# Lake Carriers' Association

*The Greatest Ships on the Great Lakes*

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Via E-Mail: mpiskur@cglslgo.org
Conference of Great Lakes and St. Lawrence Governors and Premiers
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Dear Mr. Piskur:

Lake Carriers' Association (LCA) represents 15 American companies that operate 56 U.S.-flag vessels (laker) on the Great Lakes and carry the raw materials that drive the nation's economy: iron ore and fluxstone for the steel industry, aggregate and cement for the construction industry, coal for power generation, as well as salt, sand and grain. Collectively, our members can transport more than 100 million tons of dry-bulk cargo per year and employ more than 1,600 men and women, all of whom are U.S. citizens or legally admitted aliens, and provide annual wages and benefits of approximately $125 million. In turn, the cargos our members carry generate and sustain more than 103,000 jobs in the eight Great Lakes and have an annual economic impact of more than $20 billion.[1]

We applaud the Conference of Great Lakes and St. Lawrence Governors and Premiers for drafting a Strategy for the Great Lakes-St. Lawrence River Maritime Transportation System (Strategy). We welcome increased participation from the states and provinces as we address the complex issues facing the Great Lakes Navigation System (GLNS). As the Strategy correctly states, Great Lakes shipping is a "backbone" of the Great Lakes regional economy, but the challenges facing the GLNS will be met only with the combined and best efforts of our Federal and state/provincial governments and the many industries dependent on Lakes/Seaway shipping. As the Strategy stresses, the Marine Transportation System (MTS) "requires recommitment by governments, users and stakeholders to face the challenges of the 21st century and to become a more strategic asset within broader regional efforts to enhance global competitiveness."

The Strategy highlights the many benefits of Great Lakes shipping, but they bear repeating. Waterborne commerce is the most cost-effective mode of transportation for the cargos that move throughout the GLNS. Vessels use less fuel and produce fewer greenhouse gas emissions than the land-based modes of transportation and do not clog our highways and rail lines in the process.



[1] The Economics of the Great Lakes-St. Lawrence Seaway System, Martin Associates, October 18, 2011.

The Strategy should reiterate that the Jones Act is the foundation of America's domestic maritime policy. The requirement that cargos moving between U.S. ports be carried in vessels that are U.S.-crewed, U.S.-built and U.S.-owned has enabled the American companies operating U.S.-flag vessels on the Great Lakes to amass a fleet of self-unloading vessels that is without equal. No other nation can boast of vessels 1,000 feet long that can carry 70,000 tons of cargo each trip and discharge that cargo without any need for shoreside personnel or equipment in 12 hours or less. What's most remarkable is that these vessels have achieved such efficiencies while complying with U.S. maritime laws and regulations, the strictest in the world, and paying American wages and corporate taxes.

Given that, we recommend that one of the Governors' and Premiers' MTS priorities on page 3, "Encourage the development of a modern and efficient Great Lakes shipping fleet," be reworded to read "Support laws and policies that promote an environment in which Great Lakes vessel operators of all flags can continue to reinvest in their respective fleets".

The point here is there is no deficiency in the Great Lakes fleet. The uninformed observer may think that since the majority of U.S.-flag lakers were built before 1981 that the fleet is in need of renewal, but that would ignore the fact that U.S.-flag lakers spend their entire careers in fresh water, so a properly maintained hull can last almost indefinitely. Of course our members modernize and maintain their vessels. Many of the vessels have been lengthened and converted to self-unloaders since being launched. Many vessels have been repowered to obtain most of the new build benefits at a fraction of the economic and environmental costs.[2] In fact, in 2016 LCA members will spend more than $110 million on their vessels and that total includes installing state-of-the-art diesel engines in two steamships.

The Canadian and oceangoing fleets are welcoming new builds and we applaud the investment, which is appropriate for their business model. Remember however, they are not exclusive to fresh water, as is the US-flag laker fleet, and the salt water in which they operate is very corrosive and vessels' lifespans are consequently much shorter.

On page 7, under Threats, the Strategy lists Trade Protectionism. We recommend that be changed to Unfair Trade, for as we write these words, America's iron ore miners, steelmakers and Great Lakes fleets are battling dumped foreign steel, much of it from China, and the job losses are staggering.

We want to stress that steel imports are not a problem in and of themselves. Demand for some specialty steels is not sufficient to support domestic production, so imports meet that need. Other imports fill gaps during surges in demand. The issue is much of the steel entering the U.S. market now is being sold at a price which is less than the cost of production. As a result, the American steel industry is operating at just 60 percent of annual capacity as 2016 begins. Several iron ore mines in Minnesota and Michigan have been idled or curtailed production and some of the most efficient U.S.-flag lakers ended their 2015 season early. We welcome FAIR trade in steel, but must oppose unfair trade in <u>any</u> commodity.

### 2.1.1 Locks

We endorse the Strategy's position on locks, in particular that the U.S. Army Corps of Engineers (Corps) should immediately accelerate its $90 million asset renewal program for the MacArthur and Poe Locks at Sault Ste. Marie, Michigan, and construct a second "Poe Class" lock adjacent to the existing Poe and MacArthur Locks. We had a chilling preview of what would happen if one or both locks failed when, on July 29, 2015, a misalignment of the miter gates on the MacArthur Lock forced

[2] A U.S. Maritime Administration report determined that repowering a vessel achieves 80 percent of the efficiencies of a new build at 20 percent the cost.

the Corps to close the chamber for 20 days. During that period U.S.-flag lakers were delayed 77 times and more than 1.8 million tons of cargo sat idle.

If there was anything good about this situation it's that MacArthur-class vessels can transit the Poe Lock. The opposite is not the case. If the Poe Lock had been inoperable for 20 days, approximately 70 percent of U.S.-flag carrying capacity would have been affected, and if the closure had been measured in months instead of weeks, the shortfalls in raw materials would have sent shockwaves throughout the national economy, not just the Great Lakes basin. America's economic well-being depends on 1) building a second Poe-sized lock so we have redundancy at the Soo; and 2) accelerating maintenance and modernization of the existing locks which are now 73 and 47 years old respectively.

The Strategy can help the GLNS achieve the redundancy that will come with a second Poe-sized lock by highlighting the stumbling block, namely the flawed Corps study that puts the benefit/cost ratio below 1.0 and hence makes the project ineligible for inclusion in an Administration's budget. The study is fundamentally flawed by its assumption that the railroads could haul the cargo currently moved by vessels if the Poe Lock was incapacitated. As everyone knows, our nation's railroads are straining to meet current demand. They do not have locomotives or freight cars to handle an additional 60 million tons of cargo.

To a degree, the issue of rail capacity is irrelevant, as many steel mills and power plants lack rail access for their raw materials. The bottom line is if vessels can't transit the Poe Lock, our ability to make steel and produce electricity will be significantly reduced.

Fortunately these facts have resonated enough with the Corps that they and the Office of Management and Budget have agreed to reprogram $1.3 million to fund the Economic Reevaluation Report. The effort is projected to take 2 years. The Strategy should ask that the reevaluation be completed in no more than 18 months so we can move forward with appropriating funds to begin construction. The Corps estimates construction will take a decade, so even under the most ideal conditions, our industrial base will be a risk for some time to come.

### 2.1.2 Channels and Harbors

We endorse the Strategy's recommendations concerning the dredging of channels and harbors. Decades of inadequate dredging have left more than 17 million cubic yards of sediment clogging ports and waterways. As a result, vessels have been unable to carry full loads, thus denying their customers the efficiencies for which they were designed. Not properly maintaining harbors and channels has also raised safety concerns.

To fully appreciate the importance of dredging requires an understanding of the mechanics of Great Lakes shipping. First to vessel carrying capacity. Depending on the size of the vessel, carrying capacity is reduced anywhere from 50 to 270 tons for each inch of reduced draft. However, the reality is draft reductions are more often measured in feet rather than in inches. In fact, when water levels neared (and in some instances set) new record lows at the beginning of 2013, some vessels were forfeiting nearly 3 feet of loaded draft.

The next reality is that cargo that is forfeited to lack of dredging is virtually impossible to recoup. The vessels are already operating at their most efficient speed. Going faster and adding trips is not an option. Likewise, the loading and discharge of cargo is already conducted as quickly as is safely possible. To load or discharge any quicker could expose the hull to stresses for which it is not designed. Lastly, the Soo Locks open on March 25 and close on January 15. Those dates can be

extended only under the most pressing conditions, so again, additional trips are not generally available.

The Strategy correctly identifies the MTS's most significant bottleneck, the St. Marys River, and calls on the Corps to maintain it to authorized dimensions, and analyze the benefits of providing two additional feet of navigational depth.

The recommended system-wide analysis of constraints and bottlenecks would also be beneficial. Many project depths date from River & Harbor Acts enacted decades ago and no longer reflect the deeper and longer vessels in service today. For example, the project depth for much of the Cuyahoga River in Cleveland, Ohio, is 23 feet, but many of the vessels working that river today can load to 28 feet or more. Those vessels lose approximately 105 tons for each inch of reduced draft. An additional 5 feet of draft would allow them to deliver another 6,300 tons each trip.

The Strategy also wisely calls for continued and increased beneficial reuse of dredged material. Many of the Confined Disposal Facilities (CDFs) on the Lakes are nearing or have effectively reached capacity and to build a new one is a lengthy and expensive undertaking.

The Strategy notes the most recent Water Resources Reform and Development Act of 2014 (WRRDA14) requires the Corps to treat the Great Lakes MTS as a single, unified system in terms of dredging. That was a long-sought goal of Lake Carriers' Association and other stakeholders and should put the GLNS on more even footing with other waterways.

However, the Strategy needs to address funding going forward. WRRDA14 calls for the Federal government to incrementally increasing withdrawals from the Harbor Maintenance Trust Fund until they reach 100 percent of receipts in 2025, but the appropriation process is an annual undertaking and Congress and future Administration's must heed WRRDA14 and increase funding each year.

### 2.1.3 Icebreaking

As the Strategy notes, the past two winters have been among the most severe experienced on the Lakes in many years. However, the near arctic conditions during the winters of 2013/2014 and 2014/2015 are far from the sole basis for modernizing and expanding U.S. and Canadian Coast Guard icebreaking resources on the GLNS. The ice conditions are challenging most winters, and delays and damage to freighters are commonplace, but vessel operators have little choice. Sailing during the "ice season" (typically early December to late April) is necessary to meet the needs of commerce. Customers need to minimize stockpiling costs, and in periods of peak demand, neither the mines nor the fleets have the capacity to meet their customers' annual requirements shipping just during the ice-free season. Therefore, it is not unusual for vessel operators to move 15-20 percent of their annual total between early December and late April.

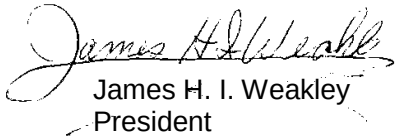
We do have one addition to the Strategy's recommendations for icebreaking. The Strategy correctly endorses completing restoration of the U.S. Coast Guard's aging icebreaking tugs, but this requires that one tug be taken out of service for more than a year to undergo the necessary modernization. This leaves the system short one icebreaker. The U.S. Coast Guard should assign another 140-foot-long icebreaking tug to the Lakes until modernization of the existing assets is complete. The Coast Guard should also move some or all of the work from the Coast Guard yard in Baltimore to Great Lakes shipyards to reduce the amount of time the vessel is out of service. Lakes yards are fully capable of performing the projects.

## Conclusion

The Strategy is a welcome addition to the system's tool box and will help us build a second Poe-sized lock, adequately maintain harbors and channels, and increase both U.S. and Canadian Coast Guard icebreaking forces. If anything is missing is a statement that the lock, dredging and icebreakers are investments in a system that is nearly inexhaustible. Our deposits of iron ore, coal and limestone will last for generations, as will many U.S.-flag lakers and Coast Guard icebreakers. (The first MACKINAW was in service from 1944 until 2006.) The areas that need to be dredged represent a tiny fraction of the whole system.

We salute those labored so hard over this document. Their efforts and commitment are plain to all. Now we all must join together to make our shared goals a reality as soon as possible.

Very respectfully,



James H. I. Weakley
President

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