic Management System (TMS). Both Seaway Corporations unveiled the new technology to the maritime communities and the media at a ceremony held at St. Lambert Lock in Montreal on September 5, 2002.

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

The Seaway will become one of the first major waterways in the world to fully implement AIS. The AIS technology's ship-to-ship, ship-to-shore, and shore-to-ship communication capabilities will improve safety, security and reliability while improving shipping efficiency and lowering costs.

SLSDC Administrator Albert S. Jacquez (center) introduces RSPA Administrator Ellen Engleman at Montreal ceremony after acknowledging Volpe National Transportation Systems Center's crucial contributions to AIS. Also pictured is SLSMC President and CEO Guy Véronneau.

In FY 2002, the SLSDC, in coordination with the SLSMC and USCG, published a Notice of Proposed Rulemaking for the mandatory carriage

Technology

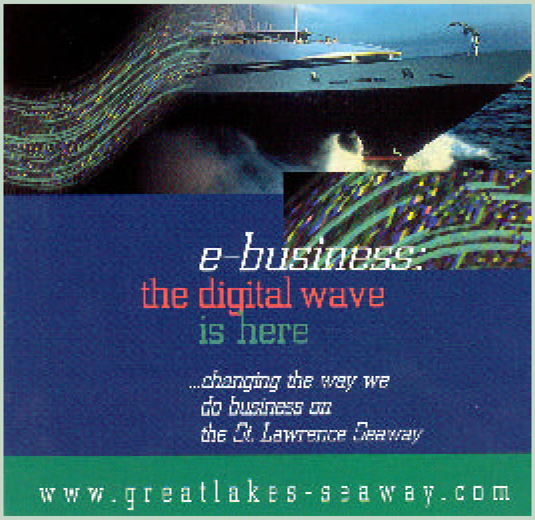
Automatic Identification System (AIS) Project cont'd.

of AIS. An AIS transponder will be mandatory on all commercial vessels transiting through the Seaway's traffic sectors from the St. Lambert Lock in Montreal to mid-Lake Erie on March 29, 2003.

During the 2003 navigation season, the two Seaway Corporations will work cooperatively with the U.S. and Canadian Coast Guards to implement AIS coverage throughout the Great Lakes.

Binational Seaway Web Site

The SLSDC/SLSMC Great Lakes St. Lawrence Seaway System binational internet web site, ***www.greatlakes-seaway.com,*** continues to be well received both domestically and internationally from the maritime and trade communities since its unveiling in February 2001. In 2002, more than 65,000 pages have been requested, on average each month, from web viewers in more than 110 nations. In 2001, the site's monthly average hits were 50,000 from viewers in approximately 50 countries.



During 2002, the SLSDC and SLSMC introduced four e-business applications (cost calculator, cargo matching, vessel transit information, and on-line transactions and account information), a new email broadcasting service with more than 300 subscribers, and an enhancement to the cargo matching application called "NavCast." "NavCast" provides subscribers with daily updates on upbound and downbound vessel transits at the U.S. Eisenhower Lock in Massena, N.Y. Information includes: vessel name, flag, agent name, length, width, lock exit time, and destination.

Accomplishments

Safety

Critical Infrastructure and Navigation Security Measures

Immediately following the September 11 terrorist attacks, the SLSDC began developing new security protocols to enhance security measures for the SLSDC's critical infrastructure and other navigation and workplace assets. A major initiative included the SLSDC's involvement in performing risk assessment inspections of targeted foreign-flag vessels and domestic and foreign tankers in Montreal, prior to entering U.S. waters. This protocol was developed in consultation with both U.S. and Canadian civilian and law enforcement agencies to ensure that vessels or crewmembers do not pose a security risk. During the later part of FY 2001, the SLSDC and USCG jointly developed a new protocol incorporating those items reviewed during the risk assessment inspection of the SLSDC's traditional ESI program of foreign-flag vessels in Montreal. This protocol began with the start of the 2002 navigation season. By combining the two inspections into one single process, foreign-flag vessels will not be delayed unnecessarily for additional security screenings.

In addition to risk assessment inspections, the SLSDC contracted for services to assess the physical security for all SLSDC infrastructure and workplace assets in Massena, in February 2002. This assessment was intended to supplement and enhance an initial security assessment that was internally conducted immediately following the events of September 11. The assessment focused on the two U.S. Seaway Locks, the Eisenhower Lock Visitors Center, and the SLSDC's marine base/maintenance facility. In addition, another contractor conducted a detailed analysis of the highway tunnel under the Eisenhower Lock.

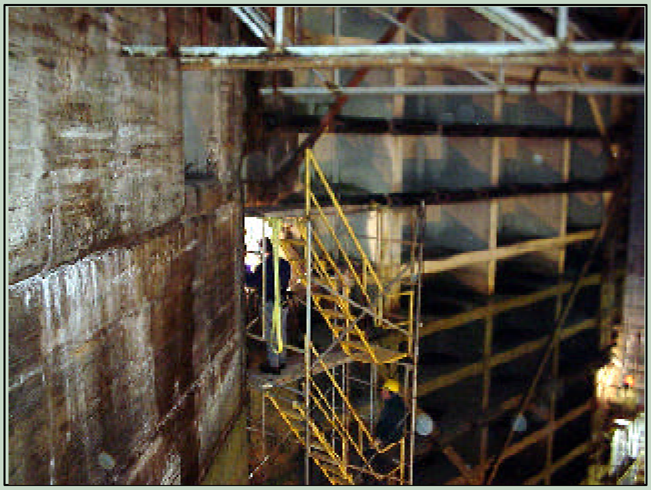
Safety

Emergency Response Plan

A successful "tabletop" emergency response exercise was conducted on September 25, 2002. The scenario involved a possible terrorist threat. 60 participants representing 25 local, state, federal, Canadian and Mohawk agencies participated in the exercise. The exercise provided an opportunity to test the SLSDC's Emergency Response Plan, Security Contingency Plan, and Interagency Contingency Plan, which focused on a terrorist-related incident.

Over 60 representatives from the different agencies participating in the Tabletop exercise.

Winter Inspection and Preventative Maintenance Program



Workers are repairing cracks found on the downstream south miter gate leaf at Snell Lock.

Following the end of the 2001 navigation season, the SLSDC began its annual winter inspection and preventative maintenance program at the two U.S. Seaway locks in Massena. Projects included: inspection and repair of miter gates and culvert valves at each lock; welding of cracks on upstream and downstream gates; rehabilitation of two valve Philadelphia Drives at Eisenhower Lock; cleaning and greasing of valve open gears at both locks; inspection and repair of ice flushing system roller gate; replacement of aging control wire at both locks and removal and replacement of deteriorated concrete in the area of valve ledges and bottom seals.

Trade Development Initiatives

Seaway Trade Mission to France and Spain

The 2002 Trade Mission to France and Spain marked the Great Lakes St. Lawrence Seaway 25th Binational Trade Mission. The delegation consisted of 12 U.S. and Canadian representatives of Great Lakes St. Lawrence Seaway ports, vessel operators, and cargo interests specializing in the handling of steel, agriculture products and breakbulk commodities. SLSDC Administrator Albert S. Jacquez and SLSMC President Guy Véronneau hosted a series of meetings conducted with French and other European port and marine transportation counterparts in Paris and the ports of Le Havre and Rouen, before moving south to the Spanish port of Barcelona. Seaway delegates hosted two information seminars for dozens of maritime industry leaders and decision makers in Rouen, France, and Barcelona, Spain. SLSMC President Guy Véronneau spotlighted economic benefits accruing to Iberian, Mediterranean and western European ports using the Great Lakes St. Lawrence Seaway System, such as proximity, ISO 9002 certification, AIS, and a commitment to quality service.

Left to right, standing – Steve Pfeiffer, Maritime Director, Port of Cleveland; Alkies Scourtellis, Managing Director Navitrans Shipping Agencies, Inc.; Jean Philippe Lemaire, Commandant, Compagnie Des Iles Du Ponant; Albert S. Jacquez, Administrator, SLSDC; Guy Véronneau, President & CEO, SLSMC; Jean-Pierre Nepveu, President & General Manager, Port of Bécancour; Réjean Leclerc, Counselor, Transport Quebec; sitting – Guy Berthiaume, Vice President, Servichem Inc., Ville Ste. Catherine; Reynald Dallaire, Master Mariner SLSMC; Jean Fournier, President of the Board Trois-Riviéres Port Authority; and Scott Sigman, Chief Planning & Business Officer, Port of Indiana.

Trade missions continue to be a forum for exchange of international feedback about national trade policies and how they impact regional markets such as the Great Lakes St. Lawrence Seaway System.

Trade Development Initiatives

Trade Development Meeting

The SLSDC brings together a large number of stakeholders to discuss trade issues, current and future initiatives being conducted by the SLSDC and SLSMC, and to provide a forum for discussion of concerns and ideas regarding the Great Lakes Seaway System.

This year the SLSDC held the Trade Development Meeting in Chicago, Ill., on April 24. Highlights of the meeting were an update on Seaway initiatives to attract trade utilizing information technology, a preview of the upcoming Trade Mission to Spain and France, and a brief overview of ballast water rule changes that went into effect in the Seaway at the start of the 2002 navigation season.

The French Cruise Ship Le Levant cruises the Great Lakes Seaway System.

Cruise Vessel Promotional Activities

The SLSDC provides technical support for cruise ships operating in the Great Lakes St. Lawrence Seaway System. The SLSDC continues to work closely with its stakeholders in the development of promotional materials, technical support manuals, and organizing one-on-one meetings with current and potential customers that own and operate Seaway-sized cruise ships.

As an ex-officio member of the Great Lakes Cruising Coalition (GLCC), the SLSDC contributed to the funding of an information booth at the 2002 Seatrade Cruise Convention and Exhibition. This convention is recognized as one of the leading cruise industry exhibitions, and has been established as the international meeting place for representatives from every aspect of the cruise ship industry. The event is hosted in early March in the cruise ship capital of North America – Miami, Fla. The exhibition is an opportunity for the GLCC

Trade Development Initiatives

Cruise Vessel Promotional Activities cont'd.

and the SLSDC to promote the Great Lakes Seaway System as a cruising destination and to provide technical expertise for operating a cruise ship in the Seaway System.

In late FY 2002, the SLSDC, through its cruise vessel marketing efforts, obtained ship plans for several new and existing Seaway-sized cruise ships for review and approval. Pending approval of the plans, the vessels are expected to begin moving passengers through the Great Lakes Seaway System during the 2003 and 2004 navigation seasons.

Partnerships

U.S. Army Corps of Engineers' Great Lakes Navigation Study

The U.S. Army Corps of Engineers, the SLSDC, and the SLSMC are helping to carry out the Great Lakes Navigation Study (GLNS). The SLSDC is participating directly in the study with funding and staff. Begun in 1999, the Study is investigating the feasibility of improving commercial navigation on the Great Lakes St. Lawrence Seaway System, including locks, dams, harbors, ports, channels, and other related features. The first phase of the review is a reconnaissance study, which will be completed by the end of January 2003. The Study will report on important factors affecting commercial navigation such as evolving transportation technologies, intermodal linkages, characteristics of the Great Lakes fleet and changes affecting demand sectors. The Study will identify factors and trends that affect commercial navigation on the Great Lakes St. Lawrence Seaway and project future trends, commodity flows and the external factors that affect them. The next phase of the Study is expected to take five years, and cost approximately $20 million U.S. to complete. Given the binational nature of the Great Lakes Seaway System, the participation of the Government of Canada is essential to the Study's ultimate success.

Partnerships

U.S. Army Corps of Engineers' Great Lakes Navigation Study cont'd.

Dependent upon appropriations and cooperative agreements between the U.S. and Canada, more detailed engineering and economic investigations could be initiated early in 2003. A 50-year plan for the Seaway could provide essential information on future engineering challenges, project rehabilitation and replacement costs, and economic consequences of declining system reliability. The study will also include a detailed analysis of environmental factors associated with improving the commercial navigation infrastructure in the Great Lakes St. Lawrence Seaway System. To be included in this analysis will be environmental impacts, enhancement and mitigation measures, and environmental benefits derived from use of maritime transportation versus other modes.

Joint Strategic and Business Development Plan

During FY 2002, the SLSDC and SLSMC continued their work on the 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.

The joint plan recognizes that the two Seaway entities share four common objectives: to manage the waterway as a seamless system for its customers; to increase trade; seaway system competitiveness; and customer satisfaction. There are more than 30 individual projects in the three-year plan that addresses those objectives.

Education and Mentoring Programs

The SLSDC continued its Adopt-A-School program with Jefferson Elementary School in Massena, and its partnering efforts with the Tech Prep/School-to-Work Initiative with Massena Central High School and Clarkson University School of Business, to prepare high school juniors and seniors for post high school employment. In FY 2002, 25 students participated in the job-shadowing program. Several SLSDC employees attended the Jefferson Elementary School to participate in a "Who Does This Job?" match game with the

Partnerships

Education and Mentoring Programs cont'd.

students. SLSDC employees explained their jobs and the subjects that prepared them for their Seaway careers. The fifth grade class also participated in the National 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 Administrator, Albert S. Jacquez. 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.

Left to right – Mr. Joel Nicola, Teacher; Elizabeth Stephenson, student; Mrs. Paquin, Student Teacher; and Albert S. Jacquez, Administrator, SLSDC.

Congressional Visit

On July 29, 2002, a group of senior congressional aides toured the SLSDC's Massena, N.Y., facilities to review the U.S. operations on the St. Lawrence River. The one-day visit included a walk-through tour of the Corporation's Administration Building, a demonstration of the SLSDC's Vessel Traffic Control operations, and an AIS demonstration onboard SLSDC's tug, ROBINSON BAY.

Congressional tour members: Left to right – back row; David Stewart, Legislative Asst. for Rep. Phil English (PA); Sal Pisani, SLSDC; Kevin Allexon, Legislative Asst. for Rep. Mark Green (WI); Kevin O'Malley, SLSDC; Albert S. Jacquez, SLSDC; Ben Nicholson, House Appropriation staffer; David Whitmore, staff for Rep. John McHugh (NY); Tim Downey, SLSDC; Bill Warburton, SLDSC; front row; Vicki Garcia, SLSDC; Gayle Baker, DOT, Sue Merrill, staff for Senator Hillary Clinton (NY); Chris Mathey, Director, Govt. Affairs, (NY); Judi Brewer, Chief of Staff, Rep. John McHugh (NY); Rebecca McGill, SLSDC; Joe Moore, retired SLSDC.

Awards

Robert J. Lewis Pacesetter Award

The Robert J. Lewis Pacesetter Award is presented annually by the SLSDC 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 2002 presentations marked the 11th anniversary of the award.

During the 2001 navigation season there were six port and terminal operators that received the award: the Port of Milwaukee reported a 28 percent increase; Lake Superior Warehousing Co. terminal in Duluth, Minn., reported a 6.25 percent increase; Federal Marine Terminal and Port of Burns Harbor, Ind., reported a 2 percent increase; Ogdensburg, N.Y. Bridge and Port Authority reported an 18 percent increase; and Midwest Energy Resources Co. terminal in Superior, Wis. reported a 100 percent increase.

Right to left – Administrator Albert S. Jacquez, SLSDC, presents Executive Director, Port of Indiana, William D. Friedman, the distinguished Robert J. Lewis Seaway Pacesetter Award. Also present was Chairman, Indiana Port Commission, Ken Massengill, (far left).

Departmental Awards

Two SLSDC employees were honored by Secretary Norman Mineta at the 34th Annual DOT Awards Ceremony held in Washington, D.C., on November 1, 2001. They were:

> Kevin P. O'Malley, Director of Budget and Logistics, Washington, D.C., received the silver medal Secretary's Award for Meritorious Achievement, the third highest award within the Department for civilian employees; and

Awards

Departmental Awards cont'd.

Kevin J. Regan, Lock and Dam Operator Leader, Massena, N.Y., received the Secretary's Award for Excellence.

On September 11, 2002, SLSDC Marine Transportation Specialist Terrance (Terry) Jordan, Jr. received a "9/11" Medal from the Secretary of Transportation Norman Mineta. Mr. Jordan was singled out for having played a key role in implementing a risk assessment screening protocol to ensure the safety and security of the St. Lawrence Seaway System.

Terrance (Terry) Jordan receives a well deserved pat on the back from the Secretary of Transportation Norman Mineta.

SLSDC Advisory Board

Anthony S. Earl, Chairman
Former Governor of Wisconsin
Madison, Wisconsin
1996-present

Jay C. Ehle, Member
Former Chairman, Port of Cleveland
Rocky River, Ohio
1996-present

George D. Milidrag, Member
Founder, Engineering Technology, Ltd.
Clarkson, Michigan
1996-present

Vincent Sorrentino, Member
Attorney, Hurley & Hewner
Buffalo, New York
1996-present

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

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Chief Counsel .... (202) 366-6823
Congressional and Public Affairs .... (202) 366-0091
Trade Development .... (202) 366-5418
Budget and Logistics .... (202) 366-8982
Washington Office (Toll-Free) .... (800) 785-2779
Associate Administrator .... (315) 764-3209
Deputy Associate Administrator .... (315) 764-3211
Finance .... (315) 764-3275
Administration .... (315) 764-3230
Engineering and Strategic Planning .... (315) 764-3265
Lock Operations .... (315) 764-3294
Lock Operations (after hours) .... (315) 764-3292
Maintenance and Marine Services .... (315) 764-3229

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Administration Building (Massena, N.Y.) .... (315) 764-3235
Maintenance Building (Massena, N.Y.) .... (315) 764-3258
Eisenhower Lock (Massena, N.Y.) .... (315) 764-3250
Operations and Maintenance (Massena, N.Y.) ..... (315) 764-3242

www.greatlakes-seaway.com

Financial Statements

September 30, 2001 – October 1, 2002

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SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
UNITED STATES OF AMERICA

Navigation Season in Review

Total tonnage through the Montreal-Lake Ontario (MOLO) section of the St. Lawrence Seaway in 2002 was 30.0 million metric tons, 276,000 metric tons or 1 percent below the 2001 total. The decrease can be attributed, in large part, to a continued weak North American economy, especially in the area of manufacturing, and the lowest level of imported iron ore through the MOLO since 1986 (8.2 million metric tons) and the lowest grain export total since 1960 (9.9 million metric tons). Other variables that contributed to the decline included higher fuel costs and the uncertain effect of U.S. steel tariffs at the start of the navigation season.

The low level of Quebec/Labrador-produced iron ore movements through the MOLO section can be attributed to a decline in steel production around the Great Lakes, and a shift from Labrador-originated ore movements that enter the Great Lakes through the MOLO section to Mesabi-originated domestic movements through the Welland Canal. The reduction in iron ore consumption was reflected at the national level as well. U.S. iron ore consumption throughout the nation was down 10-15 percent in 2002.

Several commodities posted increases in 2002: manufactured iron and steel (2,930,000 metric tons, an increase of 14 percent), steel slabs (1,138,000 metric tons, an increase of 196 percent), chemicals (558,000 metric tons, an increase of 11 percent), gypsum (521,000 metric tons, an increase of 17 percent), and stone (324,000 metric tons, an increase of 8 percent.)

In addition to cargo movements, total commercial transits through the MOLO section were 1 percent above 2001 levels at 2,612 transits.

2002 Commodity and Transit Summary

(Montreal-Lake Ontario Section — Volume in Metric Tons)

Commodities	2002	2001	Change Tons	Change Percent
Grain	9,863,912	11,161,951	(1,298,039)	(12%)
Government Aid	25,834	0	25,834	100%
Iron Ore	8,166,897	8,386,036	(219,139)	(3%)
Coal	336,425	407,336	(70,911)	(17%)
Coke	847,622	753,722	93,900	11%
Other Bulk	6,589,510	6,547,584	41,926	1%
Manufactured Iron and Steel	2,929,512	2,512,302	417,210	14%
Steel Stabs	1,138,112	384,082	754,030	196%
Other General	89,747	108,335	(18,588)	(17%)
Containers	14,721	16,471	(1,750)	(11%)
Cargo Total	**30,002,292**	**30,277,824**	**(275,527)**	**(1%)**

Vessel Transits	2002	2001	Change Transits	Change Percent
Loaded Transits	1,818	1,867	(49)	(3%)
Ballast Transits	794	721	73	9%
Transit Total	**2,612**	**2,588**	**24**	**1%**

Corporation's Statement on Internal Accounting and Administrative Control System

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the Corporation is required to provide a statement on internal accounting and administrative control systems consistent with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. An evaluation of the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2002 was performed in accordance with "Guidelines for Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government", issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the FMFIA, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the Corporation was in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Corporation are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable law;

- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived 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 of 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, 2002, 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 2002 and prior years.

DE&A Daniel Eke and Associates, P.C.
Management Consultants · Certified Public Accountants

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, 2002 and 2001, 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 on 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 Unites 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, 2002, and 2001, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002, on our consideration of Saint Lawrence Seaway Development Corporation's

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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
December 20, 2002

Daniel Eke and Associates, P.C.
Management Consultants · Certified Public Accountants

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, 2002 and 2001, and have issued our report thereon dated December 20, 2002. 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.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under 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

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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
December 20, 2002

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2002 AND 2001

	Assets	*2002*	*2001*
Current Assets	Cash:		
	Held by U.S. Treasury	**$ 3,163,310**	$ 2,251,169
	Held in banks and on hand	**86,179**	75,822
	Short-term time deposits in minority bank (Note 3)	**10,906,000**	11,397,000
	Accounts receivable (Note 4)	**93,043**	170,116
	Inventories (Note 2)	**262,463**	258,655
	Other current assets	**—**	400
	Total Current Assets	**14,510,995**	14,153,162
Long-Term Investments	Long-term time deposits in minority banks (Note 3)	**98,000**	294,000
	Total Long-Term Investments	**98,000**	294,000
Plant, Property and Equipment	Plant in service (Note 5)	**157,121,402**	155,575,411
	Less: Accumulated depreciation	**(76,071,169)**	(74,335,979)
	Net plant in service	**81,050,233**	81,239,432
	Work in progress	**575,997**	1,615,272
	Total Plant, Property and Equipment	**81,626,230**	82,854,704
Other Assets	Lock spare parts (Note 2)	**837,341**	733,671
	Less: Accumulated depreciation	**(229,186)**	(210,816)
	Net lock spare parts	**608,155**	522,855
	Investment in Seaway International Bridge Corporation Ltd. (Note 6)	**7,440**	7,440
	Total Other Assets	**615,595**	530,295
Deferred Charges	Workman's compensation benefits (Note 2)	**1,722,394**	1,816,524
	Total Deferred Charges	**1,722,394**	1,816,524
	TOTAL ASSETS	**98,573,214**	$ 99,648,685

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2002 AND 2001

	Liabilities and Equity of the U.S. Government	*2002*	*2001*
Current Liabilities	Accounts payable	**888,241**	$ 999,306
	Accrued annual leave (Note 2)	**674,072**	638,377
	Accrued payroll costs	**244,547**	192,519
	Disbursements in Transit	**31,921**	—
	Total Current Liabilities	**1,838,781**	1,830,202
Actuarial Liabilities	Workman's compensation benefits (Note 2)	**1,722,394**	1,816,524
	Total Actuarial Liabilities	**1,722,394**	1,816,524
	Total Liabilities	**3,561,175**	3,646,726
Equity of the U.S. Government	Invested Capital (Note 2)	**96,594,627**	97,791,492
	Cumulative results of operations (deficit)	**(1,582,588)**	(1,789,533)
	Total Equity of the U.S. Government	**95,012,039**	96,001,959
	TOTAL LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT	**$ 98,573,214**	$ 99,648,685

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES IN CUMULATIVE RESULTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

		2002	*2001*
Operating Revenues	Appropriations expended	**$ 12,122,046**	$ 11,398,454
	Imputed financing (Note 9)	**716,842**	640,925
	Other (Note 7)	**424,401**	530,337
	Total Operating Revenues	**13,263,289**	12,569,716
Operating Expenses (Note 8)	Locks and marine operations	**2,673,230**	2,577,991
	Maintenance and engineering	**3,406,562**	3,348,232
	General and development	**3,426,995**	3,268,555
	Administrative expenses	**3,257,011**	3,132,246
	Depreciation	**2,379,819**	2,415,700
	Imputed expenses (Note 9)	**716,842**	640,925
	Total Operating Expenses	**15,860,459**	15,383,649
	Operating Loss	**(2,597,170)**	(2,813,933)
Other Financing Sources	Interest on deposits in minority banks	**424,296**	714,318
	Transfer from invested capital for depreciation	**2,379,819**	2,415,700
	Total Other Financing Sources	**2,804,115**	3,130,018
	Operating Revenues and Other Financing Sources Over Operating Expenses	**206,945**	316,085
	Beginning cumulative results of operations (deficit)	**(1,789,533)**	(2,105,618)
	ENDING CUMULATIVE RESULTS OF OPERATIONS (deficit)	**$ (1,582,588)**	$ (1,789,533)

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

		2002	*2001*
Cash Flows from Operating Activities	Operating Revenues and Other Financing Sources Over Operating Expenses	**$ 206,945**	$ 316,085
	Adjustment to Reconcile Operating Revenues and Other Financing Sources Over Operating Expenses to Net Cash Provided by Operating Activities:		
	Depreciation	**2,379,819**	2,415,700
	Transfer from invested capital for depreciation	**(2,379,819)**	(2,415,700)
	Net loss (gain) loss on property disposals	**5,552**	(53,741)
	Change in assets and liabilities:		
	Decrease (increase) in accounts receivable	**77,073**	(29,069)
	(Increase) decrease in inventories	**(3,808)**	3,579
	Decrease in other current assets	**400**	201,168
	Increase in other assets	**(103,670)**	(45,008)
	(Decrease) increase in accounts payable	**(111,065)**	175,449
	Increase (decrease) in accrued liabilities	**119,644**	(59,973)
	Decrease in deferred revenue	**—**	(3,000)
	Net Cash Provided by Operating Activities	**191,071**	505,490
Cash Flows from Investing Activities	Proceeds from property disposals	**44,427**	218,847
	Acquisition of plant, property and equipment	**(1,182,954)**	(1,576,937)
	Net decrease in time deposits	**687,000**	99,000
	Net Cash Used in Investing Activities	**(451,527)**	(1,259,090)
Cash Flows from Financing Activities	Appropriations for plant, property and equipment	**1,182,954**	1,576,937
	NET INCREASE IN CASH	**922,498**	823,337
	Cash at beginning of period	**2,326,991**	1,503,654
	CASH AT END OF PERIOD	**$ 3,249,489**	$ 2,326,991

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)
FOR THE YEAR ENDED SEPTEMBER 30, 2002

		BUDGET		
		Resources	*Obligations*	*Expenses*
Saint Lawrence Seaway Development Corporation Fund		**$28,078,459**	**$13,892,916**	**$15,860,459**
Budget Reconciliation	Total expenses			15,860,459
	Adjustments			
	Add:			
	Capital acquisitions			1,182,954
	Deduct:			
	Depreciation			(2,379,819)
	Imputed expenses			(716,842)
	Decrease in net plant in service, property disposals			(49,979)
	Decrease in inventories			3,808
	Increase in other assets			103,670
	Less reimbursements:			
	Trust funds			(13,305,000)
	Revenues from non-federal sources			(848,697)
	ACCRUED EXPENDITURES			**$ (149,446)**

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

		Invested Capital	*Unexpended Appropriations*	*Cumulative Results of Operations*
Balance, September 30, 2000		$98,630,255	$ —	$ (2,105,618)
	Appropriations expended		(11,398,454)	11,398,454
	Fiscal Year 2001 appropriations		12,975,391	
	Other financing sources			1,885,580
	Operating expenses, excluding depreciation and imputed expenses			(12,327,024)
	Depreciation expense			(2,415,700)
	Imputed expenses			(640,925)
	Transfer from invested capital for depreciation	(2,415,700)		2,415,700
	Capital expenditures	1,576,937	(1,576,937)	—
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)**

The accompanying notes are an integral part of these statements.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
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 total $247,809 at September 30, 2002. 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 $589,532 at September 30, 2002, 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 Resource Development Act of 1986 (Public Law 99-662) required the Corporation to turn over U.S. Seaway tolls charged on commercial vessels to the Harbor Maintenance Trust Fund (the "Fund"). Annual appropriations from the Fund are used to meet operation and maintenance expenses. The Act further required the U.S. Treasury to rebate the tolls to the shippers from the Fund. Public Law 103-331, dated September 30, 1994, eliminated the requirement to collect and rebate these tolls effective October 1, 1994.

Invested Capital – The Corporation was initially funded by revenue bonds issued by the U.S. Treasury. On December 18, 1982, Congress cancelled the outstanding revenue bonds of $109,976,000 (P.L. 97-369,96 Stat. 1782). With cancellation of the debt, the amount was converted to invested capital. Since 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 captial.

Budget Authority -The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of $14,205,000 for fiscal year (FY) 2002, $13,305,000 from the Fund (Public Laws 107-87, 107-117 and 107-206), $900,000 from the non-federal revenues. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $13,892,916 for FY 2002. The Corporation's unobligated balance at September 30, 2002 totaled $14.2 million including $3.2 million unused borrowing authority. For FY 2003, the Corporation is operating on a Continuing Resolution based on the FY 2002 level of $13,305,000. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2003.

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.

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, 2002 and 2001 are as follows:

	2002	*2001*
Due from concession contracts	**$ 18,473**	$ 32,963
Interest on deposits in minority banks	**14,319**	38,894
Reimbursable work	**12,764**	1,793
Other	**47,487**	96,466
Total	**$ 93,043**	$170,116

5. Plant in Service

Plant in service as of September 30, 2002 and 2001 is as follows:

Plant in Service	Estimated Life (Years)	2002 Cost	2002 Accumulated Depreciation	2001 Cost	2001 Accumulated Depreciation
Lands in fee	N/A	**$ 867,526**	**N/A**	$ 867,526	N/A
Land rights & relocations	95	**5,639,064**	**2,294,277**	5,639,064	2,235,067
Locks & guidewalls	40-100	**75,564,326**	**36,634,789**	75,376,498	35,653,480
Roads & bridges	50	**9,152,820**	**7,571,866**	9,152,820	7,388,810
Channels & canals	95	**36,870,221**	**14,843,211**	36,870,221	14,456,074
Public use facilities	50	**892,157**	**572,529**	892,157	554,685
Navigation Aids	10-40	**2,939,691**	**2,229,814**	2,939,691	2,168,991
Buildings, grounds & utilities	50	**13,382,772**	**4,807,748**	12,281,483	4,558,447
Permanent operating equipment	5-40	**11,812,825**	**7,116,935**	11,555,951	7,320,425
TOTAL PLANT IN SERVICE		**$157,121,402**	**$ 76,071,169**	$155,575,411	$ 74,335,979

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.

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

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

7. Other Revenues

Other revenues for the years ended September 30, 2002 and 2001 consist of the following:

	2002	*2001*
Concession operations	**$194,459**	$272,526
Shippers payments for damages to locks	**16,480**	4,139
Rental of Administration Building	**61,925**	60,240
Vessel towing services	**40,740**	5,302
Pleasure craft/non-commercial tolls	**83,427**	80,580
Miscellaneous (net)	**27,370**	107,550
Total	**$424,401**	$530,337

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.

8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2002 and 2001 are as follows:

	2002	*2001*
Personal services and benefits	**$ 10,206,825**	$ 9,702,980
Travel and transportation	**155,841**	156,345
Rental, communications and utilities	**444,640**	488,334
Printing and reproduction	**43,588**	15,602
Contractual services	**1,154,175**	1,198,233
Supplies and materials	**568,500**	611,129
Equipment not capitalized	**183,645**	149,585
Uncollectible accounts	**1,032**	—
Loss on property disposals	**5,552**	4,816
Subtotal	**$12,763,798**	$12,327,024
Depreciation expense	**2,379,819**	2,415,700
Imputed expenses	**716,842**	640,925
Total Operating Expenses	**$15,860,459**	$15,383,649

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 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, 2002 and 2001 are as follows:

	2002	*2001*
Civil Service Retirement System	**$ 309,186**	$ 292,202
Federal Employees Retirement System:		
Automatic contributions	**516,172**	467,005
Matching contributions	**148,884**	136,577
Social Security	**305,365**	288,032
Total	**$1,279,607**	$1,183,816

10. Contingencies and Commitments

As of September 30, 2002, there were no claims pending against the Corporation. In addition to the current liabilities at September 30, 2002 and 2001 there were undelivered orders and contracts amounting to $1,522,207 and $1,753,751, 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, 2002 and 2001, revenue totaled $58,940 and $57,339, respectively.

The Corporation made rental payments to the General Services Administration for its Washington, D.C. office totaling $223,967 and $208,796 for fiscal years 2002 and 2001, 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 2002 and FY 2001 were as follows:

	2002	*2001*
Volpe National Transportation System Center	**$ —**	$162,200
Department of Commerce	**35,000**	35,000
Office of the Secretary of Transportation	**14,226**	4,876
United States Coast Guard	**856**	826
Federal Highway Administration	**—**	500
Total	**$50,082**	$203,402

Accounts payable at September 30, 2002 and 2001 include $540,730 and $574,108, respectively, of amounts payable to the U.S. Government.

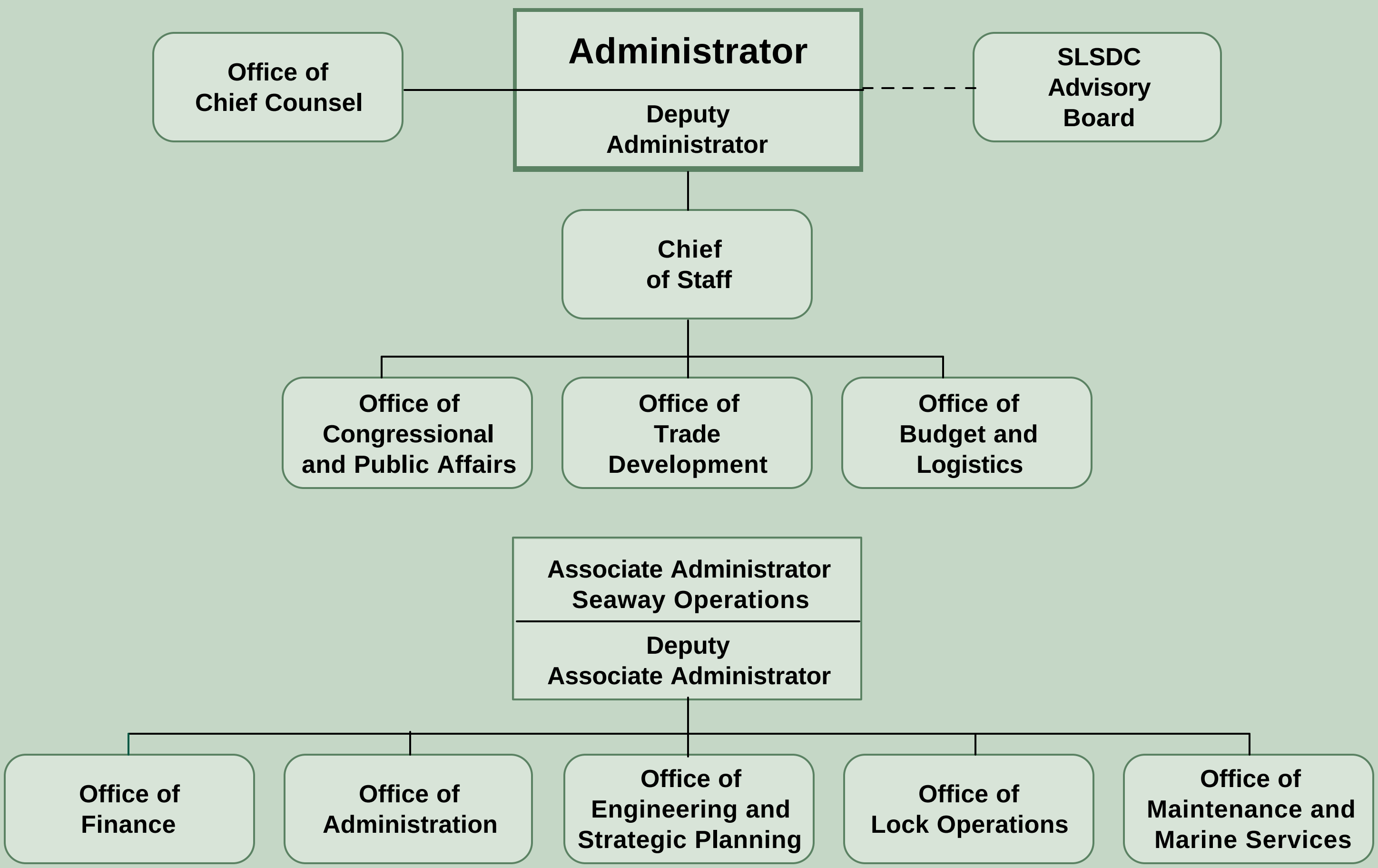
In fiscal years 2002 and 2001, the Corporation accrued costs of $53,591 and $53,030, respectively, to the St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

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 $28,078,459 consist of the Corporation's unobligated balance of $13,804,554 brought forward from October 1, 2001, and reimbursements earned of $14,153,697 and recoveries of prior year's obligations of $120,208 during FY 2002.

Saint Lawrence Seaway Development Corporation
Organization Chart
FY 2002



Saint Lawrence Seaway Development Corporation

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