

Lake Carriers' Association

2003 ANNUAL REPORT



The Greatest Ships on the Great Lakes

MEMBERS

American Steamship Company	The Interlake Steamship Company
Central Marine Logistics, Inc.	ISG-Burns Harbor, Inc.
Cleveland Tankers Ship Management Inc.	Oglebay Norton Marine Services Company
Grand River Navigation Company, Inc.	Pere Marquette Shipping Company
Great Lakes Associates, Inc.	Soo Marine Supply, Inc.
Great Lakes Fleet, Inc.	Upper Lakes Towing Company, Inc.
HMC Ship Management, Ltd.	VanEnkevort Tug & Barge, Inc.
Inland Lakes Management, Inc.	

March 2004



Dear Friend of Great Lakes Shipping:

Long-term vision is the key to successful planning. We must operate today while focusing on tomorrow. There is no denying that 2003 U.S.-flag cargo totals range from disappointing (limestone) to troubling (iron ore), but are these permanent developments or challenges? I favor the latter interpretation. For example, there has been no reduction in quarry capacity, so once demand from the construction industry rebounds, shipments of aggregates should increase.

The domestic steel industry's problems will not be solved soon, but there are success stories. ISG has revitalized the LTV mills in Cleveland and Indiana and the plants operated by bankrupt Bethlehem Steel. U.S. Steel's acquisition of National Steel has resulted in new efficiencies. Mergers with stronger partners or new investors may restore other troubled steelmakers, such as Rouge and Weirton.

The need to keep the Soo Locks open until January 24, 2004 to meet surging demand for iron ore is a positive indicator. However, the Administration must monitor steel imports and react forcefully if dumping resumes, otherwise, the momentum we witnessed at the end of 2003 could be obliterated by unfair trade.

The rebirth of the Eveac iron ore mine in Eveleth, Minnesota, as United Taconite is welcome news for the U.S.-flag Lakes fleet, as pellets produced at United Taconite destined for domestic steelmakers will move in Jones Act vessels.

Construction of the new MACKINAW is progressing smoothly at Marinette Marine Corporation in Marinette, Wisconsin. This vessel represents a vision of the future that was not clouded by troubled times. The contract was awarded at the height of the steel crisis, but as long as the United States is an industrial powerhouse, the Lakes will need a heavy icebreaker, so this ship is assured of decades of service to our economy and national defense capabilities.



The locks at Sault Ste. Marie, Michigan, link the Great Lakes. With roughly 70 percent of U.S.-flag carrying capacity restricted to the Poe Lock (second from left), construction of a second chamber of that size has long been a priority for Lake Carriers' Association.



Perhaps nothing better illustrates the need for a second Poe-sized lock than the January 2004 transit by a U.S.-flag 1,000-foot-long supercarrier. Had a structural failure or a terrorist attack closed the Poe Lock, America's steel industry would have been hard-pressed to build the iron ore stockpiles it needed for the first quarter of 2004.

The Great Lakes Seaway System Study has gotten underway. This baseline analysis of what will be needed to maintain the aging Lakes infrastructure offers the Great Lakes maritime community a unique opportunity to focus on a common goal: Ensuring that the Lakes/Seaway remain a vital element in the nation's transportation system. While the Lakes/Seaway is a multi-faceted system with many players, it is imperative that we speak with one voice in promoting this Study. Without it, the transportation infrastructure will atrophy to a slow, painful death and invite the downfall of North America's manufacturing stronghold.

In closing, I want to assure readers that Lake Carriers' Association and its members are dedicated to the long-term future of Great Lakes shipping. We may make course corrections as we sail for tomorrow because we know our destination is beyond the horizon.

Sincerely,

A handwritten signature in dark ink, reading "James H. I. Weakley". The signature is stylized with a large, sweeping flourish at the end.

*James H. I. Weakley
President
Lake Carriers' Association*

LCA OBJECTIVES

2004 AND BEYOND



TRANSPORTATION SYSTEM

Operation and maintenance dredging in the Great Lakes remains drastically under funded. The Lakes infrastructure is aging, but there is no comprehensive assessment of what will be needed in the future to maintain the system. The U.S. Army Corps of Engineers and Transport Canada have launched a joint effort to determine what will be required to ensure the continued free flow of cargo on the Lakes/Seaway. LCA will seek annual appropriations to keep the study moving forward and fund dredging operations.



INVASIVE SPECIES

The importation of invasive species by ocean-going vessels continues to alter our ecosystem. It is an international problem that requires a Federal solution. We must ensure that Federal ballast water regulations recognize the difference between ocean-going vessels and "Lakers": U.S.-flag Lakers never leave the system, so they've never introduced a non-indigenous species to the Great Lakes. However, the Lakes are interconnected, so exotics brought in by saltwater vessels will migrate throughout the system. Therefore, any Federal ballast water regulations must 1) focus on saltwater vessels, the vector for future introductions; and 2) recognize the hydrographic commonality of Great Lakes form an enclosed aquatic ecosystem. U.S. and Canadian operators have implemented measures on their vessels to slow the spread of exotics brought in by saltwater ships, but the ultimate goal must be finding the technology to stop future introductions. LCA has been a major player in research on management and treatment of ballast water and will remain so.



FAIR TRADE

Great Lakes Shipping and our customers deserve the opportunity to remain in business. Unfair trade in steel has cost tens of thousands of Americans their jobs and benefits and dramatically impacted cargo movement on the Great Lakes. While the tariffs that

were imposed on some imports during 2002-2003 helped the domestic industry stabilize to a degree, the recovery is far from complete. Free trade MUST be fair trade!



HOMELAND SECURITY

Our transportation infrastructure remains vulnerable to a terrorist attack. The U.S.-flag Lakers whose length and/or beam restrict them to the Poe Lock represent roughly 70 percent of U.S.-flag hauling power, so a lengthy closure of the Poe Lock would cripple domestic waterborne commerce on the Great Lakes. The eight Great Lakes States have agreed, in principle, to fund the local cost share, so once the U.S. Army Corps of Engineers has completed the required "Limited Re-evaluation Report", Congress must appropriate Federal funds to initiate construction.



NATIONAL SECURITY

We promote the economic and national security benefits of the Jones Act and other U.S. cabotage laws. The requirement that domestic waterborne commerce be conducted in vessels that are U.S.-owned, -built, and -crewed has produced a U.S.-flag Great Lakes fleet that is the world leader in terms of efficiency. Flying the U.S. flag means the vessel is built and operated to the world's highest safety standards. Its U.S. owners/operators are subject to all U.S. laws and regulations and pay taxes on their earnings. The loyal American mariners who crew it form the pool of maritime skills that are so needed to supply U.S. troops overseas.



ENVIRONMENTAL

Marine Transportation remains the most economic, socially responsible, and environmental mode of transportation. Since there's less friction as a hull moves through water, vessels use less fuel and generate fewer emissions than do trains and trucks. Furthermore, waterborne commerce neither congests our overstressed highways nor slows traffic with thousands of rail crossings.

U.S.-FLAG CARGO MOVEMENT ON THE GREAT LAKES

1999-2003 and 5-Year Average

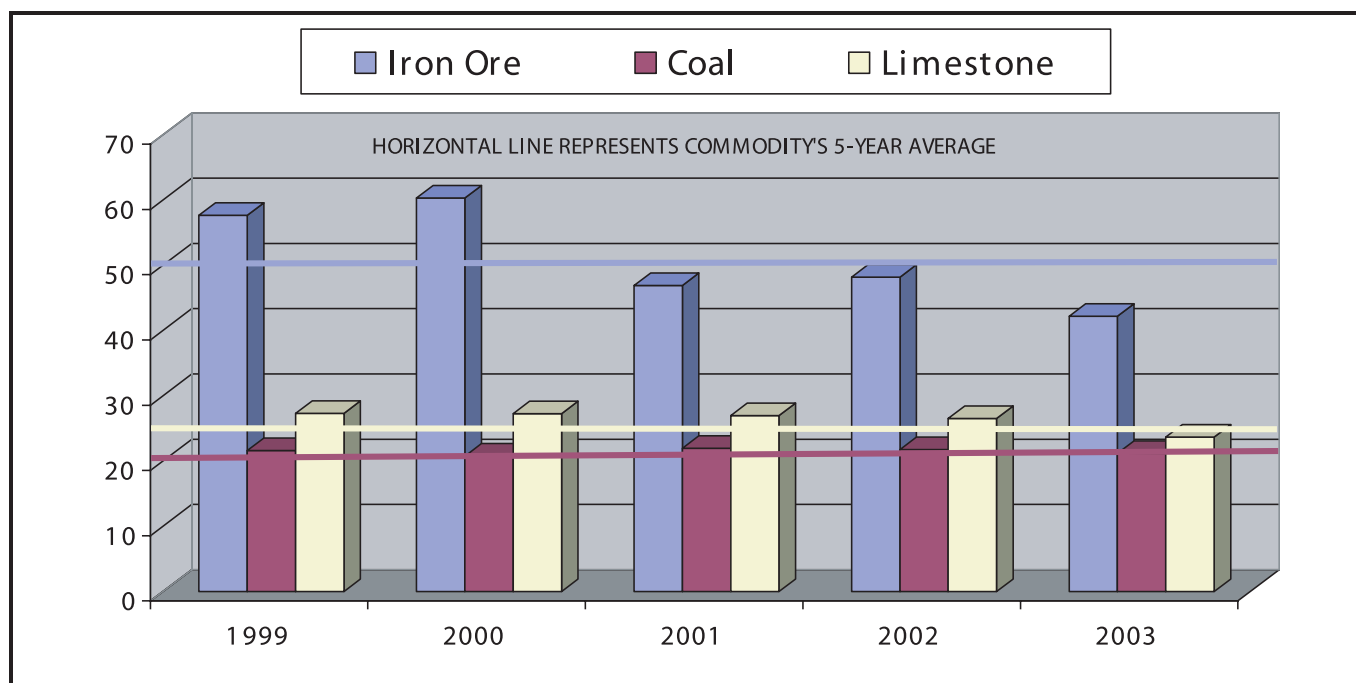
(net tons)

COMMODITY	1999	2000	2001	2002	2003	5-YR. AVG.
Iron Ore – Direct shipments	52,160,147	54,586,514	43,829,971	45,861,075	40,536,748	47,394,891
Iron Ore – Transshipments	5,523,530	5,746,164	3,094,732	2,334,252	1,654,978	3,670,531
Total – Iron Ore	57,683,677	60,332,678	46,924,703	48,195,327	42,191,726	51,065,422
Coal – Lake Superior Ports	13,353,794	12,769,682	13,640,260	13,874,872	13,989,192	13,525,560
Coal – Lake Michigan Ports	8,279,404	7,990,792	2,288,791	2,239,657	2,771,064	7,932,299
Coal – Lake Erie Ports			6,030,000	5,629,302	4,432,488	
Total – Coal	21,633,198	20,760,474	21,959,051	21,743,831	21,192,744	21,457,859
Limestone	27,310,498	27,288,089	26,988,622	26,554,243	23,686,282	26,365,546
Cement	4,417,055	4,144,774	4,136,897	3,817,911	3,700,000	4,043,327
Salt	1,309,894	838,017	876,392	587,090	931,864	908,651
Sand	249,238	427,070	625,094	230,950	454,000	397,270
Grain	346,814	351,857	350,719	329,471	354,060	346,584
TOTALS	112,950,374	114,142,959	101,861,478	101,458,823	92,510,676	104,584,659

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

1999-2003 and 5-Year Average

(net tons in millions)



LAKE CARRIERS' ASSOCIATION

Suite 915 • 614 West Superior Avenue • Cleveland, Ohio 44113-1383 • Fax: 216-241-8262 • www.lcaships.com

James H. I. Weakley

President

216-861-0590 • weakley@lcaships.com

Richard W. Harkins

Vice President - Operations

216-861-0591 • harkins@lcaships.com

Glen G. Nekvasil

Vice President - Corporate Communications

216-861-0592 • ggn@lcaships.com

Carol Ann Lane

Secretary / Treasurer

216-861-0593 • lane@lcaships.com

