

Lake Carriers' Association



The Greatest Ships on the Great Lakes

2006 ANNUAL REPORT

Congressional Information Bureau May 5, 2006

Ability to Move Coal on Great Lakes Hampered by Lack of Dredging

The continuing inability to maximize vessel carrying capacity is jeopardizing the Great Lakes' largest coal shipper's ability to keep pace with demand for coal-generated energy in the future, warned Fred L. Shusterich, President of Midwest Energy Resources Co. in Superior, Wisconsin. "In order to keep pace with the coal-generated energy demands of the Great Lakes basin, Congress must fund a comprehensive plan to restore the Great Lakes system to its project depth as quickly as possible and subsequently maintain it in the future."

American Shipper News Wire May 4, 2006

Great Lakes Carriers, Shippers Press for Port Dredging

A group of carrier and shipper executives met in Washington Wednesday to press lawmakers for sufficient funds to dredge the Great Lakes ports. "Simply put, decades of inadequate funding for dredging Great Lakes deep-draft ports and waterways are crippling Great Lakes shipping," said James H. I. Weakley, President of both Lake Carriers' Association and Great Lakes Maritime Task Force.

The (Cleveland) Plain Dealer April 14, 2006

Undredged Channels Are Limiting Shipping

When a tug pushing a barge lost its rudders recently in the Saginaw River in Michigan, it was another troubling sign for Jim Weakley and other shipping officials worried about inadequate dredging on the Great Lakes.

WLUC-TV6 News (Escanaba, Michigan) April 17, 2006

LCA Calls for Increased Dredging

Officials say the need for increased dredging of the Great Lakes has forced some vessels to take detours or handle smaller loads. The Lake Carriers' Association will launch an effort to draw attention to the problem on May 3 in Washington, DC.

The Saginaw News April 7, 2006

Shipping Imperiled; Dredging Snag Leaves Water Too Shallow for Freighters

Shipping along the Saginaw River may soon find itself stuck. A shipping company has notified a customer it will no longer venture up the Saginaw River. The river is simply too shallow after having a ship run aground in the turning basin this week.

Duluth (Minnesota) News Tribune April 19, 2006

Matter of Inches

Every inch of draft is precious to those moving freight on the Great Lakes. Just ask Fred Shusterich, President of Midwest Energy Resources Co. in Superior. He'll tell you that for every inch of reduced draft, a 1,000-foot Laker must shed about 267 tons of cargo.

Aggregates Manager August 2006

Stuck in Shallow Water

A lack of funding for dredging Great Lakes ports and waterways is leaving tens of thousands of limestone tons undelivered by reducing aggregate vessels' carrying capacity.

Great Lakes
Authorized Depth

28 Feet

6 Ft. Lost
Efficiency

22 Feet

Vessel Draft

30
29
28
27
26
25
24
23
22

U.S.-Flag operators estimate three of every four cargos carried in the past five years represented less than full loads.

Photo: Todd Shorkey



Lake Carriers' Association

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January 2007



Dear Friend of Great Lakes Shipping:

2006 certainly can be titled *The Year of the Dredging Crisis*. When commercial navigation resumed in late March, vessels experienced such difficulty navigating the Saginaw River in Michigan that the Corps of Engineers had to perform emergency dredging in the turning basin to keep the waterway open. Some carriers even had to decline business opportunities in Saginaw, as insufficient water causes concern for crew and vessel safety, in addition to economic hardship.

Light loading (carrying less cargo than the vessel's designed capacity) plagued the industry throughout the season. Coal deliveries to Dunkirk, New York, actually ceased because there was no longer enough depth to safely navigate the harbor. There are other ports in similar circumstances, and our nation can't afford to force more cargo from our waterways to congested highways and rail beds.

The problem became most acute in autumn, when water levels on Lake Superior went into a virtual free fall and came within 2 inches of the record low set in 1926. Many vessels saw their payload shrink on each successive voyage. By year's end, some of the most efficient vessels were utilizing only 88 percent of their rated capacity.

In news release after news release, Lake Carriers' Association highlighted the effects of the dredging crisis. I wish I could report our efforts produced a windfall of Federal funds and dredging contractors are right now restoring the system to project depths and dimensions, but that is not the case. The Great Lakes maritime community must brace itself for a long, drawn-out campaign to win its fair share of the Corps' budget.

There were positive developments in 2006. Great Lakes Maritime Task Force (GLMTF), already the largest labor/management coalition seeking more dredging dollars, welcomed 24 new members, including many port authorities, shippers, and marine construction companies. Attendance at GLMTF's Briefing for the Great Lakes delegation in Washington in May was the best ever.

No one characterized the dredging crisis better than Congressman James L. Oberstar (D-MN) when he received his "Iron Man Award" from GLMTF in September: "It is incomprehensible to me that the ships that depart our Minnesota harbors cannot carry full loads of iron ore and low-sulfur coal because the Corps of Engineers does not get enough money to maintain the system. This waterway is too important a part of the national transportation infrastructure to be treated like a poor relation."

The dredging crisis is LCA's top priority. The other issues that are addressed on the facing page are also important. We must protect the transportation system that supports America's Heartland and North America's manufacturing base. The Lakes must get their fair share of Federal dollars, and soon. Lake Carriers' Association, under the GLMTF banner, will lead the charge. Please join with us in any and every way you can.

Sincerely,

James H. I. Weakley
President

LCA OBJECTIVES

2007 And Beyond

Dredging Crisis

LCA's members estimate 75 percent of the cargos they've carried in the past 5 years have represented less than full loads because of inadequate dredging of ports and waterways. The amounts of cargo involved are significant. **By the end of 2006, the largest vessels were leaving more than 8,000 tons of iron ore or coal at the loading dock each trip.**

Federal funds allocated for dredging the Lakes have been inadequate for decades. High water levels in the 1990s masked the problem to a degree, but as 2007 begins, Lake Superior is nearing record lows. Lakes Michigan and Huron are also well below their historic levels. Increased dredging is the only long-term solution to the problem.

Shipping is an industry where inches count. Depending on its size, a Great Lakes vessel will forfeit anywhere from 50 to 270 tons of cargo for each 1-inch reduction in loaded draft. In fact, if the entire U.S.-Flag Great Lakes fleet "light loads" by just one inch, the collective loss is more than 8,000 tons.

What does 8,000 tons mean to the economy? Eight thousand tons of iron ore will make enough steel to produce 6,000 automobiles. Eight thousand tons of coal will supply a major metropolitan area with electricity for three hours. Eight thousand tons of limestone will provide the aggregate used to build 20 average American homes.

Unfortunately, the dredging crisis on the Great Lakes is so great that the loss of draft is often measured in feet, not inches. Vessels working Cleveland's Cuyahoga River sometimes must trim more than 4 feet off their loaded draft. The Saginaw River in Michigan was on the verge of closing to commercial navigation until emergency dredging in the spring of 2006.

The U.S. Army Corps of Engineers estimates it needs more than \$200 million to restore the Great Lakes navigation system to project dimensions. Yet, its Lakes appropriation was less than \$90 million in FY06.

There are two factors that need to be addressed. First, the Lakes do not receive their fair share of Federal dredging dollars. For example, the Ohio River system typically receives twice as much "operations and maintenance" money as the Lakes on a tons-of-cargo-handled basis.

Second, there is no need for any deep draft navigation system to be shortchanged. Dredging at "coastal ports" is fully funded by a tax on cargo that is deposited in the Harbor Maintenance Trust Fund. As 2007 begins, that Fund has a surplus of more than \$3.5 billion and continues to grow. By contrast, the operation and maintenance of the inland river system receives full Federal Funding from the General Treasury.

Great Lakes shipping is one of the foundations of our nation's economy. The system primarily moves cargo from Americans to Americans by Americans. Cargo movement can top 200 million tons a year. The Administration and Congress must provide the funds needed to restore the system to project dimensions. When the Great Lakes are shortchanged, the nation suffers.

Ballast Water and Invasive Species

One can make a strong argument this subject should not be addressed in LCA's *Annual Report*. U.S.-Flag Lakers never leave the Great Lakes (most never venture farther east than Buffalo, New York), so they have never introduced a non-indigenous species to the "Inland Seas."

However, with the opening of the St. Lawrence Seaway, ocean-going vessels have traded to the Lakes, and their ballast water has introduced exotics, such as the zebra mussel, ruffe, round goby, and others to what was previously an enclosed aquatic ecosystem.

While technology will eventually meet the challenge of ballast water transport of non-indigenous species, there are some harsh realities. The Lakes are interconnected, so once an invasive is introduced and establishes itself, it is entrenched. For example, the ruffe is migrating along the southern shore of Lake Superior. Once it reaches the St. Marys River, it will have free access to the other Great Lakes. Even a total cessation of commercial navigation would not stop the spread of the ruffe or other invasive species.

A ballast treatment system that works on an ocean-going vessel will fail on a Laker simply because of different operational requirements. Ocean-going vessels carry small amounts of ballast – maybe 3 million gallons. Lakers need as much as 16 million gallons. Ocean-going vessels are in port for days. Lakers load and discharge cargo in a matter of hours.

Even if a system could work on a Laker, what purpose would it serve? Again, the Lakes are interconnected; exotics introduced by ocean-going vessels will naturally migrate and will be spread by other activities, such as aquaculture, sport fishing, and recreational boating. LCA has developed and implemented ballast water management practices that reduce the potential for Lakers' ballast to spread exotics. However, the Lakes must learn to cope with the non-indigenous species that have established themselves. The one attainable goal is stopping future introductions via the ballast water on ocean-going vessels.

Coast Guard Resources

The U.S. Coast Guard's icebreaking and border security missions on the Lakes are daunting from mid-December to late April. One hundred-plus ports, three major connecting channels, and more than 1,500 miles of international border must be maintained and secured. However, LCA has serious concerns about the Coast Guard's ability to reliably accomplish these missions. Despite the skill and dedication of these Guardians of the Great Lakes, the Ninth Coast Guard District lacks the proper number and mix of vessels to perform its current and ever-expanding duties. Furthermore, a number of Coast Guard assets are beyond mid-life and susceptible to breakdowns. In 2006, U.S.-Flag Lakers moved nearly 18 million tons of cargo during periods of ice cover, some 16 percent of the annual total. The U.S. Coast Guard must assign another 140-foot-long icebreaking tug to the Great Lakes, or the reliable movement of cargo during the ice season will be jeopardized and the international border may not be adequately protected.

Infrastructure

The most pressing infrastructure improvement on the Great Lakes is a second Poe-sized lock at Sault Ste. Marie, Michigan. This lock (along with the MacArthur Lock) connects Lake Superior to the lower four Great Lakes and St. Lawrence Seaway. In recent years, cargo movement through these two locks has averaged 80 million tons. With roughly 70 percent of U.S.-Flag carrying capacity restricted to the Poe Lock, that chamber represents the single point of failure that could bring Great Lakes shipping and the region's manufacturing base to a virtual standstill.

A recent U.S. Army Corps of Engineers review has again confirmed the need for twinning the Poe Lock. The eight Great Lakes states have agreed to fund the local cost share. However, the project is vital to the national security of the United States and should be re-authorized with full Federal Funding. Congress must break the logjam (the lock was first authorized in 1986) so construction can begin as soon as possible. The lock will take years to build; every additional delay only prolongs the risk of terrorist incident or structural failure crippling the U.S. economy.

The Jones Act

The flag that flies from the stern of a vessel identifies the nation in which it is registered. On U.S. waterways, the American flag flutters from the sterns of more than 39,000 commercial vessels of every type and size. Yet on the oceans, a U.S. flag is a rare sight indeed.

Why such different fortunes for U.S.-Flag vessels? The answer is simple. Domestic waterborne commerce is governed by the Jones Act.

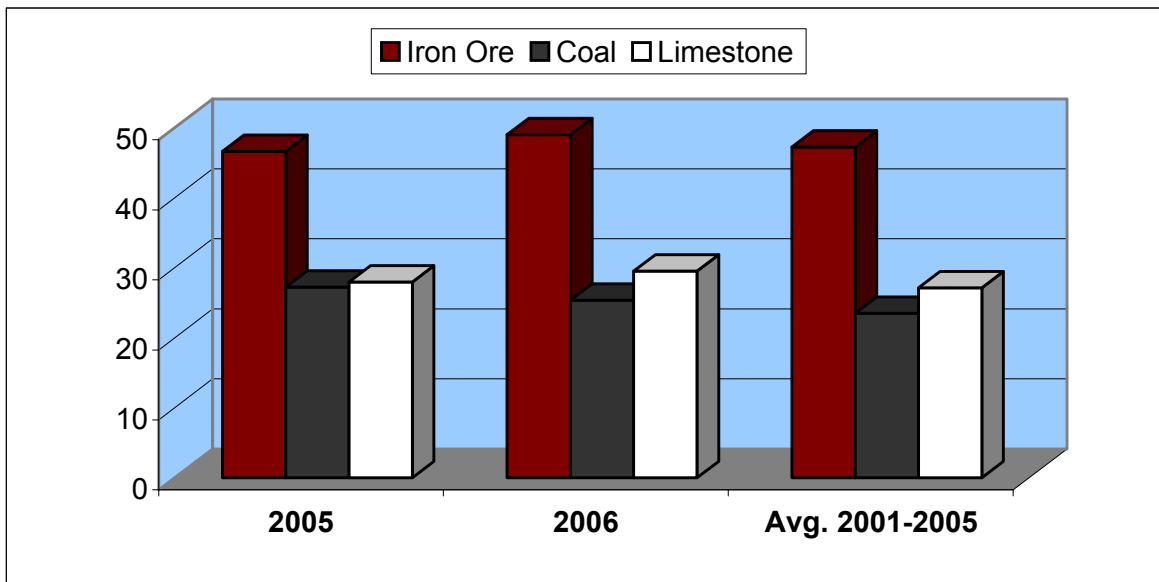
The Jones Act (Section 27, Merchant Marine Act of 1920) requires U.S. ownership, U.S. construction, and U.S. crews. As a result, the U.S.-Flag Great Lakes fleet is the world leader in terms of safety and efficiency. No other nation can boast of such a large and diverse fleet of self-unloading vessels. The largest Jones Act Lakers carry 70,000 tons of cargo each trip (when water levels permit) and discharge that cargo without any assistance from shoreside personnel and equipment in 10 hours or less.

The Jones Act also plays a crucial role in our nation's national defense capabilities. By sustaining the core of the U.S. Merchant Marine, the Jones Act ensures the United States has the ships and mariners to supply its troops fighting in far off lands and the shipyards and related industries to build and maintain that fleet.

Just this past September, President Bush declared, "It's important for Presidents to embrace the Jones Act. I have...supported the Jones Act, and will continue to do so as President." Congress, the Departments of Defense and Transportation, and other key Federal agencies also endorse the law. As one General has stated, the Jones Act is a "proven commodity." America needs no other domestic maritime policy.

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

2005-2006 and 5-Year Average
(tons in millions)



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