



Lake Carriers' Association 2013 Annual Report



Winter arrived early and in full force in December 2013. The U.S. Coast Guard started breaking ice on December 6, the earliest date on record. The ice and weather challenged everyone's capabilities and iron ore shipments in December decreased 21 percent compared to a year before. Conditions worsened in January 2014 and iron ore cargos fell nearly 40 percent. The ice got even thicker in February and March and at least two steelmakers had to curtail production for a time in April because the fleet could not deliver enough iron ore to keep the blast furnaces in operation. Photo by Lt. j. g. Paul Junghans, Ninth Coast Guard District.

Dear Friend of Great Lakes Shipping:

There is a very real chance that 2013 will be remembered as the turning point in the Great Lakes dredging crisis. Provisions in the House's and Senate's respective Water Resources Reform and Development Acts (WRRDA), if retained in the final bill, will bring more dredging dollars to the Great Lakes. As I write this, the House and Senate are still conferencing over the bill, but with champions like Senator Carl Levin (D-MI) and Representative Candice Miller (R-MI) fighting for the Lakes, I think our needs will be addressed in the final WRRDA.

The reason I am optimistic about increased funding is twofold. First, both the House and Senate bills direct the Federal government to spend more of the tax dollars it collects for dredging on dredging. However, equally important is the House's provision that the U.S. Army Corps of Engineers manage the Lakes as a "system" in terms of dredging. Currently, the Corps views the Lakes as a collection of 60 individual ports and pits them against one another for dredging dollars. Designating these waters as the "Great Lakes Navigation System" will put us on more even footing with other waterways and should bring back even more dredging dollars.

As noted above, Senator Levin and Congresswoman Miller have been quarterbacking these efforts, but I want to make clear legislators from every Great Lakes state and both sides of the aisle have been focused on ending the dredging crisis. It's been a real team effort. I hope we'll see President Obama signing WRRDA soon!

The partial shutdown of the Federal government postponed the U.S. Coast Guard's annual icebreaking conference until December 11, but by then, the icebreakers had been clearing the shipping lanes for five days. As our cover illustrates, the winter of 2013/2014 was the harshest since 1993/1994, and cargo movement during the ice season reflected that. Iron ore shipments fell 21 percent in December and then plummeted 37 percent in January of this year. Some coal cargos were outright cancelled.

LCA's members began December 2013 expecting to finish the year ahead of 2012's total, but actually came up a tad short after all the ice and weather delays.

The winter of 2013/2014 makes it abundantly clear the planned service life extension of the Coast Guard's 140-foot-long icebreaking tugs can't begin soon enough. The first 140 goes to the shipyard this summer and will be out of commission for about one year. When that vessel returns to the Lakes, another 140 will rotate to the shipyard.

Recharging the 140s will help us deal with future winters, but more needs to be done. Our belief is to keep Coast Guard 140s on the Lakes for icebreaking and not on the Seaway. Serious consideration should be given to building another heavy icebreaker like the MACKINAW. The railroads' ability to handle additional capacity is significantly hampered when Mother Nature throws us a curve. They have capacity constraints and many steel mills and power plants lack rail access. We are fortunate that more blast furnaces weren't idled in April. That's how low some stockpiles had gotten.

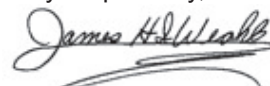
I'd like to close with two Master's Salutes. The first is to The Interlake Steamship Company. They marked their 100th anniversary in 2013. Such longevity is not unusual on the Lakes. American Steamship Company was founded in 1907 and Great Lakes Fleet/Key Lakes, Inc. traces its roots back to 1901.

My second Master's Salute is to Senator Carl Levin. He will retire when the 113th Congress adjourns in the fall. Coming from Michigan, his commitment to the Lakes is of course natural, but what sets him apart is his unwavering dedication to a cause once embraced. Whether it's been dredging, a second Poe-sized lock, or saving the original MACKINAW and then building her replacement, he has been an inspiration to all and a model that freshmen legislators should seriously consider when tackling the issues facing our nation. The Lakes delegation will be much poorer without him, but his contributions will be remembered by generations to come.

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Very respectfully,



James H.I. Weakley
President

How Best to Foster Great Lakes Shipping in 2014 and Beyond

Dredge Great Lakes Ports and Waterways to Project Dimensions

- More than 18 million cubic yards of sediment clog Great Lakes ports and waterways. As a result, vessels cannot carry full loads. Depending on the size of the vessel, each inch of lost draft reduces payload by anywhere from 50 to 270 tons of cargo, and that impacts efficiency and, equally important, system capacity.
- The Federal government taxes cargo to pay for dredging, but since it only spends one of every two dredging dollars on dredging, the Harbor Maintenance Trust Fund ("HMTF") surplus has grown to \$8 billion.
- LCA urges the House and Senate to finalize the Water Resources Reform and Development Act and include the provisions that 1) increase funding for dredging; and 2) direct the Corps to manage the Lakes as a system in terms of dredging rather than a collection of 60 individual ports pitted against one another for dredging dollars.

Establish Uniform Federal Regulations Governing Ballast Water

- The U.S. Coast Guard and U.S. EPA have regulations governing the discharge of ballast water in U.S. waters. However, since states can add their own provisions to the EPA's Vessel General Permit, there is a patch work of differing requirements on the Great Lakes.
- The Coast Guard's regulations recognize there are no systems that can treat lakers' ballast and therefore require continued adherence to the current Best Management Practices (BMPs). However, the EPA will require lakers built after 2009 to install a ballast water treatment system upon their first drydocking after January 1, 2016.
- The lack of any system that can handle lakers' ballasting requirements is only part of the problem. Requiring lakers to treat their ballast does not acknowledge that lakers never leave the system and that the Lakes are interconnected, so non-indigenous species introduced by oceangoing vessels can and do freely migrate.
- If states must co-regulate ballast water, those regulations should mirror the Coast Guard statutes. The BMPs currently employed have been in place for a number of years and proven effective.

Build a Second Poe-Sized Lock at Sault Ste. Marie, Michigan

- The "Soo" Locks connect Lake Superior to the Lower Lakes and typically handle more than 80 million tons of cargo per year.
- Those cargos represent 3.2 percent of the U.S. Gross Domestic Product.
- U.S.-flag lakers whose length and/or beam restrict them to the Poe Lock represent nearly 70 percent of carrying capacity, so a closure of that chamber would bring U.S.-flag shipping to a virtual standstill.
- Congress authorized a second Poe-sized lock at full Federal expense in 2007, but until the flawed benefit/cost analysis is corrected, the Administration cannot include the project in its budget. A new assessment is underway.
- The current analysis assumes the railroads can move the cargo currently transiting the Soo Locks, which is not correct. Not only do many steel mills and other customers lack rail access, it would take the railroads years to acquire the locomotives, rolling stock and additional rail lines to move the cargos.
- Construction of the lock would not only ensure the continued free flow of cargo, but also generate 1.5 million manhours for construction workers and bolster the regional economy.

Maintain an Adequate Coast Guard Icebreaking Fleet on the Lakes

- Cargo movement during the ice season that begins in early December and stretches into April, sometimes even May, can top 20 million tons, or 15 percent of the annual total.
- The winter of 2013/2014 was the most severe since 1993/1994 and ice conditions at times exceeded the capabilities of U.S. and Canadian Coast Guard icebreakers.
- Furthermore, six of the U.S. Coast Guard's nine icebreakers were built in the late 1970s or early 1980s and are in need of either modernization or replacement. One of these vintage vessels will be modernized in 2014, but that will mean the icebreaking fleet will be back down to eight vessels for about one year.
- Canada has trimmed its icebreaking fleet from seven to two vessels, even though there are actually more Canadian lakers than U.S.
- To reliably meet the needs of commerce, the U.S. should build a twin to the heavy icebreaker MACKINAW.
- Canada should assess the adequacy of its icebreaking fleet.

Uphold the Jones Act

- The Jones Act requires cargo moving between U.S. ports be carried in vessels that are U.S.-crewed, U.S.-built, and U.S.-owned. This level playing field promotes competition and, on the Great Lakes, has produced the world's largest fleet of self-unloading vessels.
- Since its enactment in 1920, every Administration has supported the Jones Act, and the Navy considers the law indispensable. Very simply, without the Jones Act, America would be less secure.



U.S.-Flag Shipments of Dry-Bulk Cargos on the Great Lakes Calendar Years 2008-2013 and 5-Year Average

(net tons)

Commodity	2008	2009	2010	2011	2012	2013	Average 2008-2012*
Iron Ore							
Direct Shipments	45,329,607	23,271,702	39,663,547	44,443,975	42,700,840	41,218,215	43,034,492
Transshipments	1,893,887	759,385	2,364,871	2,780,768	2,488,187	2,633,826	2,381,928
Total - Iron Ore	47,223,494	24,031,087	42,028,418	47,224,743	45,189,027	43,852,041	45,416,421
Coal							
Lake Superior	17,962,580	15,427,708	15,847,574	12,954,188	11,947,617	12,216,668	14,677,990
Lake Michigan	3,253,001	1,996,793	2,017,395	3,166,372	2,654,506	2,314,161	2,772,819
Lake Erie	3,756,042	3,250,387	3,674,897	4,118,767	2,977,825	3,706,811	3,631,883
Total - Coal	24,971,623	20,674,888	21,539,866	20,239,327	17,579,948	18,237,640	21,082,691
Limestone	23,632,070	17,067,232	20,410,266	21,434,839	21,794,394	22,111,494	21,817,892
Cement	3,294,071	2,865,323	2,782,259	2,817,846	3,183,388	3,129,748	3,019,391
Salt	1,224,769	1,260,901	1,391,239	1,452,134	1,020,157	1,004,837	1,272,075
Sand	359,191	262,805	225,593	332,172	336,316	371,279	313,318
Grain	247,597	304,507	306,872	283,200	371,406	447,653	302,269
Totals	100,952,815	66,466,743	88,684,513	93,784,261	89,474,636	89,154,692	93,224,056

* Excludes 2009.

Member Vessel Operators

AMERICAN STEAMSHIP COMPANY	THE INTERLAKE STEAMSHIP COMPANY
ANDRIE INC.	LAKE MICHIGAN CARFERRY SERVICE
ARMSTRONG STEAMSHIP COMPANY	LAKES SHIPPING COMPANY
BELL STEAMSHIP COMPANY	PERE MARQUETTE SHIPPING COMPANY
CENTRAL MARINE LOGISTICS, INC.	PORT CITY MARINE SERVICES
GRAND RIVER NAVIGATION COMPANY, INC.	SOO MARINE SUPPLY, INC.
GREAT LAKES FLEET/KEY LAKES, INC.	UPPER LAKES TOWING COMPANY, INC.
INLAND LAKES MANAGEMENT, INC.	VANENKEVORT TUG & BARGE INC.

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