DOCUMENT RESUME

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Audit of Financial Statements of Saint Lawrence Seaway Development Corporation, Calendar Year 1976. FOD-77-13; B-125007. September 13, 1977. 9 pp. + 7 enclosures (9 pp.) + 2 appendices (3 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).
Contact: Field Operations Div.
Budget Function: Commerce and Transportation: Water Transportation (406).
Organization Concerned: Department of the Interior; Saint Lawrence Seaway Development Corp.
Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Public Works; Congress.
Authority: Merchant Marine Act of 1970 (33 U.S.C. 985). Government Corporation Control Act (31 U.S.C. 850 (Supp. V)). (68 Stat. 92; 33 U.S.C. 981). River and Harbor Act of 1970 (84 Stat. 1818; 84 Stat. 1820). Water Resources Development Act of 1976. Water Resources Development Act of 1974. 88 Stat. 12. 88 Stat. 32. 90 Stat. 2917. 90 Stat. 2922.

The Saint Lawrence Seaway Development Corporation is the wholly-owned Government corporation created in 1959 to provide for construction, operation, and development--jointly between the United States and Canada--of the 27-foot-deep seaway between Montreal and Lake Erie. The Corporation has projected that beginning in 1978 it will not be able to meet its revenue bond redemption schedule as currently structured. The Governments of Canada and the United States are negotiating a toll increase, but it is unlikely that, even with the increase, enough revenues will be generated to resolve the Corporation's financial situation. Findings/Conclusions: The corporation has considered several options, including asking the Secretary of the Treasury to alter the bond maturity dates, seeking legislative cancellation of the debt, or asking the Congress for appropriated funds. However, the Corporation does not plan to act on these options until the toll increase negotiations are concluded. Review of the Corporation's financial statements indicates that they present fairly the Corporation's financial position at December 31, 1976 and 1975, the results of its operations, and the source and application of its funds for the years then ended in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States. Recommendations: The Corporation should begin analyzing and ranking its options for resolving its financial situation so that an effective action can be started as soon as the toll negotiations are complete. (Author/SC)

3729

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REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Audit Of Financial Statements Of Saint Lawrence Seaway Development Corporation Calendar Year 1976

The Corporation has projected, as reported in GAO's 1975 audit, that beginning in 1978 it will not be able to meet its revenue bond redemption schedule as currently structured. The Governments of Canada and the United States are negotiating a toll increase--the first since the seaway opened in 1959. However, even with this toll increase, it is unlikely that enough revenues will be generated to resolve the Corporation's financial situation. The Corporation has considered several options, including asking the Secretary of the Treasury to alter the bond maturity dates, seeking legislative cancellation of the debt, or asking the Congress for appropriated funds. However, the Corporation does not plan to act on these options until the toll increase negotiations are concluded.

FOD-77-13

SEPTEMBER 13, 1977

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-125007

To the President of the Senate and the
Speaker of the House of Representatives

This report summarizes the results of our audit of the Saint Lawrence Seaway Development Corporation's financial statements for the year ended December 31, 1976.

We made our audit pursuant to the Government Corporation Control Act (31 U.S.C. 850 and 851) and the Department of Commerce and Related Agencies Appropriation Act, 1961 (74 Stat. 101), which require the Comptroller General to audit the Corporation and to submit the audit report directly to the Congress.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Transportation; and the Administrator, Saint Lawrence Seaway Development Corporation.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

AUDIT OF FINANCIAL STATEMENTS OF SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION CALENDAR YEAR 1976

D I G E S T

The Government Corporation Control Act (31 U.S.C. 850 and 851 (Supp. V 1975)) requires the Comptroller General to examine the financial transactions of the Saint Lawrence Seaway Development Corporation.

The Corporation is the wholly owned Government enterprise created in 1959 to provide for construction, operation, and development--jointly by the United States and Canada--of the 27-foot-deep seaway between Montreal and Lake Erie. (See p. 3.)

In December 1976 the Canadian Government requested an agreement with the United States to impose tolls on the Welland Canal section of the seaway similar to those charged on the Montreal-Lake Ontario section and to increase the Montreal-Lake Ontario section tolls by 10 to 15 percent. These proposals are unacceptable to the United States. However, discussions continue, and an increase is expected in 1978. (See pp. 3 and 4.)

The Corporation has projected, as reported in GAO's 1975 audit, that beginning in 1978 it will not be able to meet its revenue bond redemption schedule as currently structured. (See p. 3.)

During calendar year 1976, the Corporation redeemed $2 million in revenue bonds held by the U.S. Treasury. The Corporation, through December 31, 1976, redeemed $17.3 million in outstanding revenue bonds and thereby reduced its bonded indebtedness to $116.5 million. (See p. 2.)

Although the Corporation has considered several options, including asking the Secretary of the Treasury to alter the bond maturity dates, seeking legislative cancellation of the debt, or asking the Congress for appropriated funds, it is not acting on these options until the toll increase negotiations are concluded. (See pp. 3 and 4.)

The presently proposed toll increase will not resolve the Corporation's financial situation. GAO therefore recommends that the Corporation begin analyzing and ranking its options so that an effective action plan can be started as soon as toll negotiations are complete. (See p. 5.)

In GAO's opinion, the financial statements of the Corporation present fairly its financial position at December 31, 1976 and 1975, the results of its operations, and the source and application of its funds for the years then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States. (See p. 9.)

Contents

CHAPTER 1

INTRODUCTION

The Saint Lawrence Seaway Development Corporation is a wholly owned Government enterprise created and authorized by the act of May 13, 1954 (68 Stat. 92; 33 U.S.C. 981), as amended, to provide for the construction, operation, and development, jointly by the United States and Canada, of a 27-foot-deep seaway between Montreal and Lake Erie.

The Corporation is authorized to make certain arrangements with the Saint Lawrence Seaway Authority of Canada for constructing the seaway; to construct, maintain, and operate the U.S. seaway facilities; to finance the U.S. share of the seaway costs on a self-liquidating basis by issuing revenue bonds to the U.S. Treasury; and to establish with the Canadian Authority mutually satisfactory arrangements for the coordinated control and operation of the seaway.

The seaway consists of the Saint Lawrence River section, extending from Montreal to Lake Ontario, and the Welland Canal section, connecting Lake Ontario and Lake Erie. The major U.S. navigational facilities are located in the Saint Lawrence River section. The Welland Canal section was constructed and is being operated by Canada.

The Corporation is authorized to negotiate agreements on tolls and ship measurements with the Canadian Authority. The toll rates currently in effect were established at the beginning of seaway operations in 1959. A 1966 agreement between the Governments of the United States and Canada provided that 27 percent of toll revenues be distributed to the Corporation and 73 percent be distributed to the Authority.

The Corporation submits an annual report on its activities for the calendar year to the Secretary of Transportation, who, in turn, submits it to the President for transmittal to the Congress.

CHAPTER 2

FUTURE ECONOMIC VIABILITY

In our report on the Corporation's calendar year 1975 financial statements, we said that, beginning in 1978, Corporation projections indicated that it would not be able to meet the currently structured revenue bond redemption schedule. Based on the Corporation's financial projections, we believe that a toll increase acceptable to seaway users would probably not increase revenues sufficiently to meet the redemption schedule.

INDEBTEDNESS TO THE U.S. GOVERNMENT

The Corporation was authorized to borrow $140 million from the U.S. Treasury under interest-bearing revenue bonds and to redeem such borrowings before maturity at the Corporation's option. The Corporation's unpaid accrued interest, as well as all future interest on the bonded debt, was forgiven in October 1970 under the Merchant Marine Act of 1970 (33 U.S.C. 985). The interest which would otherwise have been payable during 1976 was about $5 million (approximate cost to the U.S. Treasury) and a total of $56.5 million for all years.

Through December 31, 1976, the Corporation had borrowed $133.8 million and had available further borrowing authority of $6.2 million. At that date the Corporation had redeemed $17.3 million in outstanding revenue bonds, reducing its debt to $116.5 million. The repayments included $2 million paid in 1976 and $15.3 million paid in previous years.

The redemption schedule is detailed on the following page.

Saint Lawrence Seaway Development Corporation
Outstanding Revenue Bonds
as of December 31, 1975

Maturity dates December 31	Annual amount
1977	$1,000,000
1978-82	4,000,000
1983-88	5,000,000
1989	4,000,000
1990-2001	2,500,000
2002	2,600,000
2003	2,299,301
2004	9,476,749
2005	6,500,000
2006	2,500,000
2007	3,700,000
2008	4,400,000

Management has projected that, at current levels of revenues, expenses, and indebtedness, the Corporation will be unable to meet its bond redemption schedule beginning in December 1978 unless some action is taken to increase revenues or revise expenses and indebtedness. According to information presented in March 1977 before the Subcommittee on Transportation, House Committee on Appropriations, the Corporation estimated that it would require a 50-percent increase in revenues over the next 5 years to meet the bond retirement schedule. Officials advised us that this estimate was based on a provision for inflation of about 8 percent annually in operating and administrative costs, together with projected capital outlay needs. On this basis, average revenues of about $12 million a year will be required.

Cargo tonnage, over the most recent 11 years, 1966 through 1976 inclusive, showed neither an overall upward or downward trend, although there were fairly sharp year-to-year fluctuations. (See chart, p. 7.) In the absence of increased cargo tonnage, an increase in revenue can only be provided by a toll increase.

CARGO TOLL NEGOTIATIONS

The following toll rate schedules in effect in 1976 have remained unchanged since they were established in 1959.

--40 cents per ton of bulk cargo.

--90 cents per ton of general cargo.

--4 cents per gross registered vessel ton.

In December 1976 Canada approached the United States through diplomatic channels, with the request that the 1959 toll agreement between the two countries be modified so as to allow Canada to impose tolls unilaterally at the Welland Canal. In making the request, Canada indicated that it intended to establish a tariff of tolls at the Welland section of the seaway which would be about the same as that now in effect on the Montreal-Lake Ontario section. Also, tolls on the Montreal-Lake Ontario section would be raised by 10 to 15 percent to provide for increased costs.

In response, the United States indicated to Canada that the requested modifications to the toll agreement were unacceptable. However, the United States, recognizing the financial needs of both the Corporation and the Canadian Authority, agreed to negotiate a new toll agreement.

Because of the concern that proposed toll adjustments may result in extensive diversion of cargo from the seaway to alternate modes of transportation, the United States had deferred making a counter proposal pending completion of the Corporation's traffic study. The study involved more than 10,000 direct mail solicitations, requesting comments from interested parties about the potential effects of the Canadian proposal. The U.S. position will be developed based on an analysis of the study.

Any toll adjustments would be effective starting with the 1978 navigation season.

MANAGEMENT ACTIONS TO RESOLVE FINANCIAL SITUATION

Management is aware of the Corporation's financial problems and has previously presented several options or combinations of options to meet its needs, including (1) altering the bond repayment schedule within the 50-year repayment period through agreement with the Secretary of the Treasury, (2) requesting appropriated funds for expenditures other than bond repayment, and (3) seeking legislative cancellation of the debt. The Corporation believes that further consideration of these options must be deferred until the present toll negotiations are concluded.

CONCLUSION AND RECOMMENDATION

In our opinion, it is unlikely that a toll increase will be negotiated sufficient to provide the 50-percent increase in revenue which management believes is required. We therefore recommend that the Corporation begin analyzing and ranking its options so that an effective action plan can be initiated as soon as the toll negotiations are complete.

CHAPTER 3

CORPORATION OPERATIONS

RESULTS OF 1976 OPERATIONS

The Corporation reported a net gain of $1,033,000 for calendar year 1976, compared with a 1975 net gain of $289,000.

The Corporation's toll revenues increased by 13 percent from $6.1 million in 1975 to $6.9 million in 1976.

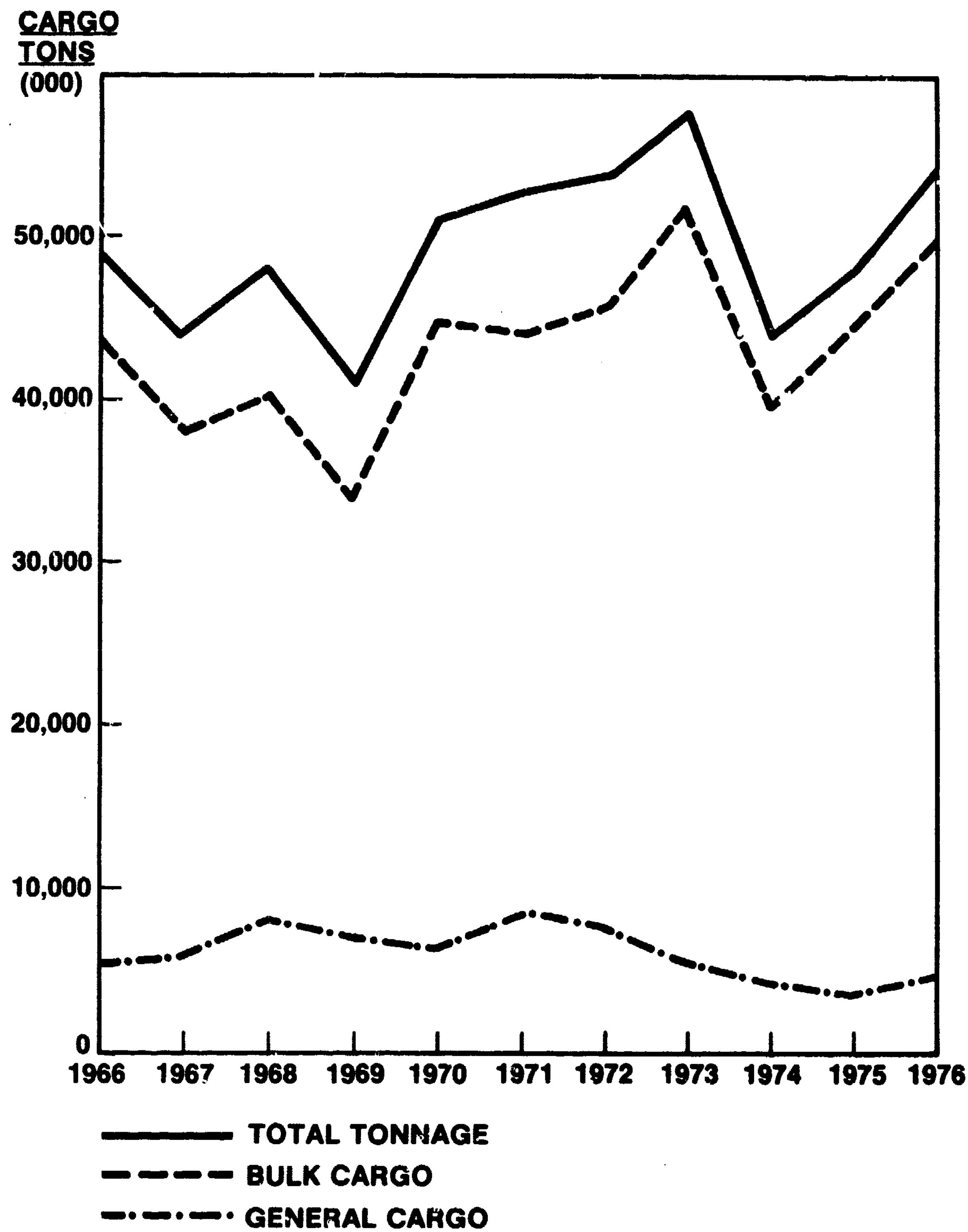
ADMINISTRATIVE EXPENSE LIMITATION

Administrative expenses for fiscal year 1976 and the transition quarter ended September 30, 1976, as authorized by the Congress were not to exceed $1,201,000. Actual expenses were $1,189,920--$11,080 less than the statutory limitation.

TRAFFIC

Seaway cargo transits between Montreal and Lake Ontario in 1976 amounted to 54.4 million tons, compared with 48 million tons handled in 1975, an increase of 13.3 percent. The 1976 tonnage consisted of bulk cargo of 49.9 million tons, an increase of 12.4 percent from 1975, and general cargo of 4.5 million tons, an increase of 25 percent from 1975.

In 1976 overall traffic reached its highest level since the record 57.6 million tons handled in 1973. The graph on the following page shows the 11-year (1966-76) tonnage trend by bulk cargo, general cargo, and total cargo. Although total cargo tonnage showed fairly sharp year-to-year fluctuations, it did not indicate a significant long-term trend. However, during the most recent 6-year period, 1971 to 1976 inclusive, bulk cargo increased relative to total cargo, while general cargo showed a steady downward trend. Since toll rates per cargo-ton are 2-1/4 times greater for general cargo than for bulk cargo, a decrease in general cargo and an equivalent increase in bulk cargo results in a decrease in revenue on a total tonnage basis.


CARGO
TONS
(000)
50,000
40,000
30,000
20,000
10,000
0
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
TOTAL TONNAGE
BULK CARGO
GENERAL CARGO

NAVIGATION SEASON EXTENSION

The River and Harbor Act of 1970 (84 Stat. 1818, 1820) authorized the Corps of Engineers to demonstrate the practicability of winter navigation on the Great Lakes and the seaway. A 3-year, $6.5 million demonstration program was authorized. The project was extended for 2 years, and the funding increased to $9.5 million with the passage of the Water Resources Development Act of 1974 (88 Stat. 12, 32). In 1976 the project funding was further increased to $16 million and was extended two additional winter seasons through the passage of the Water Resources Development Act of 1976 (90 Stat. 2917, 2922). However, because of late passage of the 1976 act, additional funds will not be available until fiscal year 1978.

The Corps is conducting the demonstration program in cooperation with the Departments of Commerce, the Interior, and Transportation--specifically the Coast Guard, the Corporation, and the Maritime Administration--the Environmental Protection Agency; other Federal agencies; and public and private interests. The program includes, among other activities, observation and surveillance of ice conditions and ice forces, environmental and ecological investigations, and collecting technical data on ice control facilities, and aids to navigation.

The Corps allocated and transferred $2,217,819 of appropriated funds to the Corporation through calendar year 1976 for the program. Of these funds $486,167 remained unexpended as of December 31, 1976.

The Winter Navigation Board's report published in May 1976 states that, although the Corporation has been collecting data to document ice formations, effects, and breakup in the Saint Lawrence River to build an environmental data base, no demonstration program activities resulting in extended winter-season navigation on the Saint Lawrence River were initiated during the first 5 years of the program.

CHAPTER 4

SCOPE OF EXAMINATION AND

OPINION ON FINANCIAL STATEMENTS

SCOPE OF EXAMINATION

We examined the Corporation's statement of financial condition at December 31, 1976, and the related statements of revenues and expenses and source and application of its funds for the calendar years then ended in accordance with generally accepted auditing standards. We included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made our audit at the Corporation's office in Massena, New York. We previously examined the Corporation's financial statements for the fiscal year ended December 31, 1975.

By agreement between the Saint Lawrence Seaway Authority of Canada and the Corporation, the billing and collection of tolls are the responsibility of the Authority, which accounts to the Corporation for the Corporation's share of the toll revenues.

OPINION ON FINANCIAL STATEMENTS

As discussed in chapter 2, management has projected that, if it cannot take the necessary action with respect to revenues, expenses, and indebtedness, the Corporation will not be able, beginning in December 1978, to meet the bond redemption schedule as currently structured. Also, management estimates that the Corporation will require a 50-percent increase in revenues in order to meet bond redemption requirements over the next 5 years. In December 1976 discussions were begun between representatives of the United States and Canada. These discussions are expected to result in a revision of cargo tolls to be effective in 1978; however, the effect of the revision of tolls on the financial position of the Corporation cannot yet be determined.

In our opinion, the accompanying financial statements (schs. 1 through 7) present fairly the financial position of the Corporation at December 31, 1976 and 1975, and the results of its operations and the source and application of its funds for the calendar years then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

SCHEDULE 1

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 1976 AND 1975

ASSETS

	1976	1975
PLANT, PROPERTY, AND EQUIPMENT:		
Plant in service, at cost (sch. 5 and note 1)	$127,480,713	$126,838,498
Less accumulated depreciation (note 2)	25,949,211	24,260,750
Net plant in service	101,531,502	102,577,748
Work in progress	272,319	47,874
Total plant, property, and equipment	101,803,821	102,625,622
INVESTMENT IN SEAWAY INTERNATIONAL BRIDGE COMPANY:		
Debenture bonds--due December 31, 2012	7,440	7,440
CURRENT ASSETS:		
Cash (note 3 and note 5)	3,356,711	3,070,754
Time deposits in, and cash in transit to, minority banks (note 4)	700,000	740,000
Tolls and other receivables (net)	374,202	395,888
Inventories, at cost	240,608	218,686
Total current assets	4,671,521	4,425,328
Total assets	$106,482,782	$107,058,390

INVESTMENT AND LIABILITIES

	1976	1975
INVESTMENT OF THE U.S. GOVERNMENT:		
Revenue bonds outstanding (authorized $140,000,000, unissued $6,200,000--due in 1977 $1,000,000)	$116,476,050	$118,476,050
Deficit (note 6)	-11,331,853	-12,364,914
Net investment of U.S. Government	105,144,197	106,111,136
CURRENT LIABILITIES:		
Accounts payable	-	2,279
Accrued liabilities and deferred income (note 5)	1,338,585	944,975
Total current liabilities (note 7)	1,338,585	947,254
Total investment and liabilities	$106,482,782	$107,058,390

The notes on pages 17 and 18 are an integral part of this statement.

SCHEDULE 2

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES

FOR THE CALENDAR YEARS 1976 AND 1975

	1976	1975
REVENUES:		
Seaway tolls	$6,953,330	$6,090,959
Other	346,630	222,501
Total revenues	7,299,960	6,313,460
EXPENSES:		
Operations (sch. 6)	3,572,494	3,420,789
General administration (sch. 7)	962,352	901,984
Depreciation (note 2)	1,732,053	1,701,266
Total expenses	6,266,899	6,024,039
Net gain	$1,033,061	$ 289,421

The notes on pages 17 and 18 are an integral part of this statement.

SCHEDULE 3

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF DEFICIT

AS OF DECEMBER 31, 1976 AND 1975

	1976	1975
Deficit at beginning of year	$12,364,914	$12,654,335
Gain for the year	1,033,061	289,421
Deficit at end of year	$11,331,853	$12,364,914

The notes on pages 17 and 18 are an integral part of this statement.

SCHEDULE 4

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR CALENDAR YEARS 1976 AND 1975

	1976	1975
SOURCE:		
Revenues:		
Seaway tolls	$6,953,330	$6,090,959
Other	346,630	222,501
Decrease in working capital	145,138	464,720
Proceeds from property disposals	4,626	3,398
	$7,449,724	$6,781,578
APPLICATION:		
Acquisition of assets	$ 914,878	$ 458,805
Operations expenses	4,534,846	4,322,773
Retirement of revenue bonds (U.S. Treasury)	2,000,000	2,000,000
	$7,449,724	$6,781,578

The notes on pages 17 and 18 are an integral part of this statement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF PLANT, PROPERTY, AND EQUIPMENT

AS OF DECEMBER 31, 1976 AND 1975

	1976		1975	
Plant in service	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land in fee	$ 911,026	$ -	$ 911,026	$ -
Land rights and relocations	5,639,064	769,615	5,639,064	710,405
Locks	64,947,374	13,220,800	64,854,897	12,436,194
Roads and bridges	8,638,717	3,040,874	8,638,717	2,868,100
Channels and canals	36,502,067	4,926,382	36,467,029	4,543,110
Public use facilities	542,112	179,987	542,112	169,145
Navigation aids	1,527,593	318,581	1,516,971	296,867
Buildings, grounds, and utilities	4,089,361	1,381,263	4,085,536	1,299,476
Permanent operating equipment	4,683,399	2,111,709	4,183,146	1,937,453
Total	$127,480,713	$25,949,211	$126,838,498	$24,260,750

The notes on pages 17 and 18 are an integral part of this statement.

 SCHEDULE 6

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF OPERATIONS EXPENSES

FOR THE CALENDAR YEARS 1976 AND 1975

	1976	1975
Development and general expense	$1,136,979	$1,150,316
Locks, canals, and traffic control operations	1,126,187	967,049
Maintenance of navigation aids	84,620	90,243
Maintenance of plant and equipment	1,224,708	1,213,181
Total	$3,572,494	$3,420,789

The notes on pages 17 and 18 are an integral part of this statement.

 SCHEDULE 7

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF ADMINISTRATIVE EXPENSES

FOR THE CALENDAR YEARS 1976 AND 1975

Type of expense	1976	1975
Personnel compensation	$671,616	$624,215
Personnel benefits	58,028	51,700
Travel and transportation	37,657	32,396
Rents, communications, and utilities	92,554	86,287
Printing and reproduction	9,069	10,592
Other services	73,603	73,703
Supplies and materials	19,825	23,091
Total	$962,352	$901,984

The notes on pages 17 and 18 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. Plant, property, and equipment are stated at cost of acquisition or construction. Indirect costs incurred before the opening of the seaway on April 25, 1959, have been allocated to the related permanent features of the seaway.

2. The straight-line method of depreciation is used and is computed on balances in-plant in-service. Accumulated reserves are accounted for on a composite basis by groups of assets. The cost of plant retired, including the cost of removal, less salvage, is charged against the reserves. Neither depreciation nor amortization allowances have been provided for lands in fee.

3. To preserve the Corporation's borrowing authority to meet future emergency cash requirements, revenues have been retained to provide working capital during the winter nonnavigation season. These revenues are deposited in the Corporation's account with the U.S. Treasury.

4. To support the Administration's Minority Bank Deposit Program, the Corporation maintains deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises. All deposits are insured by the Federal Deposit Insurance Corporation.

5. The Congress authorized the Corps of Engineers to determine the means of extending the navigation season of the Great Lakes and the seaway and to demonstrate the practicability of extending the season (Public Law 91-611). A portion of the funds appropriated to the Corps is allocated to the Corporation as one of the participating agencies in the demonstration program. As of December 31, 1976, deferred income consists of $486,167 of appropriated funds received under this program. These funds are included in accrued liabilities and deferred income and are reflected in cash.

6. The deficit of $11,331,853 is the net accumulation since the opening of the seaway in 1959 and reflects the excess of expenses over revenues, including some $25,949,211 in accumulated depreciation.

7. As of December 31, 1976, there was one unresolved claim pending against the Corporation in the amount of $8,104. In addition to the current liabilities at December 31, 1976, there were undelivered orders and contracts amounting to $621,395 which include $378,510 for the demonstration program.

DEPARTMENT OF TRANSPORTATION
ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
WASHINGTON, D.C. 20590 MASSENA, NEW YORK 13662

August 2, 1977

Mr. S. D. McElyea, Director
Field Operations Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. McElyea:

In your letter of July 20, 1977, you requested our comments on your draft report of the Corporation's financial statements for 1976. One general observation I must make is that it seems inappropriate for the report to deal so extensively with the tolls negotiations which are occurring principally in 1977.

Our specific comments are:

1. In paragraph 4, page i of the digest, the draft incorrectly characterizes the GAO's view as stated in its 1975 audit report as being that the Corporation (see also paragraph 1, Chapter 2, page 3 of the report).

2. Chapter 1, page 1, paragraph 3, the second sentence does not recognize U.S. Seaway Corporation responsibilities in Lake Ontario. We suggest the following: "The major U.S. navigational facilities are located in the St. Lawrence River section."

[See GAO notes on the following page.]

4. In Chapter 2, page 6, the mail solicitations referred to were more than 10,000, not 8,000.

5. On page 6, under Management Actions to Resolve Financial Situation, we strongly object to the wording of the last two sentences. The last sentence, which is incorrect as stated, would in itself be extremely detrimental to U.S.-Canada relations and the negotiations. We suggest the following alternate language to replace the last two sentences: "The Corporation believes that further consideration of these options must be deferred until the present toll negotiations are concluded."

We appreciate the opportunity to comment on this report. If you have any questions concerning our comments, please contact Cannon L. Young, of our Washington office, at 426-3574.

Sincerely,

D. W. Oberlin
Administrator

GAO notes: The deleted comments relate to matters which were presented in the draft report but which have been omitted from this report.

Page number references in this appendix may not correspond to pages of this report.

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF TRANSPORTATION AND THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION CALENDAR YEAR 1976

	Effective date of appointment
DEPARTMENT OF TRANSPORTATION	
SECRETARY OF TRANSPORTATION:	
Brockman Adams	Jan. 1977
William T. Coleman, Jr.	Mar. 1975
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION	
ADMINISTRATOR:	
David W. Oberlin (note a)	Aug. 1969
ASSISTANT ADMINISTRATOR:	
William H. Kennedy	Oct. 1973

a/Reappointed to second term, Mar. 1975.

(97603)