



Saint Lawrence Seaway Development Corporation

Advisory Board Meeting Minutes

Monday, June 26, 2017 (2:00 p.m.)

Meeting Held Via Teleconference

PRESENT Craig Middlebrook (Deputy Administrator), David McMillan (Advisory Board Chairperson), William Mielke (Advisory Board Member), Arthur Sulzer (Advisory Board Member), Nancy Alcalde (Director of Congressional and Public Relations), Chris Guimond (Director of Lock Operations and Marine Services), Carrie Lavigne (Chief Counsel), Tom Lavigne (Associate Administrator), Kevin O'Malley (Director of Budget and Economic Development), Jeff Scharf (Director of Engineering and Maintenance), Adam Schlicht (Great Lakes Regional Representative), Nancy Scott (Chief Financial Officer), and Wayne Williams (Chief of Staff) were present. Advisory Board Member Wenona Singel was absent from the meeting. Chelsea Champlin (Program Support Specialist) was also in attendance. Mr. McMillan chaired the meeting and Ms. Champlin recorded the minutes.

I. CALL TO ORDER

In his capacity as Board Chairperson, David McMillan welcomed all participants to the Advisory Board meeting and, noting the presence of quorum with three of four board members present, called the meeting to order at 2:05 p.m.

Chairman McMillan made note of the heartfelt sympathy on behalf of the Board, the Seaway community, and the shipping community to Deputy Administrator Middlebrook and welcomed his return. Deputy Administrator Middlebrook recognized the SLSDC senior management team for their service in his absence.

II. APPROVAL OF THE MINUTES

On a motion by Mr. Mielke and seconded by Mr. Sulzer, the Board approved the minutes for the December 14, 2016 Advisory Board meeting. Without objection, the motion passed unanimously, and the December 2016 meeting minutes were approved.

III. ADMINISTRATOR'S REPORT

Deputy Administrator Craig Middlebrook provided a quarterly update to the Advisory Board membership, including a general overview of SLSDC activities following the previous Advisory Board meeting:

- He began by discussing the current navigation season traffic. While the last season ended on a lackluster note, the 2017 season has been moving at a rapid pace and he noted the stable number of international transits and the "reinvigorated industry." He remarked that we have seen significant growth in commercial trade thus far.



- Deputy Administrator Middlebrook also discussed the high water level issues due to unprecedented weather affecting Lake Ontario and the St. Lawrence River. The record-breaking water levels on Lake Ontario have caused flooding and damage to riparian property owners and businesses. The SLSDC has been closely monitoring this issue with the Lake Ontario St. Lawrence River Board to ensure that the incremental increases to outflows to try and lower the high water levels have the least impact possible on commercial navigation.
- He also discussed several significant budget-related developments since our last meeting. In early May, the federal government received its FY 2017 appropriations and the SLSDC fared well. The SLSDC successfully secured the FY 2017 request level of \$36.028 million and finally shed the cuts experienced for all of FY 2016 and half of FY 2017, recognizing Mr. Kevin O'Malley on his outstanding efforts, along with Ms. Nancy Scott and Ms. Nancy Alcalde. He also mentioned that the SLSDC recently submitted its FY 2018 budget request to Congress and the FY 2019 request to the Secretary.
- With the 2017 appropriations enacted, Deputy Administrator Middlebrook mentioned the SLSDC is ready to move forward on two of our most important Asset Renewal Program (ARP) projects – tugboat replacement and hands-free mooring. Over this past winter, the civil work at Eisenhower Lock for the hands-free mooring system was completed. The SLSDC is on pace for the system to be operational at Eisenhower Lock with the start of the 2018 season. The SLSDC is in the process of going out with solicitations for the civil work at Snell Lock in the next few weeks. The plan is for Snell to become operational during the 2019 season. Regarding the tugboat replacement, the SLSDC is in the process of re-bidding the contract following a contract cancellation and recovery of funds.
- Providing a perspective on the political transition, Deputy Administrator Middlebrook reported that the SLSDC has been working very closely with the new team at the Department of Transportation, led by Secretary Elaine Chao. He explained feeling extremely fortunate to have a leader with Washington experience who understands how the Executive Branch operates. The new political team has been very supportive of SLSDC operations and unique authorities, and the Corporation has fared much better than other DOT operating administrations in terms of regulatory review, hiring waivers, and budgetary needs.
- Chairman McMillan remarked about the budget shifts from FY 2016 to present, and wanted to know whether the fiscal year budgets line up with the change in administration. He went on to ask whether Secretary Chao “owned” the FY 2018 budget, or if that begins in FY 2019. Deputy Administrator Middlebrook responded by saying that there is a juggling of three budgets at any given time, and that the Secretary’s “ownership” would be with the FY 2019 budget under the new administration.
- Mr. Mielke remarked that he knew about sailing draft limitations in instances of low water levels, so he wanted to know why the same limitations would be in place for high water levels. Mr. Lavigne responded to say that for one, we are seeing higher levels than we ever have, and two, when ships are going through such high flows upstream, the ships squat further in the water.



- Mr. Sulzer asked if tugs could help those vessels with steerage and slowdown. Mr. Lavigne responded that tugs could provide an expensive solution, but that right now the ships are not facing any issues with the current speed limit. He added that the SLSMC has a tug located near the Iroquois Lock to assist due to high cross currents in that area.

IV. QUARTERLY UPDATES

Mr. Guimond presented his report on Lock Operations and Marine Services. The 2016 navigation season officially closed on December 31, 2016 and the last vessel, the G3 Marquis bound for Hamilton, passed through the U.S. locks on December 29. Weather and ice conditions remained mild throughout the closing period, making it a favorable closing. Total transits reached at 2,104, representing 7.5 transits per day over a period of 281 days. Inland vessels for the season finished at 1,175, ocean vessels at 891, and tour boats at 38. U.S. ship inspectors performed 245 inspections on foreign flagged vessels in ports and anchorages east of Montreal.

Mr. Guimond closed by discussing some other projects, including lock and system reliability, ballast tank and safety inspections, winter work, a January 2017 tabletop emergency response exercise, the buoy runs last winter and this spring, the annual oil boom exercise with Akwesasne Mohawk Council (scheduled for this summer) and the transfer of the SLSDC gatelifter to Montreal. This is necessary as the SLSMC dry docks its gatelifter Hercules.

- Chairman McMillan asked about how it was possible to move the gatelifter and still have it available below another lock. Mr. Guimond responded that it must be at the lowest point in the system to be able to get to any lock in case of issues.
- Chairman McMillan asked about the budget and whether the SLSDC would be able to complete the Robinson Bay tugboat project. Mr. O'Malley responded, saying that with the new levels and a little bit of help, we are on track to complete the tug.

Mr. O'Malley reported on budget and financial management issues. He noted that the SLSDC received its FY 2017 enacted budget in early May, at the request level of \$36.028 million. The SLSDC had been operating at the prior year's approved level, which was \$28.4 million. As for FY 2019, the SLSDC recently submitted its budget request to the Secretary in late May. The request was significantly above the \$28.346 million target and closer to the FY 2017 enacted level. As a final note, he mentioned that the SLSDC recently submitted documentation to the Office of Inspector General (OIG) to close out the two recommendations related to the Seaway International Bridge that were included in the FY 2016 financial audit quality control review.

Ms. Scott gave an update on the FY 2017 audit to be performed by the DOT OIG. She noted that the first visit for the entrance conference was held in April, which included a successful meeting with the SIBC Bridge Director and walk-throughs of the finance and procurement functions. The OIG is now reviewing their findings and will perform interim testing in August. The final review will take place in early October, with a final report presented no later than November 15.

Mr. O'Malley and Mr. Schlicht provided a joint report on trade and economic development activities. Mr. O'Malley started by sharing his excitement that the SLSDC, the SLSMC, and several other U.S. and Canadian stakeholders are re-engaging on an update to the 2011 Economic Impact Study, noting its importance and utility. He said that the final report is scheduled for release in early 2018.



Mr. Schlicht added some updates to the documentation provided in the briefing book. The 2016 shipping season tied for the longest shipping season on record and saw 35 million tons through the locks including a diverse mix of cargos; imports included aluminum, wind parts, steel and project cargos, and exports included general cargos, containers, and U.S. and Canadian grain. He noted a sharp increase in iron ore movements early in the 2017 season. He also highlighted the SLSDC Pacesetter Awards. For the 2016 season, the SLSDC is recognizing six U.S. ports for increased international trade (Duluth, Green Bay, Milwaukee, Buffalo, Toledo, and Ogdensburg). News advisories have gone out and the ports have either received their awards or are forthcoming. Mr. Schlicht applauded especially the presentation held at the Wisconsin International Trade Conference by Associate Administrator Tom Lavigne, which was the largest showcase the SLSDC has participated in as part of a Pacesetter presentation.

Mr. Schlicht gave an overview of new and upcoming trade development activities. The Ecoships initiative is still in progress and gaining traction between the Ports of Muskegon and Milwaukee. The U.S. grain export initiative, in partnership with the SLSMC, Duluth, Milwaukee, Toledo, and others is progressing as well. The international marketing activities under the HwyH₂O brand are continuing strongly, leading to the development of a binational, synchronized, and sophisticated marketing plan. The Breakbulk Americas conference is slated for October and the HwyH₂O annual conference will be held in Toronto in November. The Geographix map of the Seaway system is under review for its third iteration, and is expected to be available in print in 2018. Lastly, specific to the Great Lakes Seaway Partnership, Mr. Schlicht and Ms. Alcalde together with the other founding members are working on finding a new traditional and social media manager to replace Laura Blades.

- Mr. Sulzer requested to hear about the liner trade out of Cleveland. Mr. Schlicht responded saying the system is consistent at 2-3 vessels per month.
- Mr. Sulzer also asked about the industry's understanding of the Seaway as a "front door" for business, rather than the Mississippi River. Mr. Schlicht responded to say that the mission in Houston has shifted due to some personnel changes at SLSMC. As such, after a two-month pause, he expects to reconstitute the marketing efforts in Houston in August.

Associate Administrator Lavigne provided an update on the Asset Renewal Program (ARP), starting with a report that the SLSDC received their requested funding of \$36 million for FY 2017. Over the past winter, the slots were cut and the rails were installed at Eisenhower Lock for the hands free mooring project. The final step will be the installation and commissioning of the units in the lock wall, which is expected to be awarded before the end of September. The *Robinson Bay* tugboat project is ready to go out for proposals any day for re-bid. Lastly, the Bailey bridge utilities have been relocated, the gatelifter is being worked on, and the all-season buoys are still in place and successfully weathered the winter.

- Mr. Mielke asked a question about the continued issues with the ice flushing valves at Snell Lock, wanting to know if the work being done was covered under warranty. Mr. Lavigne reported that the ice flushing is still not usable or acceptable. The contractor testing and adjustments are covered by the contractor.

Associate Administrator Lavigne also provided a report on the high water levels. The water levels have not been this high since 1918, due to an unusually warm winter and record high rainfall in the spring. The outflow from Lake Ontario finally exceeded the inflow from Lake Erie



just four weeks ago. Mr. Lavigne confirmed that the flooding had nothing to do with the International Joint Commission's Plan 2014, but he recognized the flooding throughout Lake Ontario and in Montreal. While shutting navigation down completely was part of the discussion, the economic impacts would be far too great for far too little a positive impact on the flood levels. At 10,400 cubic meters per second, the ships are passing without issue.

Ms. Alcalde reported on Congressional affairs and public relations, beginning with legislative affairs. The Vessel Incidental Discharge Act (VIDA) saw some activity early this year and was approved as a freestanding measure by voice vote. In May, the Committee attached the VIDA to the Coast Guard authorization bill. It is currently awaiting consideration by the whole Senate. The House introduced their version of the VIDA early in the year. A bipartisan Soo Locks Modernization Act was put into motion after a tour of the locks by Michigan legislators, though no action has been taken yet. Lastly, Ms. Alcalde noted that while there are no details yet as to the Administration's infrastructure proposal, the basis of the program includes \$200 billion in federal funds over 10 years with the hopes of garnering another \$800 billion in public-private partnerships. As for government relations, Ms. Alcalde made note of the Great Lakes Seaway Partnership Capital Days. In early January, the principal members of the Partnership met in Columbus with the Ohio Lieutenant Governor and key state officials to discuss the importance of maritime commerce to the state. The next will take place in Lansing, Mich., in the fall.

Related to public relations and new media, Ms. Alcalde pointed to the briefing book to reference press releases on the navigation season opening, Deputy Administrator Middlebrook's interview with *Northern New York Business* magazine, the Opening of the Eisenhower Lock Visitors' Center, the Seaway Workers Tribute event in Massena, and the Great Lakes Seaway Partnership. Finally, in terms of new media, the SLSDC continues to see increases on social media and looks forward to forthcoming improvements on the binational website.

- Chairman McMillan asked about the Great Lakes Restoration Initiative which cut or zeroed out \$300 million. Ms. Alcalde responded to say that while the Administration did zero out the total for that program, there was bipartisan dissent and action to restore it. They may have to come to a compromise, but the Appropriators realize the need to continue these efforts.

Ms. Lavigne provided a legal report. Due to the IJC's Plan 2014 being approved and publicly released on December 8, it was not yet available for print as a hard copy for inclusion in the Advisory Board briefing book. The new Plan is a "win-win" situation, with new environmental measures that allow for a more natural flow compared to the earlier plan. There are three components that were key to DOT's support and approval: 1) the Plan was still implemented in accordance with the Boundary Waters Treaty of 1909 and puts commercial navigation second in priority of use; 2) The IJC cannot make changes to the Plan (e.g., the order of approval or the trigger levels) without consulting with both the United States and Canada; and 3) the SLSDC has a seat on the Board of Control. The Plan went into effect January 1, 2017.

Ms. Lavigne also noted that the Administration and the Department has focused its attention on regulatory reform. She commented that the SLSDC has shown its "tenacity," pointing out the hard work and persistence it took for the Corporation to work with the Department on the review and approval of rulemakings and regulations. The SLSDC could negotiate changes in its joint



regulations with the Canadians in a timely manner and they were published in the *Federal Register* on March 3 in advance of the Seaway opening.

V. OLD AND NEW BUSINESS

Chairman McMillan expressed strong interest in finding an opportunity to meet in person during the fourth quarter of this year or the first quarter of FY 2018. There was unanimous interest in finding an opportunity to meet with a port partner or in Massena. Deputy Administrator Middlebrook reminded members of the budgetary uncertainty the SLSDC is facing, and offered to get back to them about the in-person meeting. Chief of Staff Wayne Williams presented the option of having another teleconference meeting in August, and looking to meet in person in Milwaukee in October. Mr. Mielke offered to help set something up for a visit with the Port of Milwaukee.

Mr. Sulzer provided an update on his maritime education initiatives. He was pleased to announce that the Cleveland Maritime and Aviation School will open this fall and that the Port of Erie is working with the local school system to include maritime education into the curriculum.

VI. CLOSING DISCUSSION AND ADJOURNMENT

The meeting was adjourned at 3:49 p.m. with a motion to close from Mr. Mielke and seconded by Chairman McMillan.

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