STATEMENT OF DAVID W. OBERLIN, ADMINISTRATOR OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION, BEFORE THE HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE, SUBCOMMITTEE ON WATER RESOURCES, CONCERNING THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION REFINANCING ACT OF 1979, DULUTH, MINNESOTA, APRIL 26, 1980.

Mr. Chairman, members of the Committee, I am pleased to be here in Duluth to share with you the Department of Transportation's feelings on H.R. 3258, a bill to restructure the financing of the activities of the Saint Lawrence Seaway Development Corporation. This bill would eliminate the requirement for the Seaway Corporation to repay its capital costs on a fixed schedule before a statutory deadline. Rather it would require the Seaway Corporation to return funds to the Treasury of the United States at the same percentage of federal investment in Seaway facilities as the Seaway Corporation's counterpart agency in Canada, the St. Lawrence Seaway Authority, returns to the Treasury of that country.

The Saint Lawrence Seaway Development Corporation, one of the component administrations of the Department of Transportation, is a government corporation which regularly returns funds to the federal treasury. Funds are generated through tolls assessed upon the ships and cargoes which travel through the Seaway facilities. The St. Lawrence Seaway is a bi-national waterway which was constructed jointly by the United States and Canada and is now administered by the two country's respective Seaway entities.

Tolls on the Seaway are assessed under a Joint Tariff of Tolls and the revenues derived from the Montreal to Lake Ontario section are divided according to a negotiated formula. From its share of these revenues the U.S. Corporation pays all its operating, maintenance, development and administrative costs and returns an annual amount to the Treasury which is applied against its outstanding long term debt.

In the United States, the Seaway's construction was financed through the mechanism of bonds which were issued by the Seaway Corporation to the Secretary of Treasury. The Seaway statute requires the Secretary to purchase these bonds and provides that they be retired by the Corporation according to a schedule agreed to between the Corporation and the Treasury Secretary. Of its total authorized borrowing authority of $140 million, the Seaway Corporation has borrowed $133.8 million of which $22.8 million has been returned to the Treasury. The statute also provides that all the borrowings of the Corporation are to be paid back within 50 years.

H.R. 3258 would eliminate the present requirement that the Seaway Corporation repay within 50 years from the date of borrowing all monies borrowed from the Treasury for construction of U.S. Seaway facilities. It substitutes instead a requirement that the Corporation pay into the General Fund of the Treasury revenues in an amount which would represent a return on the U.S. Seaway investment comparable to that realized by the Saint Lawrence Authority of Canada on its investment in Seaway facilities. In addition, SLSDC would be required to pay into the Genreal Fund other revenues that exceed the sum of the costs of operating and maintaining its facilities, depreciation on the facilities, and authorized payments in lieu of taxes. These payments would be made to the Treasury not later than 180 days after the end of each calendar year. The Bill also would amend the statutory guidelines for the establishment of toll levels so as to make them consistent with the amended payback provisions. Finally, the bill would terminate the outstanding balance of obligations previously incurred by the Seaway Corporation.

It is the Department's understanding that this legislation was proposed in response to the increases which resulted from the 1977 U.S.-Canada toll negotiations and to minimize the severe impact of another round of major increases. Prior to those negotiations Canada restructured the finances of its Seaway Authority to provide that outstanding loans from the Government of Canada be converted to equity and authorized the Minister of Transport to fix, from time to time, the amount to be paid by the Canadian Authority annually out of its toll revenue as a return on capital. With the full implementation of the 1977 increases this season, Canada is looking for a return of one percent on the equity holding of $625 million. If Canada were to seek a level similar to that of the U.S. the required increases in tolls would be significant.

The 1977 increases were phased in over a three year period to lessen their impact on Seaway commerce. Because the full amount of the increase was not immediately reflected in additional Seaway Corporation revenues, DOT prevailed upon Treasury to reschedule the Seaway's debt retirement over the four year period of the negotiated toll agreement.

Treasury was reluctant to agree to a future rearrangement of payments which would result in a present value of less than the present value of the payment schedule in effect at that time. Accordingly, under the new debt retirement schedule, payments will increase to

$5 million per year in 1982. This will inevitably require a toll increase at that time. As a result of tolls now being assessed on the Welland section in addition to the Montreal-Lake Ontario section of the Seaway, Canada will achieve a lower rate of return on its investment in these two facilities than does the U.S. on the facilities of the Seaway Corporation. Accordingly, Canada may seek a comparable rate of return on investment when the present agreement expires. To generate revenues sufficient to cover a $5 million debt payment annually, tolls assessed by SLSDC will have to be increased.

Mr. Chairman, Secretary Goldschmidt has asked me to advise you that although this legislation would materially alter the financial basis of the SLSDC, the Department does not want the United States to enter the next round of Seaway toll negotiations under a requirement to seek tolls which would be unreasonably high. With low cost, energy efficient transportation becoming more and more valuable to our economy, it is in the national interest to take full advantage of our investment in Seaway facilities, without unduly burdening grain and other midwestern cargoes and commodities which move through the Seaway. While we are not prepared to endorse the solution presented in H.R. 3258, we are reviewing the situation and will advise the Committee of our recommendations.