

Lake Carriers' Association State of the Lakes 2016



The U.S. Coast Guard heavy icebreaker MACKINAW leads a 1,000-foot-long U.S.-flag laker down the ice-covered St. Marys River that connects Lake Superior to the Lower Lakes. Even though American freighters have powerplants capable of generating more than 19,000 horsepower, they often can be outmatched by the ice that forms on the Lakes and connecting waterways such as the St. Marys River and Detroit/St. Clair River system. The MACKINAW is the newest of the Coast Guard's Lakes icebreakers, yet it suffered serious damage to its propulsion system in March 2015 and was limited in its capabilities for the remainder of the ice season. The Coast Guard Authorization Act of 2015 authorizes the Coast Guard to build another heavy icebreaker for the Lakes, so now begins the effort to gain funding for the icebreaker, which is expected to cost approximately \$200 million.
Photo by Captain Graham Grattan.



Dear Reader:

Complacency is the greatest enemy of Progress. And at the risk of being labeled an alarmist, I am concerned that the mild first half of the 2015/2016 ice season is going to lull Great Lakes shipping and those who regulate it into a false sense of security regarding icebreaking resources. The ice in December 2015 and January 2016 was negligible, that is for sure. And with dumped foreign steel commanding more than 30 percent of the U.S. market, there wasn't going to be any last minute rush to rebuild iron ore stockpiles as it was. Nonetheless, we'll do ourselves a great disservice if we breathe a sigh of relief, declare the winters of 2013/2014 and 2014/2015 a 100-year occurrence, and say the U.S. and Canadian Coast Guards have enough icebreaking resources. They don't.

The reality is nothing has changed. In fact, the 140-foot-long icebreaking tugs are another year older, and only one, the MORRO BAY, has completed its modernization. Actually, there's been a setback. The modernization work is now projected to take 13 months per vessel, much longer than originally anticipated. To speed up the process LCA and Great Lakes Maritime Task Force have urged the U.S. Coast Guard to finish the "Service Life Extension Program" at Great Lakes shipyards.

We must also remain focused on building another heavy icebreaker for the Lakes. The mechanical issues that befell the MACKINAW in the spring of 2015 leave no doubt she too is vulnerable to Lakes ice. America needs another heavy icebreaker on the Lakes every bit as much as it needs a new polar icebreaker(s), and can have one at a fraction of the cost.

The new icebreaker has lots of horsepower behind it. In the House, Representatives Candice Miller (R-MI), Louise Slaughter (D-NY) and Sean Duffy (R-WI) are laser-focused on the issue. In the Senate, Senators Gary Peters (D-MI) and Tammy Baldwin (D-WI) are leading the way on it.

Complacency does not threaten a second Poe-sized lock at Sault Ste. Marie, Michigan. Last summer's 20-day closure of the MacArthur Lock has been a wake-up call. The Corps will produce an Economic Reevaluation Report that will reassess the lock's benefit/cost ratio. Michigan Governor Rick Snyder (R) called for twinning the Poe Lock in his January 2016 State of the State address. Not long after that the Ohio House of Representatives voted 93-0 to pass a resolution with the same goal. The momentum is building.

It's difficult to assess the continued debate over ballast water regulations. In the United States we continue to contend with state regulation of ballast via the EPA's Vessel General Permit. That nightmare will only go away when we have a uniform, federal standard, as is contained in S. 373, the Vessel Incidental Discharge Act. Our fear north of the border is that Canada will institute a transit standard and require U.S.-flag lakers to meet a standard that is not only unachievable given the current and foreseeable state of technology, but something that Canada opposed when the State of New York sought to impose a transit standard in 2012.

I touched on dumped foreign steel in the first paragraph, but that is an issue that must resolved once and for all. Steelmakers, iron ore miners and Great Lakes carriers have had to restructure twice because of unfair trade in steel, first in the mid-1980s, and then again in the late 1990s. The restructuring has produced industries that are pacesetters for efficiency and environmental awareness, but even they need protection from unfair trade. The United States must strengthen its trade laws to ensure that trade is free but fair.

In closing, the Lakes do not lack for challenges; nor do they lack for progress. We are moving in the right direction, but must remain vigilant lest complacency drive us off course.

Very respectfully,



James H.I. Weakley

President

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LCA Priorities for 2016 and Beyond

Providing Redundancy at the Soo Locks by Twinning the Poe Lock

- Eighty percent of cargo moving through the locks at Sault Ste. Marie, Michigan, transits the Poe Lock.
- U.S.-flag vessels whose length and/or beam restrict them to the Poe Lock represent 70 percent of the fleet's hauling power.
- Recognizing that a lengthy closure of the Poe Lock would cripple steel and related heavy manufacturing, Congress has authorized a second Poe-sized lock at full federal expense.
- Department of Homeland Security forecasts Depression-like unemployment if the Poe Lock fails.
- Project stalled because current benefit/cost (b/c) analysis mistakenly assumes railroads and trucks could fill the gap if Poe Lock incapacitated, but Corps has agreed to produce an Economic Reevaluation Report.

How Best to Achieve: Accelerate reevaluation of b/c ratio; complete in not more than 18 months.

Adequate Icebreaking Resources

- Cargo needs to move on Lakes from early March to late January, but ice begins forming in early December and remains well into April.
- The seven U.S. Coast Guard icebreakers stationed on the Lakes have been in service collectively for 221 years. Two other vessels are tasked with icebreaking and while relatively new (12 and 13 years, respectively), were not designed to break ice and have limited capabilities.
- Jobs and business revenues lost because of near arctic ice in 2014 and 2015 totaled 5,800 and \$1.1 billion respectively.
- Coast Guard Authorization Act of 2015 authorizes the Commandant to design and build a new icebreaker for its Great Lakes fleet.

How Best to Achieve: Appropriate funds (approximately \$200 million) to build another heavy icebreaker and transfer another 140-foot-long icebreaking tug to the Lakes at least for duration of modernization of 140-foot-long icebreaking tugs.

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 2015, even with rising water levels, largest cargos were still less than full loads, and during periods of low water, vessels designed to carry 70,000 tons per trip have left the dock with less than 60,000 tons on board.

How Best to Achieve: Continue to increase annual funding for dredging as called for in Water Resource Reform and Development Act of 2014 so outlays from Harbor Maintenance Trust Fund equal receipts no later than 2025 and allocate 10 percent of Harbor Maintenance Trust Fund outlay each year to the Lakes.

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 ballast water treatment system that can handle their unique requirements exists or is even in development.
- Given that, if Canada imposes the transit standard under consideration, U.S.-flag lakers would not be able to sail in Canadian waters, which they must do in the course of trading between most U.S. ports. U.S.-flag Lakes shipping would all but cease.

How Best to Achieve: 1) Enact Vessel Incidental Discharge Act (S. 373) which establishes a uniform, federal standard requiring treatment on vessels entering the Lakes from the oceans and Best Management Practices on lakers; and 2) reject any transit standard, be it U.S. or Canadian.

Protect Great Lakes Basin from Unfair Trade

- With abundant natural resources, the efficiencies of Great Lakes shipping, and a skilled labor force, the Great Lakes basin remains America's industrial heartland. Yet once again unfair trade in steel is shaking the basin to its very foundation. Steel mills have curtailed production, iron ore mines have been idled, and lakers have laid up early.

How Best to Achieve: Enact and enforce trade laws that protect America from predatory trade practices.

U.S.-Flag Shipments of Dry-Bulk Cargos on the Great Lakes 2010-2015 and 5-Year Average

(net tons)

Commodity	2010	2011	2012	2013	2014	2015	Average 2010-2014
Iron Ore							
Direct Shipments	39,663,547	44,443,975	42,700,840	41,218,215	41,924,590	37,397,501	42,006,644
Transshipments	2,364,871	2,780,768	2,488,187	2,633,826	3,699,617	3,467,452	2,566,913
Total - Iron Ore	42,028,418	47,224,743	45,189,027	43,852,041	45,624,207	40,864,953	44,573,557
Coal							
Lake Superior	15,847,574	12,954,188	11,947,617	12,216,668	11,325,509	12,867,046	13,241,512
Lake Michigan	2,017,395	3,166,372	2,654,506	2,314,161	1,870,773	1,093,993	2,538,109
Lake Erie	3,674,897	4,118,767	2,977,825	3,706,811	4,576,207	3,693,275	3,619,575
Total - Coal	21,539,866	20,239,327	17,579,948	18,237,640	17,772,489	17,654,314	19,399,195
Limestone	20,410,266	21,434,839	21,794,394	22,111,494	21,459,429	23,142,584	21,437,748
Cement	2,782,259	2,817,846	3,183,388	3,129,748	3,248,033	3,451,989	2,978,310
Salt	1,391,239	1,452,134	1,020,157	1,004,837	1,400,068	1,411,169	1,217,092
Sand	225,593	332,172	336,316	371,279	376,456	319,891	316,340
Grain	306,872	283,200	371,406	447,653	256,461	356,268	352,283
Totals	88,684,513	93,784,261	89,474,636	89,154,692	90,140,143	87,201,168	90,274,526

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