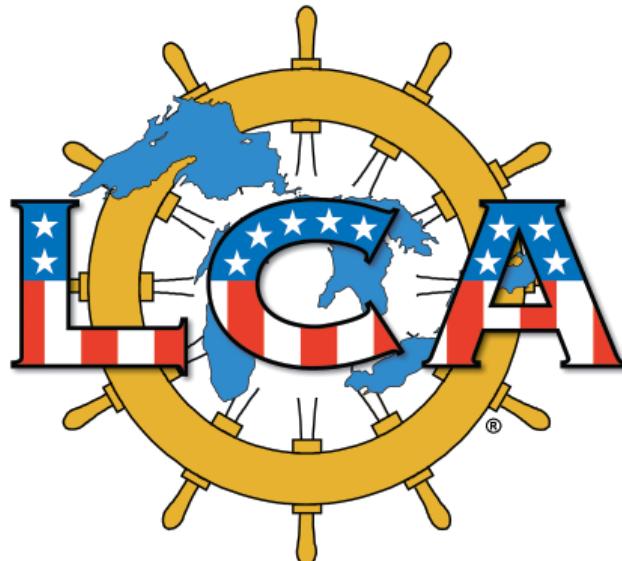


# Lake Carriers' Association

# 2005 ANNUAL REPORT



*The Greatest Ships on the Great Lakes*

## Lost Inches, Lost Efficiencies



**The U.S.-Flag Great Lakes fleet is leaving behind cargo virtually every time it loads because of inadequate dredging of deep-draft ports and waterways. The map above uses select Great Lakes ports to illustrate how many inches of loaded draft the dredging crisis is costing the industry. Graphic courtesy U.S. Maritime Administration.**



# Lake Carriers' Association

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January 2006



Dear Friend of Great Lakes Shipping:

The composer/conductor Gustav Mahler once observed "tradition is an excuse for not thinking," and promptly shook up the world of classical music with symphonies and opera performances that are now ranked among the greatest of all time. Hoping for similar results, I am going to dispense with the traditional opening "U.S.-Flag Great Lakes fleets moved x million tons of cargo in 2005..." and get straight to the point. **The amount of cargo moved on the Great Lakes in U.S.-Flag vessels in 2005 was dramatically and negatively affected by the dredging crisis that is crippling Great Lakes shipping.**

As the artwork on the cover illustrates, decades of inadequate funding for Operation and Maintenance Dredging (O&M) have limited how much cargo vessels can haul system-wide. "Light loading", i.e., carrying less than the vessel's designed capacity, is now the rule rather than the exception. Since we do not maintain authorized channel depths, Great Lakes shipping cannot achieve its designed efficiencies.

There are a number of reasons O&M has been underfunded for so long on the Great Lakes. A reduced focus on infrastructure nationwide led to declining and then static U.S. Army Corps of Engineers budgets. Then, as the pie got smaller, regions of the country received disproportionately-sized pieces. While some waterways were improved, others decayed from lack of attention.

How this situation came to be is really of secondary importance. Lake Carriers' Association must focus on solving the problem.

With the financial pressures facing our nation as we fight the War on Terrorism and begin to rebuild areas ravaged by Hurricanes Katrina and Rita, Congress is unlikely to solve the problem by significantly increasing the Corps' annual O&M budget. Therefore, the Great Lakes Transportation System must make its case for Corps dredging dollars. Absolute equity is not likely, but the days of a river system receiving the equivalent of \$1.10 for each ton of cargo handled while the Lakes are expected to get by with \$0.52 per ton of commerce must end now.

The good news is we live in a democracy where all are free to make their case. Lake Carriers' Association, as a member of Great Lakes Maritime Task Force, will launch a major educational and lobbying effort to restore adequate funding for Great Lakes O&M. This will be a long voyage, and the results will not be immediate, but there can be no delay in starting this journey. Great Lakes shipping will never live up to its potential until light loading is a thing of the past. Our region's economy demands an efficient transportation system. The marine mode provides the most efficient, environmentally friendly, socially responsible and safest form of transportation and we need to fund it appropriately.

This focus on funding O&M will not distract Lake Carriers' Association from its other goals. We will continue to work for construction of a second Poe-sized lock ... assignment of another 140-foot-long Coast Guard icebreaking tug to the Lakes ... support for cabotage laws ... Federal regulations to stem the influx of non-indigenous species carried in the ballast tanks of ocean-going vessels.... With the support of our members, their customers, the Great Lakes maritime community and the Great Lakes delegation in Washington, we will prevail and once again make the transportation system as great as the Lakes and the people we serve.

Sincerely,

James H. I. Weakley  
President

# LCA OBJECTIVES

## 2006 And Beyond



### FUNDING DREDGING

A recent survey by the U.S. Maritime Administration found the members of Lake Carriers' Association estimate 75 percent of the cargos they've carried in the past five years have been reduced in volume because of inadequate water depth at either the loading or discharge port or in the connecting channels. The graphic on the cover shows the ports most frequently cited in the survey and the number of inches of draft typically lost.

While alarming, those statistics are not surprising. Shortfalls in the U.S. Army Corps of Engineers' dredging budget for Great Lakes deep-draft ports have been common since the 1970s. As a result, the Corps estimates it needs more than \$200 million to restore the entire Great Lake system to project depth.

The impact of lost draft varies depending on the size of the vessel in question. For example, the 1,000-foot-long vessels hauling iron ore and coal from Lake Superior ports average about 250 tons for each inch of loaded draft. Virtually all of the iron ore and most of the coal shipped in 1,000-footers from Lake Superior transits the St. Marys River. As the graphic notes, vessels are losing as much as 18 inches when the St. Marys River is the controlling depth on a voyage. When these vessels forfeit 18 inches of draft, they are leaving 4,500 tons of cargo at the loading dock, or as much as 6.5 percent of their carrying capacity on each and every trip.

Congress and the Administration should increase the Corps dredging budget and direct the Great Lakes Transportation System be restored to project depth. Financial restraints likely preclude this solution for the near term, so the process for allocating dredging dollars must be reworked to end the chronic underfunding of dredging at Great Lakes deep-draft ports and waterways.



### INVASIVE SPECIES

Ballast water discharged by ocean-going vessels trading to the Great Lakes has introduced scores of non-indigenous species to an otherwise enclosed aquatic ecosystem. Research on ways to eliminate exotics from ballast water continues. When technology is available, those systems or practices must be mandatory on vessels entering the Lakes from the oceans. U.S.- and Canadian-Flag Lakers that never leave the confines of the Lakes should be exempt from requirements applied to ocean-going vessels. American and Canadian fleets have voluntarily, and with great success, adopted measures to minimize the potential for their ballast water to spread exotics introduced by ocean-going vessels. However, the Great Lakes are interconnected; an exotic introduced by an ocean-going vessel will, over time, naturally migrate from one Lake to another. In the final analysis, these invasions will stop only when ocean-going vessels purge non-indigenous species from their ballast water.



### ICEBREAKING RESOURCES

The new icebreaker *Mackinaw* got her first taste of the Great Lakes during the winter of 2005/2006. This state-of-the-art vessel should lead the U.S. Coast Guard's homeland security, buoy tending and ice-breaking missions for decades to come.

However, given the scope of these missions – 100-plus ports, three major connecting channels, and over 1,500 miles of international border – the new *Mackinaw* is just one of several vessels needed to meet the Great Lakes Region's needs. In that regard, the current Coast Guard

fleet is unfortunately suspect. Despite the skill and dedication of Guardians of the Great Lakes, the Ninth Coast Guard District lacks the proper number and mix of vessels to perform their current and expanding duties. A number of Coast Guard Cutters are at beyond mid-life and increasingly experiencing breakdowns. Further complicating the matter is the upcoming retirement of the last 180-foot-long ice-capable buoy tender (*Acacia*) in the summer of 2006. The Coast Guard currently has no plans to replace this vessel. In 2005, U.S.-Flag Lakers moved 17 million tons of cargo during periods of ice cover, some 16 percent of the annual total. The U.S. Coast Guard must assign another 140-foot-long icebreaking tug to the Great Lakes, or the reliable movement of cargo during the ice season will be jeopardized and the international border may not be adequately protected in this often harsh operating environment.



### INFRASTRUCTURE

The most pressing infrastructure improvement on the Great Lakes is the long-stalled second Poe-sized lock at Sault Ste. Marie, Michigan. With roughly 70 percent of U.S.-Flag carrying capacity restricted to the Poe Lock, it represents the single point of failure that could bring Great Lakes shipping and the region's manufacturing base to a virtual standstill. A recent Corps of Engineers review has again confirmed the need for the replacement lock and the eight Great Lakes states have agreed to fund the local cost share. Congress must appropriate the Federal funds to begin construction as soon as possible. Congress first approved a second Poe-sized lock in 1986. Twenty years is too long a wait. We must protect this economic engine.

The bi-national Great Lakes/St. Lawrence Seaway System Study is crucial to determining what will be needed to maintain the existing waterway for the next 50 years. Most of the locks in the system are 50 to 70 years old and will need extensive maintenance in the years ahead.



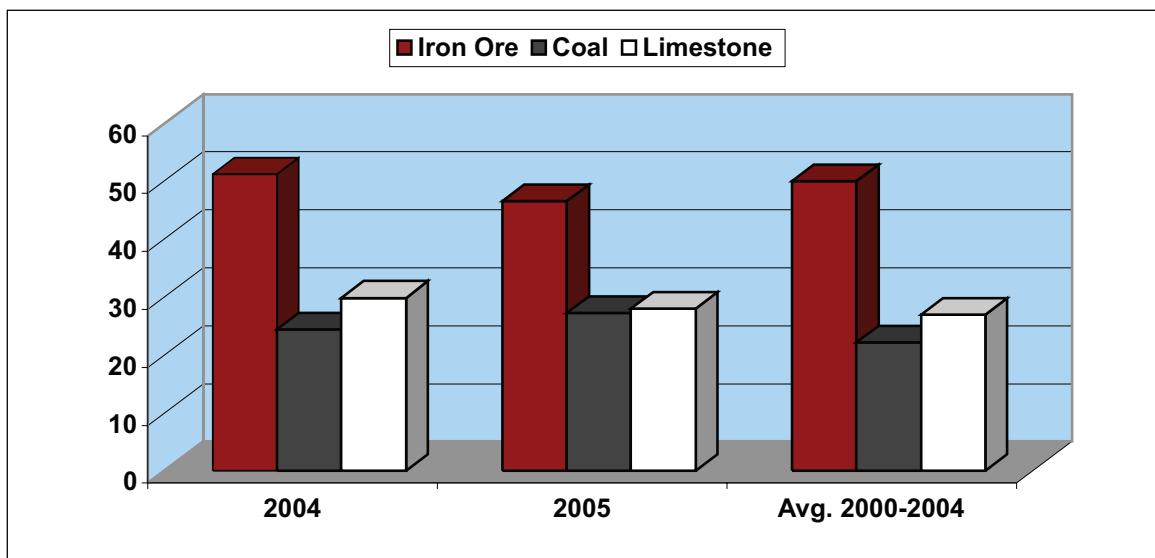
### STRONG U.S.-FLAG FLEET

At the end of World War II, the United States was the greatest maritime power on earth. An American flag could be seen waving from the sterns of ships in just about every port in the world. Sadly, this is no longer the case. "Flag of convenience" operators have driven most U.S.-Flag vessels from the overseas trades. However, the U.S.-Flag fleet working the Great Lakes remains the world leader in terms of efficiency and safety. The largest vessels deliver enough iron ore each trip to keep a major steel mill in operation for nearly a week or enough coal to power a metropolitan area the size of Greater Detroit for a day.

Why does the U.S.-Flag Great Lakes fleet remain the standard-bearer for excellence? Simply because the Jones Act requires cargo moving between U.S. ports be carried in vessels that are U.S.-owned, U.S.-built, and U.S.-crewed. This principle ensures a level playing field, which then leads to fair and spirited competition. The Jones Act also guarantees domestic waterborne commerce is conducted to the world's highest safety and environmental standards. Furthermore, by sustaining the core of the U.S. Merchant Marine, the Jones Act is a key element in our nation's defense capabilities.

# U.S.-FLAG SHIPMENTS OF IRON ORE, COAL, AND LIMESTONE

2004-2005 and 5-Year Average  
(tons in millions)



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**American Steamship Company**

**Central Marine Logistics, Inc.**

**Grand River Navigation Company, Inc.**

**Great Lakes Fleet, Inc. / Key Lakes, Inc.**

**HMC Ship Management, Ltd.**

**Inland Lakes Management, Inc.**

**The Interlake Steamship Company**

**Lake Michigan Carferry Service**

**Oglebay Norton Marine Services Company**

**Pere Marquette Shipping Company**

**Soo Marine Supply, Inc.**

**Upper Lakes Towing Company, Inc.**

**VanEnkevort Tug & Barge, Inc.**

