

Lake Carriers' Association

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The Greatest Ships on the Great Lakes

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Dear Friend of Great Lakes Shipping:

It is no exaggeration to characterize 2004 as one of the most impressive rebounds in U.S.-Flag shipping on the Great Lakes in recent memory. Cargo movement topped 111 million net tons, an increase of 17 percent compared to 2003. Granted, 2003 was a very difficult year, but even when weighed against the trade's 5-year average, the 2004 float represents an increase of 6 percent.

These statistics make an important point: As America's economy gathered strength, the need to move raw materials on the Great Lakes grew correspondingly. The iron ore mines of Minnesota and Michigan ran full out to meet steel mills' demand for taconite pellets. The limestone quarries of Michigan and Ohio boosted production to fill the construction industry's requirements for aggregate. The coal mines of Montana and Wyoming dug deep to supply clean-burning coal to the region's utilities. In each instance, the most efficient and environmentally-friendly way to move these commodities was in the holds of U.S.-Flag "Lakers."

The resurgence in cargo volumes was not the only positive development in 2004. Construction of the new U.S. Coast Guard icebreaker *Mackinaw* progressed steadily and the vessel will be ready for launching this spring. LCA's standard-setting security measures for U.S-Flag Lakers went into effect on July 1.

Nonetheless, Great Lakes shipping remains underutilized for a number of reasons. At the risk of sounding unappreciative, the 19 percent increase in iron ore shipments still falls short of totals recorded prior to the onslaught of dumped foreign steel in the late 1990s. America's steel industry is on the mend for sure, but the recovery is not complete.

The now chronic underfunding of Operation and Maintenance Dredging remains a millstone around the industry's neck. The backlog of dredging projects is unconscionable given the importance of Great Lakes shipping. The Great Lakes maritime community must come together as never before to correct the imbalance in allocating funds available for dredging the nation's waterways.



Loadings of low-sulfur coal in U.S.-Flag Lakers at Superior, Wisconsin set a record in 2004 – 15.5 million net tons.

The approaching commissioning of the new *Mackinaw* solves one problem, the need to always have a vessel designed for heavy icebreaking stationed on the Great Lakes. However, the recent retirements of other U.S. Coast Guard assets has left the Lakes potentially short-handed. The Coast Guard must assign another 140-foot-long icebreaking buoy tender to the Great Lakes as soon as possible.

Other issues need to be addressed – invasive species, construction of a second Poe-sized lock, the Great Lakes/St. Lawrence Seaway System Study to name a few – but the bottom line is Great Lakes shipping has again played a major role in America's economic revival. My thanks to all who contributed to the effort.

Sincerely,

A handwritten signature in dark ink, reading "James H. I. Weakley". The signature is fluid and cursive, with a long horizontal flourish extending from the end.

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



Lake Carriers' Association Objectives 2005 And Beyond



◀ Funding of Dredging ▶

Years of inadequate funding of Operation and Maintenance Dredging (O&M) has reduced the amount of cargo vessels can load at or deliver to many Great Lakes ports. A single inch of lost draft forces vessels to forfeit anywhere from 70 to 270 tons of cargo each trip, but in some ports and waterways, the draft reductions are measured in feet, not inches.

The proposed FY06 budget underfunds Great Lakes O&M by at least \$10 million. Add in the shortfalls in previous years, and the U.S. Army Corps of Engineers needs \$130 million to restore the Lakes system to project depth.

While budget pressures have trimmed the Corps O&M budget nationwide, the Lakes have fared even worse. For example, the Ohio River system's O&M appropriation for FY06 equates to \$1.68 per ton of cargo moved. In comparison, the Lakes are slated to receive \$0.82 per ton of cargo moved.

The Great Lakes maritime community must work with our legislators to redress this inequity. Every ton of cargo left on a dock because of "light loading" reduces the efficiency of Great Lakes shipping and weakens industries that are the backbone of the U.S. economy and national defense capability.

◀ Infrastructure ▶

The most immediate infrastructure need on the Great Lakes is construction of a second Poe-sized lock at Sault Ste. Marie, Michigan. With more than 70 percent of U.S.-Flag carrying capacity restricted to the Poe Lock, it represents the single point of failure that could bring Great Lakes shipping to a virtual standstill. A recent Corps review reconfirms the need for the replacement lock and the eight Great Lakes States have agreed to act as the local sponsor. Congress must appropriate funds so construction can begin as soon as possible.

For the long term, the bi-national Great Lakes/St. Lawrence Seaway System Study is crucial to determining what will be needed to maintain the system through mid-century. Most of the locks in the system are 50 to 70 years old and will need extensive maintenance in the years ahead.

◀ Regulation of Ballast Water ▶

Ballast water discharged by ocean-going vessels trading to the Great Lakes has introduced a number of non-indigenous species and the results have not been positive. The zebra mussel clogs water in-takes; the ruffe competes with native species.... Research to find a solution to this worldwide problem is ongoing, but as systems and/or

management techniques are proven to be effective, they must be required **only** on vessels entering the Lakes from the oceans. The Laker fleet never leaves the system, so has never introduced an exotic. Furthermore, the Lakes are an enclosed aquatic ecosystem, so what populates one Lake migrates to the others with time. Therefore, it would be pointless to require Lakers to install ballast treatment systems. The war on non-indigenous species must be fought in the ballast tanks on vessels entering from outside the enclosed aquatic ecosystem.

◀ A Strong U.S.-Flag Fleet ▶

The U.S.-Flag fleet serving Great Lakes industries is the world leader in terms of efficiency. No other nation, not even those that subsidize their merchant marine, has as many self-unloading vessels as fly the American flag on the Great Lakes. These vessels discharge cargo at rates as high as 10,000 tons an hour without any assistance from shoreside personnel or equipment. Just one iron ore cargo in a 1,000-foot-long Laker – 70,000 tons when water levels are high – keeps a major steel mill in operation for 5 days. A similarly-sized coal cargo produces enough electricity to power an area the size of Greater Detroit for a day.

The U.S.-Flag Great Lakes fleet has been able to achieve these efficiencies because the Jones Act requires cargo moving between U.S. ports be carried in vessels that are U.S.-owned, -built and -crewed. This simple principle ensures a level playing field that allows competition to set the standard. The Jones Act also guarantees domestic waterborne commerce is conducted to the world's highest safety and environmental standards. Furthermore, the Jones Act sustains a U.S. merchant marine, "The Fourth Arm of National Defense."

◀ Adequate Icebreaking Resources ▶

The U.S. Coast Guard recently retired two Great Lakes assets with icebreaking capabilities that had reached the end of their serviceable lives. While the Coast Guard has replaced these aged vessels with two new assets, their icebreaking capabilities are not on the same level as the decommissioned hulls. A third hull will soon leave the fleet without replacement. With three connecting channels to maintain during periods of ice cover and scores of U.S. ports open during the ice season, the current complement of Coast Guard icebreaking resources will be overtaxed, especially if vessels now at mid-life experience significant mechanical failures. To ensure the free flow of raw materials, the U.S. Coast Guard must assign another 140-foot-long icebreaking buoy tender to the Lakes. This vessel class has a proven track record on the Lakes.

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

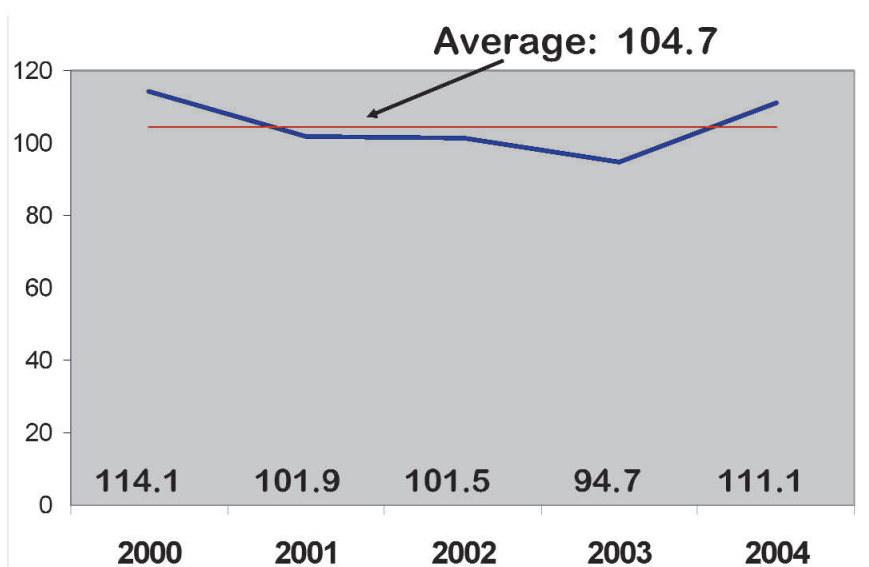
Calendar Years 2000-2004 and 5-Year Average

(net tons)

COMMODITY	2000	2001	2002	2003	2004	5-YEAR AVERAGE
IRON ORE						
Direct Shipments.....	54,586,514	43,829,971	45,861,075	41,343,509	48,265,017	46,777,217
Transshipments	5,746,164	3,094,732	2,334,252	1,672,776	2,936,493	3,156,883
TOTAL – IRON ORE	60,332,678	46,924,703	48,195,327	43,016,285	51,201,510	49,934,101
COAL (by Lake of loading)						
Lake Superior.....	12,769,682	13,640,260	13,874,872	14,238,033	15,459,399	13,996,449
Lake Michigan.....	2,068,078	2,288,791	2,239,657	2,771,065	3,727,681	2,619,054
Lake Erie.....	5,922,714	6,030,000	5,629,302	4,870,328	5,448,625	5,580,194
TOTAL - COAL.....	20,760,474	21,959,051	21,743,831	21,879,426	24,635,705	22,195,697
LIMESTONE	27,288,089	26,988,622	26,554,243	24,239,110	29,523,489	26,918,711
CEMENT	4,144,774	4,136,897	3,817,911	3,851,487	3,965,401	3,983,294
SALT	838,017	876,392	587,090	945,355	1,032,109	855,793
SAND	427,070	625,094	230,950	500,456	389,355	434,585
GRAIN	351,857	350,719	329,471	312,316	367,785	342,430
TOTAL.....	114,142,959	101,861,478	101,458,823	94,744,435	111,115,354	104,664,610

U.S.-FLAG TOTAL SHIPMENTS

(net tons in millions)



LAKE CARRIERS' ASSOCIATION

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2004 Annual Report of Lake Carriers' Association – *The Greatest Ships on the Great Lakes*

