

## Chapter V

### DISPUTE OVER CONTROL

The Seaway opened to shipping as scheduled in July 1958. Delays to traffic were minimal, and the Long Sault Canal and its two locks were easily handling about 75 vessels a day. As planned, the initial navigation channel was opened with only a 14-foot depth. Dredging continued during 1958 and early 1959, and when the Seaway opened officially on 26 June 1959, the 27-foot depth had been achieved.<sup>1</sup>

By the time of the official ceremonies, however, the Corps of Engineers was no longer fully involved in the project. An executive order of June 1958 had assigned the responsibility for the Seaway Development Corporation to the Department of Commerce, ending the role of the Department of the Army. The Corps continued to be involved only until the completion of a few dredging contracts. They were finished by 31 December 1959.

The last year of the Corps' relationship with the Seaway Corporation proved rocky. As we have seen, the Corps had worried that the Corporation had taken too long in settling on an appropriate division of responsibility between Canada and the United States in dredging the south channel of Cornwall Island. As Corporation officials had concerned themselves over the need to increase its borrowing authority, the Engineers had feared that the result would be missed deadlines.

These concerns formed the backdrop to two issues that confronted the Corps in 1957 and 1958. While the Corps was not directly involved in the determination of tolls, it was interested in the outcome of negotiations between Canada and the United States. Generally, the Engineers did not like the idea of charging tolls. Seaway charges might set a precedent for establishing user fees elsewhere on the United States' inland waterways system. The Corps also had other concerns about the outcome of the tolls negotiations. If they were too high, tolls would limit traffic on the Seaway. Reductions in traffic would reduce revenues, hindering the Corporation's ability to amortize its bonded debt to the U.S. Treasury. High tolls would also undermine the Corps' estimates of the benefit-cost relationships that had originally justified building the Seaway.

The second issue during those years concerned the future operation of the Seaway. Corps officials wanted responsibility for the operation and maintenance of the completed project. The Corporation fought hard to keep those tasks for itself. Ultimately the Corps lost its bid for a major operational role. But by the time the Eisenhower administration assigned the operation and maintenance of the Seaway to the Corporation, both sides had become involved in a nasty dispute, with charges and countercharges traded publicly.



A freighter in Snell Lock soon after the opening of the Seaway.

*St. Lawrence Seaway Development Corporation*

## Seaway Tolls

The Corps of Engineers had only an indirect role in determining the tolls that were to be charged on the St. Lawrence Seaway. Establishing those rates had been one of the major reasons for the formation of the St. Lawrence Seaway Corporation in the first place. As a joint venture between the United States and Canada, the legislation authorizing the Seaway saw the Corporation as an essential liaison with representatives of Canada. In 1955, both the Corporation and the Canadian St. Lawrence Seaway Authority established a joint tolls committee. American representatives on the committee were drawn from the Corporation, the Maritime Administration of the Department of Commerce, and the academic world. From time to time, the committee turned to the Corps to help assemble data on costs and project future expenditures. These data were essential in establishing the rate base for the tolls. By law, the Corporation had to pay back, with interest, the money borrowed from the Treasury. Since costs mounted during the course of the project, the Corporation needed detailed estimates of total cost in order to settle on a rate base that would retire the debt in the 50 years set for full payment.<sup>2</sup>

Levying tolls on the St. Lawrence Seaway had been the focus of the debate over final congressional approval of the project in 1954. That the Seaway was to be a self-liquidating enterprise had been the critical factor in gaining congressional support for passage of the authorizing legislation. That law required that tolls be levied at a rate adequate to meet all costs of operating and maintaining the works. Toll revenues were also to provide revenue to cover depreciation charges, payments in lieu of taxes, interest on obligations, and amortization of the debt within 50 years. Neither proponents nor opponents of the Seaway, however, ever resolved for themselves the issue of the tolls. Proponents thought that the rates would have to be too high to pay off the costs of the Seaway, thus making it uneconomical for the shippers who had held out the most hope for the project. Opponents of the Seaway believed that the tolls would not be high enough to cover the costs of building the locks and navigation channels thus providing in effect a subsidy to Great Lakes shipping. But to members of Congress from states without vociferous, well-organized groups either in favor of or opposed to the Seaway, the issue of self-financing was critical. Disinterested congressional observers found little difficulty in supporting a project that would pay for itself, with the government earning interest on the capital provided to build the Seaway.<sup>3</sup>

Determining the Seaway tolls, therefore, became a highly charged issue. Both the proponents and opponents of the Seaway kept to their original positions. Whatever the Corporation and the Canadians came up with did not satisfy Seaway proponents who had long believed that tolls should not be charged at all, maintaining that they would discourage traffic. Opponents thought that the tolls were not high enough, arguing that the taxpayers would end up paying for the Seaway. Castle and other officials of the Corporation had to come up with a compromise position, if for no other reason than to keep the support of those members of Congress who had only supported the Seaway in the first place because it was to be self-liquidating.<sup>4</sup>

Castle was also sensitive to congressional opinion for other reasons. For one thing, the original cost projections for the Seaway had been too low. He had had to return to Congress in 1957 to request a \$35 million increase in borrowing authority. This request came at the time that the toll committee was first publicly discussing a schedule of rates which they finally agreed upon in June 1958. The request had also come at a time when dividing up the responsibility for dredging around Cornwall Island had drawn unfavorable public attention to the Seaway project and when the Corps was finding it impossible to attract bidders on that same dredging. The Corps had taken on the responsibility itself, but the episode had proven embarrassing to the Corporation.<sup>5</sup>

These events had focused attention on the budget hearings scheduled to consider the Corporation's 1957 request for an increase in borrowing authority. All of the old arguments for and against tolls were heard at these and other hearings. Castle had had to explain the reasons for the increasing costs, while steadfastly sticking to the Corporation's promise that tolls would be levied to retire the Seaway debt. Ultimately, Congress accepted tolls that satisfied the Bureau of the Budget and which both the Canadians and the American representatives on the toll committee thought adequate to cover Seaway expenses and debt retirement.<sup>6</sup>

Critics of the project, led by the American Association of Railroads, rehashed long-standing arguments against the Seaway. The AAR argued that the Corporation and the Corps overestimated the traffic to be expected in the St. Lawrence system, and that they had done this in order to project artificially high revenues, funds that would be needed to retire the Seaway debt. The Association's estimates of traffic were considerably lower. The lower revenues generated would not be adequate to cover anywhere near the Seaway costs. Thus, they argued the Seaway was unfair to other modes of transportation such as the railroads which had to maintain their own rights of way. Moreover, since the Seaway was part of an international system, the United States government was in effect subsidizing the foreign users of the Seaway if tolls were not high enough to pay the increasing costs of the project.<sup>7</sup>

The Seaway's most ardent supporters were also disturbed by the need to increase the borrowing authority of the Corporation. They feared that the increasing costliness of the project would in fact make it necessary to set tolls at such a level that the Seaway would become uneconomical to shippers. Many groups that Castle had counted on for support in the past, therefore, distanced themselves from him on the question of tolls. Among the more hyperbolic defenders of the Seaway, such as N. R. Danielian, there were charges that Castle by his insistence on tolls had, perhaps unwittingly, helped those opposed to the project.<sup>8</sup>

Danielian's point of view was shared by other members of the Great Lakes-St. Lawrence Association of which he was president. He also served as chairman of the Users' Committee on St. Lawrence Seaway Tolls, a group set up in 1956 to monitor the negotiations on tolls. It was made up of representatives from major manufacturing firms in the Great Lakes area (Ford, Chrysler, Cargill, Youngstown Sheet and Tube), as well as shipping interests

(the Lake Carriers' Association and the American Merchant Marine Institute), and farmers organizations (the American Farm Bureau Federation, the National Grange, and the National Farmers' Union). His committee also cooperated with interested Canadians engaged in the newsprint, iron ore, and shipping industries. Danielian maintained that the Users' Committee spoke for 80 percent of the potential users of the Seaway.<sup>9</sup>

Danielian's groups supported the Corporation's request for an increase in borrowing authority, but with some important reservations. They wanted to see the project completed. "After months of intensive study and thorough deliberations," both the Users Committee and the Great Lakes-St. Lawrence Association supported the request for an increase in borrowing authority. Danielian, however, wanted to make clear to Congress that the complete repayment of principal, interest, operating, and maintenance expenses might not be possible within the mandated 50 years anticipated for repayment. Because of competing modes of transportation in the Midwest, Danielian questioned whether it would be possible to charge toll rates high enough to pay the necessary yearly costs and still attract the level of traffic originally contemplated.<sup>10</sup>

Danielian obviously did not like the position he was put into. He pledged that the users were committed to working with the House Public Works Subcommittee on Rivers and Harbors to determine whether the increased costs were fully justified. From the users' point of view, however, the \$52 million increase from original estimates of \$88 million represented the need to raise an additional two million dollars a year from tolls. After ticking off the costs of all the added and changed features that required increased borrowing authority, Danielian concluded that the users "must reserve judgment on all items of increased costs which they are told they must pay through tolls." They did not want to stop the project and they certainly did not advocate "an extended period of investigation" which might delay completion.<sup>11</sup>

The Users' Committee criticized Castle and the Corporation because of the proposed toll rates. Danielian observed that the Canadians and the Americans did not have uniform systems of accounting and they had failed to come up with an adequate rate base or property valuation. The committee also faulted the absence of a "supervisory or regulatory body [with] . . . the power to review management decisions affecting the rate base."<sup>12</sup>

The users' questioning of the Corporation's toll policies was troubling to both the Corporation and the Corps. The Engineers were implicated in the users' critique, since the Corps had been charged with the responsibility for helping the Corporation determine costs. But the situation became more complicated as both the *New York Times* and the *Atlantic Monthly* ran articles on the toll issue. Both pieces criticized the Corporation's handling of the project. Questions were also raised about the Corporation's ability to handle the complex negotiations with the Canadians. These questions were also shared privately within the government, especially the Bureau of the Budget. Indeed, one report in April 1957 bluntly stated that "in view of the ineptness of the Corporation in handling less complex problems in past dealings with Canada and the New York Power Authority, and the sensitive nature of this matter, we

have doubts about the Corporation's ability to carry on these negotiations successfully."<sup>13</sup>

By the spring of 1957 there was, therefore, serious skepticism about the Corporation's handling of the tolls issue. As a budget office official noted in reviewing the tolls situation: "there appears to be a feeling that the Corporation is more concerned with repayment of the investment than with encouraging the development of commerce." In fairness to Castle, however, he had to adhere strictly to the Corporation's original congressional mandate that the Seaway be a self-liquidating project. Not to do so would have eroded the congressional support of those who only voted for the Seaway under those circumstances. The lack of that support might mean defeat for requests for increased funding, a defeat that would delay the project, if it did not turn it into a complete fiasco.<sup>14</sup>

Castle did not accept the legitimacy of the users' argument. To him the project did not cost too much, and he rejected the notion that the tolls would be so high that traffic would be insufficient to raise enough revenue to cover yearly maintenance, operations, and interest costs. He further inflamed the issue in the fall of 1957. The Corporation had committed itself consistently to repayment. Any reconsideration, Castle stated, would be a matter of "bad faith." Michigan Congressman Thaddeus M. Machrowicz publicly castigated Castle for his statement and suggested to Secretary of the Army Wilber M. Brucker that the toll negotiations be taken over by some other "higher level" agency. Some proponents of the Seaway attributed Castle's position to his banking background, while others thought that he had gone over to the side of Seaway opponents. Canadian opinion was also critical of what it saw as the Corporation's rigid insistence on high tolls in the face of increased costs.<sup>15</sup>

Castle apologized to the congressman. The toll negotiations continued through the first half of 1958. On 29 January 1959, the Corporation and the Seaway Authority accepted the schedule agreed to the previous June. President Eisenhower, on the recommendation of the Bureau of the Budget, approved the agreement on 25 February 1959, and the United States and Canada formally accepted the toll rate schedule in an exchange of notes on 9 March 1959.

Officials at the Bureau of the Budget, in recommending the schedule, rejected the arguments on both sides of the issue. They concluded that critics had underestimated the growth of two-way traffic on the Seaway, ore westward, coal and grain eastward; the growth of traffic due to reduced lockage time in the improved Welland Canal; and, lastly, the effect on Seaway capacity when larger vessels went into service after the opening of 27-foot navigation. Those officials recognized that the Corporation had been very conservative in determining traffic estimates. Even if traffic held to moderate projections, budget officials thought that tolls could even be increased without loss of traffic. Among users, critics were mollified by one provision of the tolls agreement. The final proposal provided for the creation of a Joint Tolls Advisory Board empowered to hear complaints about the toll rates and the manner in which they were levied. The Joint Board would hear complaints after a shipper had protested to one of the Seaway entities. The Board would

then report its findings and recommendations to the Corporation and the Seaway Authority.<sup>16</sup>

The agreement, however, did not provide a final settlement. As we shall see in the concluding chapter, tolls proved controversial again in the 1960s when Seaway traffic did not live up to expectations. And, the acceptance of that agreement, as critics feared, also set a precedent for discussions of imposing user fees on other waterways.

The tolls controversy, however, convinced Castle that the Corporation's future task was going to be the stimulation of traffic. This concern was, in part, the reason that he proposed the transfer of the Corporation to the Department of Commerce in September 1957. That proposal only convinced his opponents that he had "gone over to the other side." They feared that the Seaway would face the stiff bureaucratic competition of other modes of transportation in the Commerce Department, to the detriment of Seaway users. The users' increasing disenchantment with Castle led them to support the Corps in its attempt to secure a future role in the Seaway by taking on responsibility for operation and maintenance.<sup>17</sup>

## **Operation and Maintenance of the Seaway**

While the Corps remained on the sidelines during most of the discussions of tolls, it was in the middle of the debate about the future operation of the Seaway. As discussed earlier, relations between the Corps and the Corporation had become tense during the resolution of the dispute between the United States and Canada over the division of responsibility in the Cornwall Island dredging. The strains developed into confrontation when the Corporation opposed the Corps' retaining any responsibility for operations and maintenance after June 1959.

Corps officials believed that the Engineers could operate and maintain the Seaway more cheaply than the Corporation. The Corporation argued that it could do the job for the same amount of money as the Corps. The debate became acrimonious. Both sides questioned the motives of the other. And, in addition, supporters of the Corps saw in the debate an attempt by Seaway opponents to cripple the new waterway.

The Corps' future role in the Seaway became a major issue in the summer and fall of 1957. Castle supported his request for a further increase in authority to borrow money with references to the future duties of the Corporation. Discussions were thus opened and two issues became dominant: what role, if any, the Corps was to have in the operation and maintenance of the completed Seaway and whether the Corporation was to be transferred from the Department of the Army to the Commerce Department.

The Eisenhower administration had been interested in reorganizing the executive branch. Special studies and commissions had looked into the question. And the Bureau of the Budget had an entire office devoted to management issues including the appropriate division of bureaucratic responsibility within the government. The President directed that office to determine the future of the Seaway's administration. At best a tough assignment, it became more

complicated because the issue was joined first over the Corporation's request for an increase in borrowing authority.<sup>18</sup>

The question of the Corps' future role in the Seaway had been raised before. Indeed, it had been a tacit issue throughout the relationship between the Corps and the Corporation. By the time the Corporation formally rejected Corps offers to take on the operation and maintenance of the Seaway in March 1957, discussions had been going on for almost two years. The then Chief of Engineers, Samuel D. Sturgis, first addressed the issue in December 1955, pointing out to Castle what he thought was the Corporation's "omission" in references to the Engineers' role after the Seaway opened. The issue was joined in Castle's reply to Sturgis. Castle maintained that the Seaway authorization legislation was "clear and unambiguous" in placing on the Corporation the responsibility for construction, operation, and maintenance of the Seaway.

The Corps did not challenge Castle directly. Instead it came up with its own interpretation of what the Congress meant by "responsibility." Major General Charles G. Holle made the case for the Corps by arguing that Congress had given the Corporation "overall" responsibility. Congress, he concluded after reviewing the legislative history of the act authorizing the Seaway, had unambiguously charged the Corps with the tasks of "actual construction, operation and maintenance." Holle based his interpretation on the fact that the Corporation did have responsibility for determining with Canada the Seaway's toll rates. As such, the Corporation had to be concerned with the total costs of building and working the Seaway. But Holle saw that as an administrative and fiscal responsibility, not an operational one. For its part, however, the Corporation did not take up the challenge in 1956. There were too many other more pressing duties in getting the project designed, scheduled, and built to deal with longer-term issues.<sup>19</sup>

Nevertheless, Corps officials continued to defend their point of view, albeit indirectly, over the years of the project. Several Corporation proposals clearly suggested a diminished later role for the Corps. During 1955 and 1956, for example, the Engineers resisted Corporation plans for facilities the Corporation thought necessary to carry on its own maintenance of the Seaway. The Corporation proposed elaborate repair facilities and a large marine base. Corps experience suggested that they were unnecessary, especially if the Engineers continued to play a part after the project was completed.<sup>20</sup>

The debate was muted for the rest of 1956, but by 1957 the Corporation raised it again in connection with discussions of how the completed works were to be turned over to it. In January 1957 Castle tried to make clear to the Corps that its role would end with the completion of construction. Corporation officials made the point by outlining an elaborate procedure of reviewing scheduled work to ensure that "no item essential to operation of the Seaway" had been omitted. More directly, early in 1957, Castle wrote to Holle stating the Corporation's intention of taking full responsibility for the Seaway once construction was completed:

It is becoming increasingly necessary for this Corporation and its personnel to become more completely familiar and informed in con-

nection with all items of operating equipment as installed, with structures as built, with locations of survey markers and ranges, and with all other information pertinent to our responsibility for Seaway operations and maintenance.<sup>21</sup>

Corps officials, however, persisted in trying to ensure a role for the Engineers in the completed project. They saw an opportunity to make their case when, in the spring and summer of 1957, the Corporation was criticized for having to seek increases in funding. Then indeed, the Corps' role after 1959 became an issue of congressional and public debate. The discussion became more acrimonious when, in the fall, the Corporation announced that it should become part of the Department of Commerce. Castle made the case that the transfer was warranted because a major future responsibility would be the promotion of traffic on the Seaway and industry in the area. The proposal surprised and chagrined the Corps. More important, supporters of the Seaway project thought the move to Commerce detrimental. Shippers and Great Lakes ports operators, those most worried about high tolls, saw the proposed move as a "sellout" to Seaway opponents. In Commerce, the Seaway would have to contend with such staunch adversaries as the railroads and shippers and merchants in East Coast ports.

In any event, the Eisenhower administration turned the question over to the Bureau of the Budget. Officials there reviewed the Corporation's proposed budget and future administrative relationships. For the most part, the debate was conducted through Bureau of Budget investigation and interviews, as well as before congressional committees, especially the House Appropriations Committee and its subcommittees. In March 1957, however, the issue became the focus of a public controversy that precipitated the bureau's decision on the question.

The bureau studied the arguments of both sides. Buttressing the Corps' position was reference to a 1954 House of Representatives report on pending Seaway legislation. That report clearly anticipated that the Corps would have long-term operation and maintenance responsibilities. The Corps' case also made reference to its long-term involvement in works to improve and maintain national waterways. The Engineers had almost exclusive responsibility for maintaining the waterways which included 26 canal projects (with hundreds of locks), 700 channels and harbors, and hundreds of flood control and multiple-purpose projects.<sup>22</sup>

Budget officials, however, were not convinced by the language of the House Report. The terminology of the final Seaway authorization bill had not included the same references to Corps responsibility as had the House Report. Moreover, the bill had been drafted by the Bureau of the Budget and cleared with the President. In addition, the bill's language about operation and maintenance had been chosen to conform to specifications that the Canadians had adopted in creating the St. Lawrence Seaway Authority.<sup>23</sup>

The Engineers' strongest argument for a future role was its experience. Yet that too failed to convince the Bureau of the Budget. The Corps reasoned that the Seaway was similar to many other projects for which it had responsibility. Well-trained and experienced personnel could easily be called upon for Seaway work. The only expansion of staff necessary would be in the Buf-

falo District office. Corps arguments also rested on the probability of duplication of effort by the Corporation. After all, the Buffalo District was able to operate the locks, provide the necessary maintenance dredging, conduct hydrographic surveys, remove wrecks, service the aids to navigation, and provide for internal security.<sup>24</sup>

Budget office analysts, however, rejected the Corps' central contentions. They rejected the proposition that the Seaway was like other inland waterways the Corps managed. The Seaway was an international project undertaken jointly between the United States and Canada, and it was to be paid for by tolls. Corps projects were within the confines of the United States and paid for by appropriations. On the other hand, Congress had specifically established the Corporation "to coordinate Seaway operations with its Canadian counterpart, including, among other things, the establishment and setting of tolls." The bureau also pointed out that the procedures for dealing with government corporations were not at all like those usually used by the Corps.

The bureau also thought the duplication argument fallacious. The Corporation could easily get assistance from the Corps when necessary and reimburse it for its services. And there was no reason that the Corporation could



Lieutenant General Emerson C. Itschner, Chief of Engineers  
Assistant Chief of Engineers for Civil Works from 1953 to 1956.

was

not contract with private dredging companies for maintenance of channels. Security for the Seaway could be easily obtained by hiring a few more employees. In reviewing the Corps' argument about experience, one Bureau of the Budget official remarked that operation and maintenance of locks was "not a difficult job and the Corporation can be expected to master it easily."<sup>25</sup>

In response to such criticisms, the then Chief of Engineers, Lieutenant General Emerson C. Itschner, harked back to Holle's attempt to make a careful distinction between "overall" and "operational" responsibility for the Seaway. He granted that the Corporation would have to carry on coordinating functions with the Canadian Seaway Authority. He did not see this responsibility, however, as an argument in favor of giving the Corporation total control over operations and maintenance. He contended that the responsibilities could be divided. The Bureau of the Budget, however, rejected this proposal too. Officials in the budget office agreed with the Comptroller General that the Corporation, by law, could not delegate its responsibilities for tolls and coordination with the Canadians. The bureau concluded that in view of these responsibilities, the Corporation should not give up maintenance and operation responsibilities. The bureau concluded that maintenance, traffic, regulation, and collection of tolls were so closely interwoven that separation of any of these functions would be organizationally "inadvisable."<sup>26</sup>

While the Bureau of the Budget sided with the Corporation in assigning it maintenance and operation responsibilities, the bureau criticized some Corporation administrative practices, implicitly accepting several points made by the Corps in this regard. Corps officials had been unhappy with Corporation management, and in studying the question of assigning operational responsibility, representatives of the bureau's commerce and finance division had interviewed Corps officials. Colonel Olmstead, whose office had worked closely with the Corporation for the duration of the project, observed that he and many of his colleagues believed "that the Seaway Corporation had much too large an organization." He attributed the organizational problems to the lack of "firm leadership" and poor coordination among its divisions and between the Corporation and the Corps.<sup>27</sup>

Bureau of the Budget officials were themselves skeptical of some Corporation procedures. The bureau's management division prepared an unflattering report on Corporation administration. It described the Corporation as suffering from "bureaucratis," defined as "an organizational disease characterized by backbiting, lack of communication, high grade structure, low utilization of personnel, and excessive demands for space and equipment." High-level Corporation personnel with little to do had led to internal dissension over responsibility. Other problems included overstaffing in the engineering and comptroller's offices. Neither office needed so many people as the Seaway neared competition.<sup>28</sup>

Ultimately, however, the budget officials were critical of the Corps, too. Running throughout the bureau's analyses of the arguments over operational responsibility was a highly negative tone toward the Engineers. The bureau's criticisms, however, were not of the Corps' work. Indeed, budget officials were impressed with the amount of money the Corps had saved the Corporation in the south Cornwall Island dredging. Instead, budget office

analysts criticized what they perceived as the Corps' motives in opposing the Corporation's operating and maintaining the Seaway. The bureau concluded that the Corps was engaged in a campaign to discredit the Corporation in order to get operation of the locks and the general maintenance functions. Once these responsibilities were turned over to the Engineers, some bureau officials thought, the Corps would then mount a campaign to do away with the tolls. The assistant director of the Bureau of the Budget's division for management and organization, William F. Finan, concluded that this was a long-standing effort. "From the time the bill to create the SLSDC was pending before the Congress, the Corps of Engineers has been conducting a campaign to 'capture' control of the Seaway." He also thought that the Corps had made it difficult for the Corporation to give no more than "circumscribed" direction to the Engineers. In some instances, the administrator had to go directly to the Secretary of the Army. Another bureau official bluntly observed that "the real issue is whether the Corps and its friends are to be permitted to continue their campaign of discrediting the Corporation. The prizes in this game would seem to be first, the control of the seaway operations, second the dissolution of the Corporation, and third, the removal of tolls from the Seaway."<sup>29</sup>

The record does not indicate whether Corps officials were ever aware of the extent to which Bureau of Budget officials criticized what they perceived as a "campaign" to undermine the Corporation. That the Chief, his special assistants, Division and District Engineers were critical of Corporation practices and management is clear from the Corps' internal record. On occasion, in the last year of the project, high-level officials such as Holle had made their views known publicly. Indeed, one official of the budget office described Holle as speaking "rather loosely" about the defects of the Corporation's management.<sup>30</sup>

The Corps' position was based on more than its criticism of the Corporation's management. The Seaway project had proved a boon to the Buffalo District. The District Engineer admitted to a budget office official that he had thought that the District was about to be closed when Congress approved the Seaway project in 1954. With the completion of the Seaway, the District would have only a few dredging programs and some small increase in Great Lakes harbor work to keep it going. There were no large military construction projects in the offing. The future of the District hinged, he thought, on the fact that it covered a large geographical area and that its expertise could be called upon by other District offices. Indeed, its engineering division already was engaged in design work for other large projects. Getting these assignments, the District Engineer thought, justified its continued existence, but the operation and maintenance of the Seaway would give it an unchallenged long-term mission.<sup>31</sup>

Thus, the Corps' concern for keeping a role in the St. Lawrence Seaway was based on two factors. First, the Engineers had become genuinely critical of the way in which the Corporation operated, and Corps officials involved in the Seaway project were convinced that the Corps could do a better and cheaper job of operation and maintenance. The second factor was a narrower bureaucratic interest: the need to defend the mission of the Buffalo District.

Bureau of the Budget officials probably could understand the Corps' desire for self-preservation. Bureau reports indicate a keen sense of the bureaucratic strategies agencies used to defend themselves. Indeed, one bureau memorandum referred to officials of the Corporation as a very determined lot and as "empire builders." Their hostility to the Corps, therefore, perhaps stemmed more from some of its supporters than the Corps itself. Critics of tolls had seized on the issue of future Seaway maintenance and operational responsibility to discredit the Corporation. Those who held this view, as we have seen, clearly saw Castle's concern for repaying the Seaway debt as detrimental to users of the new waterway. They, therefore, believed their interests would be better understood and served by the Corps' running the Seaway. Their tactics, however, helped undermine the Corps' defense of its arguments for operational and maintenance responsibility. The Bureau of the Budget was committed to tolls, and the Corps' position was hurt by being perceived as encouraging those who wanted to abolish tolls.<sup>32</sup>

Probably most damaging to the Corps' standing within the bureau was the campaign mounted against the Corporation by Senator Charles E. Potter of Michigan. Budget officials did not see Potter as a disinterested party, since Michigan shippers had opposed the tolls to be charged on the Seaway. Potter had publicly criticized the Corporation over its request for increased borrowing authority. He also believed that within the Commerce Department, the Seaway Corporation would be directly in competition with other transportation interests hostile to the Seaway. The railroads, especially, continued to oppose the Seaway as did some East Coast port interests. Potter feared that in such an atmosphere the Corporation would be at a disadvantage.

In speeches and press releases the senator charged that moving the Corporation from the Army to Commerce was a "backstage maneuver" and "power play" by long-term Seaway opponents. Potter maintained that the transfer "would expose pending toll negotiations to all sorts of pressure from rival transportation media." To block the transfer, he enlisted the support of senators from other states with interest in the Seaway.<sup>33</sup>

Potter escalated the campaign against the transfer of the Corporation by proposing to close it down. There was, in his view, nothing "dishonorable" in abolishing the Corporation. Indeed, he thought that it would be "refreshing" to see an "empire" thwarted before it could be built up. He claimed disinterest in the "tug of war" between the Corporation and the Corps, appealing only to the taxpayers' interest in who would do the job for the lowest cost. In January 1958 Potter and other Seaway supporters formally requested the Corps to come up with an estimate of what it would cost the Engineers to run the Seaway. Corporation estimates of operating and maintenance costs were contained in the Corporation's budget that included a request for increased borrowing authority. Hearings on that budget were scheduled for the spring of 1958, but were moved up because of this controversy. Corps estimates were contained in correspondence with several members of Congress and in testimony before subcommittees of the House Appropriations Committee.<sup>34</sup>

The controversy gained political momentum when the senator revealed that the Corps' estimates were less than the Corporation's projec-

tions, a difference of about \$348,000. Potter advocated, therefore, enlarging the Buffalo District office to handle the Seaway. Corporation and Bureau of the Budget officials challenged the Corps' figures, pointing out that the Engineers' estimates had left out some important categories factored in by the Corporation. And indeed when these were added to the Corps' calculations, the Corporation's figures were about \$97,000 cheaper than the Corps'. This "highly political controversy," as budget officials charged, only demeaned the Corps at the Bureau of the Budget. What particularly hurt the Corps' standing was the fact that it appeared to budget officials that the Corps was at best collaborating with Potter and his congressional associates, and at worst had been behind the entire political campaign.<sup>35</sup>

Castle tried to reassure Potter that even though the Corporation needed an additional \$35 million in borrowing authority, the Seaway would be paid off and that the tolls would be kept low to make it attractive to shipping. Potter and other supporters were not convinced. In any event, the Bureau of the Budget sided with the Corporation and drafted the executive order that on 20 June 1958 transferred the Corporation from the responsibility of the Secretary of the Army to that of the Department of Commerce. The decision was based on the belief that a primary future responsibility of the Corporation was to be the promotion of traffic on the Seaway. A task that to the Bureau of the Budget, presidential advisors, and the majority of the Congress seemed to be most appropriate to the Commerce Department.<sup>36</sup>

In fact, the Corps had not instigated the campaign against the Corporation. The political controversy was the result of the fears of Seaway proponents. They thought that opponents would, at the last minute, have the opportunity to cripple the Seaway's effectiveness by high tolls. Project supporters also saw Castle and the Corporation management as weak and certainly no match for those who had spent over a quarter of a century in opposition to the idea of the Seaway.

To be sure, Corps officials had cooperated with the Corporation's opponents. In the process they had made some enemies in the Bureau of the Budget. While this hostility certainly was not the main factor in the Corporation getting responsibility for operation and maintenance, it certainly did not help the Corps' case for a continued role. In view of President Eisenhower's interest in efficiency and streamlined governmental administration, the tolls were essential. Adequate revenue from tolls would result only from a sufficient volume of traffic. With this goal in mind, the budget office assigned the Corporation to the Commerce Department which had the capacity and experience to promote business for the Seaway.<sup>37</sup> In fact, the Corporation's ability to promote traffic became, as we shall see in the next chapter, an issue of continuing concern in the 1960s and 1970s.

Thus, the possibility of a future operational role for the Corps in the Seaway seemed foreclosed in June 1958. Unfortunately, the decision came as the aftermath of a nasty public political controversy, with administration officials publicly challenging the Chief's and the Corps' estimates of the costs of future operation of the Seaway. The opening of the Seaway to shipping in July 1958 overshadowed the embarrassment a bit, for the Corps was given due credit for its important contribution. The same was true later in the formal

ceremonies opening the fully completed Seaway in June 1959. And, as it turned out, the Engineers were to play a part in the 1960s and 1970s when the Corporation tried to expand the navigation season by reducing the ice on the river.<sup>38</sup> Even so, the pleasure of the on-schedule completion of the project was lessened by the bitter controversies over the Corps' future responsibilities for the Seaway.



Dedication ceremony, official opening of the St. Lawrence Seaway, 26 June 1959. In the foreground, the Duke of Edinburgh, Queen Elizabeth II, President Dwight D. Eisenhower, and Mrs. Eisenhower.

*St. Lawrence Sea way Development Corporation*