

Lake Carriers' Association State of the Lakes 2015



The U.S. and Canadian Coast Guards team up to keep two lakers moving in the St. Clair River in January 2015. The second brutal winter in a row again left millions of tons of cargo delayed or undelivered and clearly illustrated that both nations need to bolster their icebreaking resources. Fortunately, Rep. Candice Miller (R-MI) included a provision in the Coast Guard Authorization Act (H.R. 1987) passed by the House of Representatives that authorizes the Commandant to design and build a new icebreaker for its Great Lakes fleet. LCA's efforts are now focused on the Senate. *Photo by Richard J. Dompierre.*



Dear Reader:

Great Lakes shipping faces significant challenges in 2015, but never before in my 12 years as President of LCA have I been able to report more progress on issues that will decide the future of this industry. Take the dredging crisis for example. The problem remains as acute as ever. More than 17 million cubic yards of sediment still clog our ports and waterways, so full loads remain rare. Yet just a few years ago the backlog was more than 18 million cubic yards and projected to keep growing.

What changed was passage of the Water Resources Reform and Development Act (WRRDA) of 2014 and its provisions that 1) designated the Lakes a system in terms of dredging, and 2) its directive that expenditures from the Harbor Maintenance Trust Fund (HMTF) be incrementally increased until they reach 100 percent of receipts (in 2025). Treating the Lakes as a system rather than pitting the 60 Federally maintained deep draft ports against one another for dredging dollars and increased funding should allow the U.S. Army Corp of Engineers to reduce the dredging backlog every year going forward.

The appropriations process is an annual exercise, so we will need to work with Great Lakes legislators to make sure the planned increases in HMTF expenditures stay on track, but the prospects for ending the dredging crisis have never been better.

It won't do much good to restore the Great Lakes Navigation System (GLNS) to adequate depths if vessels can't sail a full season. That's why it is equally important that we address the U.S. Coast Guard's icebreaking capabilities on the Great Lakes. The launch of the new MACKINAW in 2006 ensured we maintained the status quo in terms of a heavy icebreaker, but the following nine years have put a lot of wear and tear on the other icebreakers that have been in service since the late 1970s and early 1980s. Simply put, despite the best efforts of their outstanding crews, the U.S. Coast Guard's icebreaking assets are now overmatched when nature sends us winters as challenging as the past two.

Nor has it helped that Canada has trimmed its icebreaking fleet. Our neighbor used to have seven icebreakers stationed on the Lakes. Now just two are permanently assigned to these waters.

The cost to our economy has been significant. U.S.-flag lakers moved 7 million tons less cargo between December 1, 2013 and May 30, 2014 compared to the same period in 2012/2013. Martin Associates determined those 7 million tons of cargo cost the region more than \$700 million in economic activity and nearly 4,000 jobs.



Even though the U.S.-flag laker ARTHUR M. ANDERSON has an ice-strengthened bow and an engine capable of generating 7,000 horsepower, it sat immobile within sight of land off Ashtabula, Ohio, for five days this February. When its operator canceled the final cargo and ordered the vessel to proceed to its lay-up berth, a trip that normally takes 50 hours stretched out 10 days. The inset photo shows the ice confronting a U.S. Coast Guard icebreaker that tried to free the vessel. Lake Erie's ice proved too much for the BRISTOL BAY and the Canadian icebreaker GRIFFON was called into free the ANDERSON. Photos courtesy Ninth District Coast Guard.

Since weather conditions were not quite so severe during the 2014/2015 ice season, U.S.-flag lakers were able to move more cargo, but there still were major ice-related impacts. Cargo carried during the January-April timeframe was down nearly 3.1 million tons compared to the long-term average and, as a result, the region lost another 2,000 jobs and \$356 million in economic activity.

As noted on our cover, the Coast Guard Authorization Act passed by the House includes a provision that authorizes the Commandant to design and build a new icebreaker for its Great Lakes fleet. The Senate must include a similar provision in its companion bill (S.1611), and once enacted, the Coast Guard needs to move quickly. The new icebreaker will probably take two years or more to build. Time is of the essence.

Time is also of the essence as regards a second Poe-sized lock at Sault Ste. Marie, Michigan. Eight of every 10 tons of cargo moving through the Soo Locks transit the Poe Lock, and that chamber is now nearly 50 years old. The project remains stalled by a flawed benefit/cost (b/c) ratio that mistakenly assumes the railroads could move the cargo if the Poe Lock went down for a lengthy period of time. The fact that railroads are straining to meet current demand is somewhat irrelevant; many steel mills and power plants lack rail access. The U.S. economy depends on raw materials transiting the Poe Lock, and until we have redundancy at "The Soo," we are gambling with America's economic well-being.

Thanks to Senator Debbie Stabenow (D-MI) and Rep. Dan Benishek (R-MI), the Corps is re-evaluating the b/c ratio and I believe many issues have been addressed. There is nothing official yet, but prospects for twinning the Poe Lock are the best they have been in years.

I cannot sugarcoat the situation concerning regulation of ballast water. Lack of a Federal standard that pre-empts state regulations and the threat of Canada imposing a transit standard when the IMO convention on ballast water is ratified cast a pall over all the positive news I've covered in the preceding paragraphs. As I have said time and time again, state regulation of ballast water has created a patchwork of differing requirements.

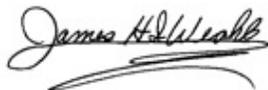
Most troubling is the transit standard under consideration in Ottawa. There is no treatment system that can work on lakers, so a transit standard would ban U.S.-flag lakers from Canadian waters. The problem is U.S.-flag lakers must transit Canadian waters, not only when loading or discharging in Canada, but when trading between U.S. ports! If Canada imposes a transit standard, the U.S.-flag Lakes fleet could be put out of business.

The State regulation problem could be solved if the Vessel Incidental Discharge Act (VIDA) was enacted. S. 373 sets a uniform and achievable Federal standard. States can suggest more stringent requirements, but they must prove the need and that systems exist that can meet the requirements. The bill also recognizes that vessels that operate within a limited geographic area, such as lakers, do not have the potential to introduce aquatic nuisance species, so requires best management practices rather than treatment. As of this writing the VIDA is still moving through the Senate. The House does not have companion bill right now, but has passed similar legislation in the past.

Our concerns that expanded and new marine sanctuaries could impede safe commercial navigation were put to rest by language in both the House and Senate Coast Guard bills that allow Great Lakes states to develop shipwreck and maritime heritage sanctuaries to promote education and tourism without impacting waterborne commerce. A number of Great Lakes legislators deserve credit, including in the House Candice Miller (R-MI), Reid Ribble (R-WI), Bob Gibbs (R-OH), John Katko (R-NY), Dan Lipinski (D-IL) and Rick Nolan (D-MN), and in the Senate, Ron Johnson (R-WI), Amy Klobuchar (D-MN) and Gary Peters (D-MI).

I could go into greater detail on these issues and others, but if there is one thing I want readers to take away, it's that Great Lakes shipping is on the verge of solving some of its most pressing issues. Challenges will remain, and new ones will appear, but the State of Lakes in 2015 is proof positive that our efforts, some of which have required years and years of engagement, are paying off, and the future is brighter because of that.

Very respectfully,



James H.I. Weakley
President



Photo courtesy American Steamship

Higher Water Levels Have Not Restored Full Loads

Although water levels on the Great Lakes have rebounded from the record or near-record lows of 2012/2013, the largest U.S.-flag lakers are still unable to carry full loads. For example, the largest iron ore cargo moved in 2014 totaled 69,859 tons. The cargo was loaded by the 1,000-foot-long M/V BURNS HARBOR in Superior, Wisconsin, and delivered to Burns Harbor, Indiana. However, the record for the Head-of-the-Lakes trade (Lake Superior to lower Lakes ports) is 72,300 tons, so even the best load of 2014 was still 2,400 tons short of the trade's benchmark.

A 1,000-footer typically makes 50 trips per season. If the ship left the dock with 2,400 tons of carrying capacity unused over the course of a season, 120,000 tons of iron ore would be left behind. That much iron ore represents 15 days production at a large mine, and when charged into a blast furnace, would make the steel for 100,000 automobiles, the manufacture of which would keep an auto plant busy for 5.5 months.

Green ... Greener ... Greenest

Great Lakes shipping is the most environmentally friendly mode of transportation. A cargo of 1,000 tons moved by a laker produces 90 percent less carbon dioxide than if transported by truck, and 70 percent less than if moved by rail. Emissions will be further reduced with the use of exhaust gas scrubbers, the first of which was installed on the M/V HON. JAMES L. OBERSTAR during the first quarter of 2015. The system allows the vessel to comply with all North American Emission Control Area (ECA) and International Maritime Organization Annex VI sulfur requirements while continuing to operate on heavy fuel oil. The white smoke seemingly billowing from the vessel's stack (right) is in fact just vaporized water. Also being explored is converting vessels to LNG.



Photo courtesy Interlake Steamship

LCA Position on Major Lakes Issues and Strategy for Success

Dredging Crisis

- More than 17 million cubic yards of sediment clog the 60 Federally maintained Great Lakes ports and the connecting channels (St. Marys River and Detroit/St. Clair River).
- Depending on their size, vessels lose anywhere from 50 to 270 tons of cargo for each inch draft is reduced by lack of dredging and low water levels.
- In 2014, even with rising water levels, largest loads were still 3 percent or more short of capacity.
- During periods of low water, vessels designed to carry 70,000 tons per trip were leaving the dock with less than 60,000 tons on board.

Strategy for Success: Work with appropriators to increase funding for dredging as called for in Water Resources Reform and Development Act of 2014. The money is there. Harbor Maintenance Trust Fund annually takes in \$1.6 billion or more and has a surplus approaching \$9 billion. The Great Lakes Navigation System could be restored for approximately \$200 million more than the cost to remove annual sediment loads.

Adequate Icebreaking Resources

- Great Lakes shipping's customers need cargo to move from early March to late January, but ice begins forming in early December and remains well into April, sometimes even into early May.
- The seven U.S. Coast Guard icebreakers have been in service collectively for 213 years. Two other vessels are tasked with icebreaking and while relatively new (11 and 12 years, respectively), were not designed to break ice and have limited capabilities.
- Ice was so formidable during winter of 2013/2014 that U.S.-flag cargos fell 7 million tons and cost the region nearly 4,000 jobs and \$700-plus million in economic activity.
- In 2015, U.S.-flag lakers' cargos were down nearly 3.1 million tons compared to the long-term average for the January-April timeframe, which cost the economy another 2,000 jobs and \$356 million in economic activity.
- House of Representatives' Coast Guard Authorization Act of 2015 authorizes the Commandant to design and build a new icebreaker for its Great Lakes fleet.
- Senate FY16 Homeland Security Appropriations bill directs the Coast Guard to conduct a Great Lakes mission analysis study within 180 days after enactment of the bill to determine the assets necessary to effectively carry out its icebreaking requirements, including consideration of a second heavy Great Lakes icebreaker, consistent with the capabilities of the MACKINAW.

Strategy for Success: Publicize crippling economic impacts of cargos canceled or delayed by heavy ice so Congress and Administration will authorize and fund construction of another heavy icebreaker and Coast Guard will transfer another 140-foot-long icebreaking tug to the Lakes.

Twinning the Poe Lock

- Eighty percent of cargo moving through the locks at Sault St. Marie, Michigan, transit the Poe Lock.
- U.S.-flag vessels whose length and/or beam restrict them to the Poe Lock represent 70 percent of fleet's hauling power.
- Congress has authorized a second Poe-sized lock at full Federal expense.
- Lengthy closure of Poe Lock would cripple steel and related heavy manufacturing.
- Project stalled because benefit/cost analysis mistakenly assumes railroads could fill the gap if Poe Lock is incapacitated.

Strategy for Success: Work with allied interests to provide Corps and Department of Homeland Security the facts and figures they need to produce an accurate benefit/cost analysis which will allow the Administration to include the lock in its budget and then fast track construction.

Uniform Federal Regulation of Ballast Water

- Vessels working the Lakes can transit the waters of many states and Ontario in the course of a single voyage, but state regulation of ballast water is creating a patchwork of differing requirements.
- U.S.-flag lakers never leave the system; most never trade farther east than Buffalo, New York, so have never introduced a non-indigenous species to the Lakes.
- Even if lakers posed a threat of introduction, no treatment system that can handle their requirements exists.
- Given that, if Canada imposes the transit standard under consideration, U.S.-flag lakers could be put out of business.
- Canada must not impose a transit standard.
- The Senate Commerce Committee-reported Vessel Incidental Discharge Act of 2015 (S. 373) and Coast Guard Authorization Act of 2015 (S. 1611) include language to exempt lakers from ballast water treatment requirements, regardless of build date.

Strategy for Success: Demonstrate to legislators that S. 373, which establishes a uniform, Federal standard requiring treatment systems on vessels entering the Lakes from the oceans and Best Management Practices on lakers, is the most effective vehicle for protecting the Great Lakes from future introductions of Aquatic Nuisance Species while allowing waterborne commerce to continue uninterrupted.

Protect Lakes Fleet from Unfair Competition

- Flag of convenience operators have largely driven the U.S.-flag fleet from the international trades, but because the Jones Act requires cargo moving between U.S. ports be carried in vessels that are U.S.-owned, -built and -crewed, America's Great Lakes fleet is the world leader in self-unloading technology and environmental commitment.

Strategy for Success: Foster and expand Congress' appreciation of the efficiencies and environmental benefits of a strong U.S.-flag fleet in domestic commerce through ongoing educational efforts so that the Jones Act (Section 27 of the Merchant Marine Act, 1920) remains the foundation of America's domestic maritime policy.

U.S.-Flag Shipments of Dry-Bulk Cargos on the Great Lakes Calendar Years 2009-2014 and 5-Year Average

(net tons)

Commodity	2009	2010	2011	2012	2013	2014	Average 2009-2013*
Iron Ore							
Direct Shipments	23,271,702	39,663,547	44,443,975	42,700,840	41,218,215	41,924,590	42,006,644
Transshipments	759,385	2,364,871	2,780,768	2,488,187	2,633,826	3,699,617	2,566,913
Total - Iron Ore	24,031,087	42,028,418	47,224,743	45,189,027	43,852,041	45,624,207	44,573,557
Coal							
Lake Superior	15,427,708	15,847,574	12,954,188	11,947,617	12,216,668	11,325,509	13,241,512
Lake Michigan	1,996,793	2,017,395	3,166,372	2,654,506	2,314,161	1,870,773	2,538,109
Lake Erie	3,250,387	3,674,897	4,118,767	2,977,825	3,706,811	4,576,207	3,619,575
Total - Coal	20,674,888	21,539,866	20,239,327	17,579,948	18,237,640	17,772,489	19,399,195
Limestone	17,067,232	20,410,266	21,434,839	21,794,394	22,111,494	21,459,429	21,437,748
Cement	2,865,323	2,782,259	2,817,846	3,183,388	3,129,748	3,248,033	2,978,310
Salt	1,260,901	1,391,239	1,452,134	1,020,157	1,004,837	1,400,068	1,217,092
Sand	262,805	225,593	332,172	336,316	371,279	376,456	316,340
Grain	304,507	306,872	283,200	371,406	447,653	259,461	352,283
Totals	66,466,743	88,684,513	93,784,261	89,474,636	89,154,692	90,140,143	90,274,526

* Excludes 2009.

Member Vessel Operators

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| <p>AMERICAN STEAMSHIP COMPANY
ANDRIE INC.
ARMSTRONG STEAMSHIP COMPANY
BELL STEAMSHIP COMPANY
CENTRAL MARINE LOGISTICS, INC.
GRAND RIVER NAVIGATION COMPANY, INC.
GREAT LAKES FLEET/KEY LAKES, INC.
INLAND LAKES MANAGEMENT, INC.</p> | <p>THE INTERLAKE STEAMSHIP COMPANY
LAKE MICHIGAN CARFERRY SERVICE
LAKES SHIPPING COMPANY
PERE MARQUETTE SHIPPING COMPANY
PORT CITY MARINE SERVICES
PORT CITY STEAMSHIP HOLDING COMPANY INC.
SOO MARINE SUPPLY, INC.
VANENKEVORT TUG & BARGE INC.</p> |
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Photo courtesy Great Lakes Fleet

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