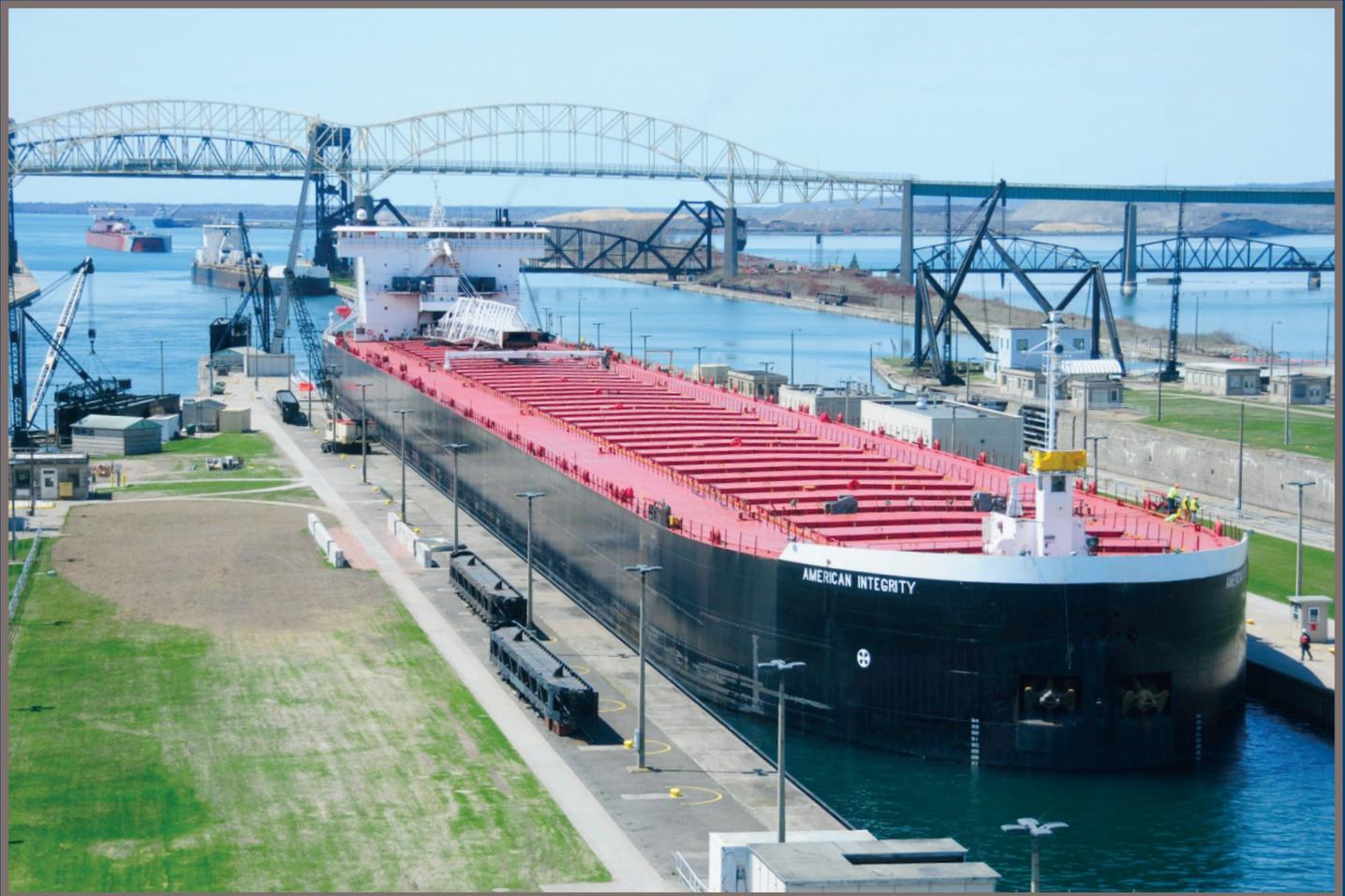




Lake Carriers' Association State of the Lakes Report for 2017



The need for a second Poe-sized lock at Sault Ste. Marie, Michigan, remains every bit as urgent, but much progress has been made. The Department of Homeland Security report on the impacts of a 6-month closure of the Poe Lock put a human face on the project, actually, nearly 11 million human faces. That's how many American workers would be unemployed if the Poe Lock goes out of service for that long. A January 2017 study commissioned by the U.S. Treasury Department estimates a net economic benefit of as much as \$1.7 billion from twinning the Poe Lock. Michigan Senators Debbie Stabenow and Gary Peters spurred the Corps to accelerate its economic reevaluation of the project. Michigan Governor Rick Snyder and the State's House and Senate made a second Poe-sized lock a State priority. The Ohio House of Representatives passed a resolution supporting the project, since Ohio steelmakers get virtually all of their iron ore from Lake Superior ports. *Photo courtesy U.S. Army Corps of Engineers, Detroit District.*

Great Lakes shipping faces its fair share of challenges in 2017, but on balance, the winds are favorable and the seas are following. For example, even though some 15 million cubic yards of excess sediment reduce vessel efficiencies, the Water Resources Development Act of 2016 (WRDA 2016), thanks to Michigan Congressman Bill Huizenga, makes permanent the temporary allocation to the Great Lakes Navigation System (GLNS) of 10 percent of the increased funding for dredging mandated in 2014. WRDA 2016 also ensures that annual appropriations from the Harbor Maintenance Trust Fund (HMTF) will continue to incrementally increase until they reach 100 percent of annual receipts by 2025, even if HMTF revenue projections decrease, and directs the U.S. Army Corps of Engineers (Corps) to (1) publish how it will operate and maintain the GLNS as a single, comprehensive system of interdependent projects; (2) calculate the transportation rate savings of maintaining each navigation channel at its constructed dimensions; and (3) report to the Congress on the estimated cost to repair and maintain each Federal breakwater and jetty.

This is a far cry from just a few years ago. The HMTF was spending less than half its tax receipts on their intended purpose – maintenance dredging – and instead was amassing a surplus. The GLNS dredging backlog topped 18 million cubic yards and was projected to grow to 21 million in just a few years. It took a lot of effort and commitment from Great Lakes Senators and Representatives – too many to name – to turn the tide, but the dredging crisis has been corralled and the way forward clearly marked.

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The winter of 2015/2016 was a bit of a respite from the previous ice seasons, so the U.S. Coast Guard (USCG) was able to meet the needs of commerce with just one heavy icebreaker. Nonetheless, it would be improper to think the GLNS can function every winter with just one heavy icebreaker, especially given that Canada's icebreaking forces are woefully inadequate and will be for the foreseeable future. The Coast Guard Authorization Act of 2015 has laid the foundation for building another icebreaker of the MACKINAW's caliber. The challenge now is appropriating the \$240 million the vessel will cost. Fortunately, Wisconsin Senators Tammy Baldwin and Ron Johnson are laser-focused on funding this much-needed icebreaker.

A uniform, national ballast water discharge standard was within reach in 2016, but the Vessel Incidental Discharge Act (VIDA) was not enacted. That's unfortunate, for ballast water continues to be regulated by two federal agencies and 25 states. VIDA would consolidate this fractured system into a single, nationwide, federal ballast water discharge standard, the most stringent standard currently achievable. On top of treatment, oceangoing vessels also would continue to be required to exchange their ballast water at sea prior to entering the GLNS. VIDA demands that the discharge standard become more stringent as technology advances. Under VIDA, the EPA and the states would assist the USCG in setting each future discharge standard, but to facilitate compliance, the Coast Guard would be the lead agency.

The back cover of this report features a table of cargo movement by LCA members in 2016. It was a disappointing year as total shipments were down 4.5 percent. Iron ore for steel production rebounded a bit. Low natural gas prices and the retirement of older, coal-fired power plants slashed coal loadings by a quarter. A sluggish construction market and lower capacity utilization rates at steel mills held down aggregate and fluxstone cargos.

Nonetheless, LCA members remain committed to this industry, as is witnessed by the fact that during the winter of 2016/2017 they invested more than \$80 million in maintaining and modernizing their vessels so they could meet the needs of commerce safely and efficiently. The fleet's carbon footprint grows smaller each year as steamships are converted to internal combustion and exhaust scrubbers are installed on other vessels. That's why we fight so hard for more dredging dollars, a second Poe-sized lock, another heavy icebreaker, and VIDA. Great Lakes shipping is great for the economy and great for the environment. I can't think of a better win/win for America.

Very respectfully,



James H.I. Weakley
President

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LCA Priorities for 2017 and Beyond

Failsafeing the Soo Locks by Twinning the Poe Lock

- Eight of every 10 tons of cargo transiting the locks at Sault Ste. Marie, Michigan, move through the Poe Lock.
- The 34 U.S.-flag lakers whose size limits them to the Poe Lock represent 70 percent of the fleet's hauling capacity and are the most efficient vessels working the Lakes.
- Congress has authorized a second Poe-sized lock at full federal expense, but a flawed benefit/cost ratio (BCR) continues to stall construction.
- A 2016 Department of Homeland Security report on a 6-month closure of the Poe Lock forecasts nearly 11 million Americans would be unemployed as heavy manufacturing slows to a standstill.
- **Building a second Poe-sized lock provides the GLNS with resiliency.**

Icebreaking Resources Sufficient to Meet the Needs of Commerce

- Cargo movement during the ice season can approach 20 million tons, or 15 percent of the annual total.
- Deliveries during the ice season are critical to maintaining steel production and power generation.
- Only one of the U.S. Coast Guard's seven icebreakers stationed on the Lakes was built this century. Two other vessels tasked with icebreaking, while relatively new, have limited capabilities.
- U.S. and Canadian icebreaking resources were overwhelmed by the winters of 2014 and 2015 and the cargos cancelled or delayed cost the U.S. economy 5,800 jobs and \$1.1 billion in economic activity.
- The Coast Guard Authorization Act of 2015 approved building a new heavy icebreaker for the Lakes.
- **Appropriating funds for the icebreaker is the next step.**

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 and conflicting requirements.
- Both the U.S. Coast Guard and U.S. EPA have issued ballast water regulations and their requirements differ.
- U.S.-flag lakers never leave the GLNS; in fact, most never trade any farther east than Buffalo, New York, so they have never introduced a non-native species to these waters.
- No ballast water treatment system, that can handle lakers unique requirements, exists or is even in development.
- Canada's threatened requirement that vessels merely passing through its waters install treatment systems would effectively ban U.S.-flag lakers from trading between most U.S. ports.
- **Passing the Vessel Incidental Discharge Act will establish a uniform, national standard for the treatment of ballast water and assign oversight and enforcement to the U.S. Coast Guard.**

Expansion of Existing and Establishment of New Marine Sanctuaries

- Interest in establishing marine sanctuaries to preserve shipwrecks and promote recreational diving is growing throughout the GLNS.
- The Thunder Bay National Marine Sanctuary was recently expanded, a second sanctuary is in development off Wisconsin on Lake Michigan, and the National Oceanic and Atmospheric Administration is considering a third sanctuary in Pennsylvania's waters of Lake Erie.
- Current regulations governing marine sanctuaries can ban ballasting and other discharges necessary for safe vessel operation, as well as anchoring and dredging in those waters.
- **As in the expanded Thunder Bay National Marine Sanctuary, commercial navigation and waterborne commerce should not be hazarded by the regulations that govern a proposed sanctuary.**

U.S.-Flag Shipments of Dry-Bulk Cargos on the Great Lakes 2011-2016 and 5-Year Average

(net tons)

Commodity	2011	2012	2013	2014	2015	2016	Average 2011-2015
Iron Ore							
Direct Shipments	44,443,975	42,700,840	41,218,215	41,924,590	37,397,501	41,094,539	41,537,024
Transshipments	2,780,768	2,488,187	2,633,826	3,699,617	3,467,452	2,980,293	3,013,970
Total - Iron Ore	47,224,743	45,189,027	43,852,041	45,624,207	40,864,953	44,074,832	44,550,994
Coal							
Lake Superior	12,954,188	11,947,617	12,216,668	11,325,509	12,867,046	9,609,901	12,262,206
Lake Michigan	3,166,372	2,654,506	2,314,161	1,870,773	1,093,993	526,568	2,219,961
Lake Erie	4,118,767	2,977,825	3,706,811	4,576,207	3,693,275	2,828,408	3,814,577
Total - Coal	20,239,327	17,579,948	18,237,640	17,772,489	17,654,314	12,964,877	18,296,744
Limestone	21,434,839	21,794,394	22,111,494	21,459,429	23,142,584	21,193,845	21,988,548
Cement	2,817,846	3,183,388	3,129,748	3,248,033	3,451,989	3,246,471	3,166,201
Salt	1,452,134	1,020,157	1,004,837	1,400,068	1,411,169	1,259,409	1,257,673
Sand	332,172	336,316	371,279	376,456	319,891	265,220	347,223
Grain	283,200	371,406	447,653	256,461	356,268	249,999	343,598
Totals	93,784,261	89,474,636	89,154,692	90,140,143	87,201,168	83,254,653	89,950,980

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Armstrong Steamship Company
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