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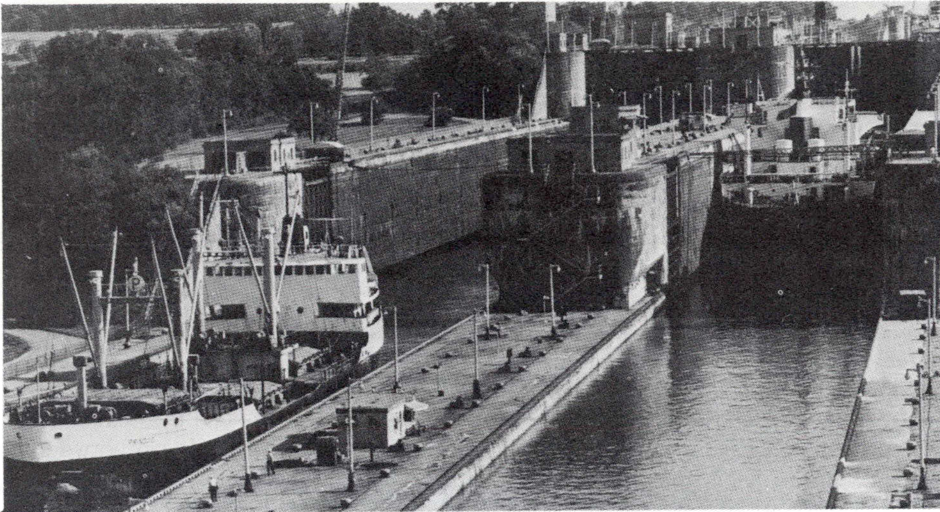

The 1959 tariff of tolls was set to obtain directly from the users the revenues required to cover operation and maintenance costs, as well as interest on loans, and for the repayment of capital over a 50-year period.

It has not worked out this way for Canada. Toll revenues for the Montreal/Lake Ontario section are split between the two countries – 73 per cent for Canada and 27 per cent for the U.S. While the U.S. Seaway Corporation had its interest forgiven in 1970 and is now able to record a repayment of its debt each year, the Canadian Seaway Authority has incurred an enormous and mounting debt, which, at its present rate of escalation, could reach $1 billion by 1981.

Seaway drain

The millstone round Canada's neck has been the Welland Canal. The modest tolls set for this canal in 1959 were suspended by the Government in 1962. A lockage fee of $800 a ship regardless of size or cargo ($400 for a ship in ballast) was phased in over the period 1967-71, but is not producing sufficient revenue to cover one-quarter of the operation and maintenance costs on this section.

Until 1973, the Montreal/Lake Ontario section had an operating surplus that was large enough to cover its own operating costs plus the Welland Canal deficit, though there has never been sufficient revenue to meet interest and capital repayment commitments.

Since 1973, operation and maintenance costs have overtaken revenues and the deficit is escalating. Periodic adjustment of the tariff of tolls to keep pace with inflation – a normal business practice – could have prevented, or minimized, the problem.

Two toll reviews have, in fact, taken place since 1959 – in 1964 and 1967 – and in both instances Canadian recommendations for toll increases failed to win U.S. agreement.

The U.S. position is understandable. It does not have anything like the capital investment or operating and maintenance costs that Canada has in the Seaway. "It is much more in Canada's interest to have a Seaway, to have access to the west *via* the Great Lakes, than it is for the United States," says Paul Normandeau, president of Canada's St. Lawrence Seaway Authority.

At present, the Seaway debt is made up of $625 million in loans that paid for the construction of the Montreal/Lake Ontario section and renovations to the Welland Canal that were completed in 1972. In addition, more than $220 million is owed in deferred interest charges.

False impression

In his 1975 annual report, Mr. Normandeau stated:

"This bleak financial record gives a false impression of the waterway and obscures its true value to Canada, as well as its operational success and overall economic viability. Measured in tonnage terms, the economic importance of the Seaway is reflected in its substantial growth over 17 years of operation.

"Traffic on the Montreal/Lake Ontario section has increased from an average of some 12 million tons in the year immediately prior to 1959 to 57.6 million tons in 1973, the record year to date. Comparable increases, reaching a level of 67.2 million tons in 1973, have been recorded on the Welland Canal section."

Mr. Normandeau's proposed solution is as follows:

(a) Convert the $625-million loan debt to equity to be held by the Federal Government.

(b) Convert the $220 million in unpaid interest to an interest-free loan that would be forgiven.

(c) Pay to the federal Treasury 1 per cent a year on the Government's $625-million investment in the Seaway.

(d) Raise the tolls to provide the Seaway Authority with sufficient revenue to cover annual operating costs as well as normal capital expenditures and to allow for the 1 percent return to the Government.

(e) Establish a uniform tariff of tolls for both the Montreal/Lake Ontario section and the Welland Canal.

"By this means," Mr. Normandeau said, "the St. Lawrence Seaway Authority should become the self-supporting corporation it was originally intended to be – able to set realistic financial objectives which are important to management in providing proper incentives to efficiency and morale within the organization."

Bargain arrangement

Mr. Normandeau regards the arrangement as a "bargain" because it relieves the Seaway users of the obligation to overcome the heavy burden of debt. "Instead of approximately doubling the tolls, we would have had to multiply by five in order to meet our original obligations," he says.

Bulk commodities – coal, grain and iron ore – make up 85 per cent of Seaway traffic. General cargo is a relatively small part, and is increasing at only a modest rate.

The new financial arrangement and increased tolls are to take effect in 1978. The toll increases – even double increases – are relatively insignificant, in Mr. Normandeau's opinion. About $55 million a year in revenue is anticipated instead of the current $25 million. "This is nothing compared to the more than $8-billion worth of merchandise transited in 1976," the Seaway president observes. "Tolls repre-

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