Lake Carriers' Association

The Greatest Ships on the Great Lakes

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Ms. Cynthia J. Wood
Institute for Water Resources
U.S. Army Corps of Engineers
7701 Telegraph Road
Alexandria, VA 22315

Dear Ms. Wood:

Lake Carriers' Association ("LCA") represents 17 American companies that operate 56 U.S.-flag vessels ("lakers") on the Great Lakes and carry the raw materials that drive the nation's economy: iron ore and fluxstone for the steel industry, aggregate and cement for the construction industry, coal for power generation.... Collectively, these vessels can transport more than 115 million tons of dry-bulk cargo per year. LCA members employ more than 1,600 men and women and provide annual wages and benefits of approximately $125 million. In turn, the cargos our members carry generate and sustain more than 103,000 jobs in the United States and have an economic impact of more than $20 billion.

We have reviewed the Working Draft for the Port and Inland Waterways Modernization Strategy: Options for the Future and have the following suggestions to better describe the Great Lakes Navigation System (GLNS).

We would recommend not including the Great Lakes Navigation System in the report as part of the Inland Navigation System. We would recommend that it be included in its own report section following the report section titled "**Inland Waterway System – Current and Future Performance".**

We think the focus of the description of the Great Lakes Navigation System on grain exports starting on pg. 28 is misleading and that the discussion does not accurately capture the issues and problems faced by Great Lakes navigation. We would recommend moving the write-up to its own section as suggested above and replace the current write-up with the following:

The GLNS is a vital component of America's transportation system. It contains 25 of the nation's top 100 harbors by tonnage. It is designed to be a continuous 27-foot deep draft waterway extending from the western end of Lake Superior at Duluth, MN to the Gulf of St. Lawrence on the Atlantic Ocean, a distance of more than 2,400 miles. This bi-national resource is composed of the five Great Lakes, the connecting channels of the Great Lakes, the St Lawrence River, and the Gulf of St. Lawrence. The U.S. portion of the system includes 139 harbors (60 commercial and 79 recreational), four locks, 104 miles of breakwaters and jetties, and more than 600 miles of maintained navigation channels. In addition, the GLNS is connected to several other shallow draft waterways (Illinois Waterway, New York State Barge Canal, etc.) to form an important waterborne transportation network, reaching deep into the continent. See Figure 1 for a map of the Great Lakes harbors.

The 60 large and smaller federal commercial ports on the Great Lakes are linked in trade with each other, with Canadian ports, and with ports throughout the rest of the world. Unlike ports along the eastern and western U.S. coasts that compete against each other for trade business, the GLNS is unique in that its ports do not compete with each other. Great Lakes ports are part of an overall system that competes against other modes of transportation that are less economically viable and far less environmentally sustainable. The Great Lakes serve as the nation's "Fourth Sea Coast" by transporting vital commodities to and from the nation's heartland. Waterborne commerce is a critical link in the regional and national intermodal transportation network. Commercial navigation on the Great Lakes is dominated by the transport of raw materials for steelmaking, coal-fired power production, and construction materials such as limestone, cement, stone, gypsum, and gravel. Total annual commerce on the Great Lakes averages more than 175 million tons.

The U.S. Army Corps of Engineers has managed the GLNS since the 1820s. In recent years however, shrinking Federal budgets, combined with aging infrastructure and lower Lake levels, have strained the Corps' ability to adequately maintain the system. Consequently, a backlog of maintenance needs has accumulated, including dredging of about 20 million cubic yards of sediment; rehabilitation and modernization of the locks at Sault Ste. Marie, Michigan (Soo Locks); construction or expansion of many critical dredged material disposal facilities; and repairs to many of the 100-plus miles of breakwaters throughout the system.

In addition, construction of a new Poe-sized lock at the Soo is essential to maintaining the reliability of the system. Approximately 70 percent of U.S.-flag carrying capacity is restricted to the Poe Lock because of the vessels' length and/or beam. A lengthy closure of the Poe Lock would slow the iron ore and western coal trades to a trickle and steel production in particular would soon be impacted.

Iron ore for steel production is the largest single commodity moving on the GLNS. Shipments have averaged 55,000,000 tons in recent years.

The GLNS carries vast quantities of low-sulfur coal from Montana, Wyoming and Colorado to power generating stations along the shores of the Great Lakes. Eastern coal mined in West Virginia, Kentucky, Pennsylvania, and Ohio is shipped from Lake Erie ports to users in other Great Lakes states as well as Canada.

Other commodities shipped through the system include limestone (aggregate for the construction industry; fluxstone for steel production), cement, salt, gypsum, potash, petroleum products, chemicals, processed iron and steel as well as heavy machinery and other general cargo. The true importance of the GLNS, however, rests with the nature of its traffic: the prosperity of several sectors of the U.S. economy depends on the GLNS. These include iron and steel, construction, cement manufacturing, energy production, and agricultural exports. All of these industries depend on the availability of reliable, low-cost waterborne transportation. Specifics on the two most important industries follow:

STEEL PRODUCTION - The North American steel industry is clustered around the perimeter of the Great Lakes, as is the automotive industry that depends on it. The GLNS transports much of the iron ore used in these industries. In 2008 (the last pre-recession year on the Lakes), total American iron ore production amounted to 59.1 million tons, almost all of which originated in Minnesota and Michigan. About 86 percent of this total (51.2 million tons) was shipped on the GLNS.

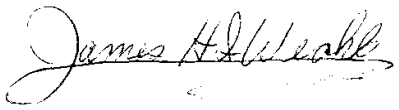
ENERGY PRODUCTION - Most of the coal passing through the GLNS is steam coal for power generation. Coal-fired electrical plants stretch along the shores of the Great Lakes, which offer a highly cost-effective way of providing plants with the fuel that they need. In 2008, the system

handled about 40 million tons of coal worth approximately $1.8 billion. Of this total, 90 percent was destined for power generation.

Given the importance of the GLSLS, its infrastructure must be maintained and recapitalized for it to remain reliable. The system consists of locks, shipping channels, ports, navigation structures, bridges, control and communications systems, as well as interfaces to other transportation modes. Locks can experience deterioration to components such as walls and gates, or mechanical failures that affect gate movement or the pumping of water in and out of lock chambers. Navigation channels accumulate silt over time and must be dredged continuously to maintain the required depth and width. Entry channels into ports are especially prone to shoaling. The impacts on vessel efficiency are significant. For example, a vessel that was able to load 72,300 tons of iron ore in a single trip in 1997 (a period of high water) was limited to 65,983 tons in 2010. The 6,300-ton shortfall meant 9 percent of the ship's carrying capacity had been negated on that trip (one of 50 or so that year).

Failure to adequately fund dredging operations increases costs to shippers and industry along with limiting production capabilities and ultimately harming the national economy. Collectively the U.S.-flag Great Lakes fleet loses more than 8,100 tons of cargo for each 1-inch reduction in loaded draft. Many of the fleet's customers, steel mills in particular, lack rail access, so can only receive their raw materials via ships. The lack of adequate dredging of Great Lakes ports and waterways threatens the nation's economic well-being and national defense capabilities. Fifty percent of American steel is made in the Great Lakes basin. Seventy percent of auto manufacturing and 55 percent of all heavy manufacturing takes place in the Great Lakes region. The GLNS must be restored to project dimensions.

Very Respectfully,



James H. I. Weakley
President

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Attachment A