

GREAT LAKES MARITIME TASK FORCE



Promoting Great Lakes Shipping Since 1992

2007 Annual Report[®]



If Great Lakes ports and waterways were adequately dredged, the additional two feet of draft this vessel could utilize would mean thousands more tons of raw materials delivered to American industry each trip.

Great Lakes Maritime Task Force 2007 Annual Report

Dear Great Lakes Supporter:

It is a pleasure to present the first Annual Report of Great Lakes Maritime Task Force. We've been in existence since 1992, but having assumed the leading role in tackling the dredging crisis on the Great Lakes, it is imperative that we review the year past.

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With a bow to Dickens, we'd like to change his word order a bit and declare 2007 "the worst of times and the best of times." The dredging crisis made a mockery of the efficiencies the Great Lakes maritime community has worked so hard to achieve. Ships that represent an investment of more than \$100 million in today's dollars consistently had to leave port with 10 percent or more of their hauling power unused. Docks designed to fill ships' holds at nearly 12,000 tons per hour couldn't load enough extra cargos to offset the reduced vessel payloads. Mariners and longshoremen who take great pride in constantly honing their skills so waterborne commerce can compete with the land-based modes of transportation

could do nothing to overcome the effects of a chronic lack of adequate dredging system-wide.

Great Lakes shipping has an important role to play in the well-being of our nation. The steel industry gets 80 percent of its iron ore via the Lakes/Seaway system. Nearly three-quarters of our automotive industry is "home ported" in the Great Lakes region. More than half of all the heavy manufacturing done in the United States occurs within the shadow of the Lakes.

The dredging crisis has made it extremely difficult for Great Lakes shipping to play its role. When vessels can't carry full loads, steel mills, power plants, and raw material distributors are shortchanged the very elements that fuel their businesses. Reduced production means reduced work hours. Reduced production and reduced work hours mean fewer tax dollars for local, State, and Federal treasuries.

The dredging crisis cost one loading dock more than 600,000 tons of cargo in 2007. While the operation in question is admittedly one of the largest on the Lakes, there are scores of loading docks throughout the Lakes/Seaway system. If we could get a report from each of them, all the cargo lost to the dredging crisis would easily total several million tons, if not more.

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The dredging crisis is the direct result of decades of inadequate funding from the Federal government. However, our efforts to right this wrong began to bear fruit in 2007. Congress approved nearly \$140 million for Great Lakes operation and maintenance dredging in FY08. That's an increase of more than \$40 million over what was allotted to the Lakes in recent years. That's why we said 2007 was the worst of times and the best of times.

Now it is incumbent upon all of us to ensure the Lakes continue to receive more maintenance dollars in the future. The U.S. Army Corps of Engineers estimates it needs more than \$230 million to clear the dredging backlog. A one-year boost in funding will start to clear the backlog, but with more than 70 U.S. ports and three major connecting waterways to restore to project dimensions, we will need increased appropriations for several years to come.

For once, finding the money isn't the problem. The Harbor Maintenance Trust Fund has a surplus of more than \$3.5 billion as of this writing (and it's growing). Nonetheless, the competition for Federal dollars is fierce. Our Great Lakes delegation will again have to use all its strength to channel more dredging dollars to our waterway. GLMTF pledges to support them in every way possible. Too much is at stake. The American economy and national defense capabilities demand that we capitalize on the efficiencies of shipping on the Lakes and Seaway.

Sincerely,

John D. Baker, President
Patrick J. O'Hern, 1st Vice President
Daniel L. Smith, 2nd Vice President
James H.I. Weakley, 3rd Vice President

Objectives

Since its founding in 1992, Great Lakes Maritime Task Force has been dedicated to promoting all facets of Great Lakes shipping. Its core principles include:

- ④ Promoting a strong U.S.-Flag Merchant Marine founded on the Jones Act and its requirement that vessels in domestic commerce be U.S.-owned, -built, and -crewed.
- ④ Restoring adequate funding for dredging Great Lakes deep-draft port and waterways, which will expand domestic and international trade through Lakes and Seaway ports.

Positions

Ending the Dredging Crisis

Decades of inadequate dredging have severely reduced the efficiency of Great Lakes shipping. All ports are underutilized; at least one has closed. U.S.-Flag Lakers routinely leave the loading dock with 10 percent or more of their carrying capacity unused. These inefficiencies are jeopardizing hundreds of thousands of family-sustaining jobs and business growth, not only in the Great Lakes region, but nationwide.

Federal Regulation of Ballast Water

Ocean-going vessels have unintentionally introduced non-indigenous species to the Great Lakes. While systems will one day cleanse their ballast, lack of a Federal standard has slowed development. Waterborne commerce must be Federally-regulated because vessels transit many State jurisdictions, and to comply with differing, even conflicting requirements, would cripple trade. Effective Federal legislation to regulate ballast water was proposed in 2007, but passage has been blocked by environmental interests bent on using the Clean Water Act and in essence so creating a patchwork of State regimes. GLMTF wants to keep the Lakes open to commerce and closed to exotics and so supports strong Federal regulation to achieve that goal.

Second Poe-Sized Lock

Congress must appropriate the funds to build the second Poe-sized lock at Sault Ste. Marie, Michigan, authorized in WRDA 2007. The U.S. Army Corps of Engineers warns that the "Soo locks" are the single point of failure that will shut down shipping. A closure of the Poe Lock will slow the iron ore, western coal, and export grain trades to a trickle. The \$341 million lock may take as much as 10 years to build, so funding cannot come quickly enough.

Seaway Tolls

Tolls on the U.S. portion of the St. Lawrence Seaway were eliminated in 1987 with enactment of the Port Use Tax. However, the Bush Administration has repeatedly proposed that Seaway tolls be re-established. Tolls would disadvantage the Seaway with U.S. coasts and prompt cargo to shift to land-based modes of transportation. Congress must oppose any reinstatement of tolls the U.S. Seaway.

A Strong Steel Industry

Steel is the foundation of America's standard of living and national defense capabilities. Your car, your washing machine, a soldier's weapon, a Navy destroyer.... are made mostly of steel. The industry provides hundreds of thousands of jobs both direct and indirect. However, America is also the first target of foreign steelmakers who have excess capacity.

Unfair trade in steel has more than once pushed domestic steelmakers to the edge of extinction. During one period of dumping, more than 40 steelmakers and steel processors were forced out of business by unfair pricing. Trade in steel must be free, but FAIR. If dumping resumes, our laws must be enforced, and if they are ineffective, then new legislation must be enacted.

Short Sea Shipping

A narrow exemption from the Port Use Tax for non-bulk cargo will remove the largest impediment to launching cargo ferry services on the Great Lakes. A rebirth of such trades will ease congestion on the region's highways and rail lines and reduce air pollution from the trains and trucks that currently move these cargos.

Great Lakes Compact

Several regions of the United States are facing a shortage of water in the not-too-distant future. There has been more than one suggestion that the Great Lakes be tapped to quench their thirst. GLMTF opposes increased diversions of Lakes water. As big as they are, the Lakes cannot be the nation's reservoir. The Great Lakes Compact signed by the eight Great Lakes Governors (and the Premiers of Ontario and Quebec) virtually bans new or increased diversions. Once the eight Great Lakes States approve the Great Lakes Compact, Congress must ratify it, so the region can be guardian of its greatest resource.

Great Lakes Maritime Research Institute

Great Lakes Maritime Research Institute (GLMRI) is dedicated to enhancing environmentally-sustainable waterborne commerce. It is, for example, researching a ballast-free ship. However, uncertainty about its continued funding is hampering research efforts. GLMRI must become an imbedded program to ensure long-term funding.

Federal Funds for State Maritime Academies

The six State Maritime Academies (one of which is in Traverse City, Michigan) produce more than two-thirds of all new licensed officers, but Federal funding for these institutions is at its lowest level in 15 years. Congress must adequately fund these schools so they can supply ships' officers to meet the needs of commerce and national defense.

For a more in-depth discussion of these issues and more, visit our Web site – www.glmf.org.

Task Force Briefs Great Lakes Delegation On Crippling Effects of System-Wide Dredging Crisis

GLMTF held its 12th Annual Briefing for the Great Lakes Delegation in Washington on May 2, 2007. Five members of Congress attended, and many other legislators sent staffers.

The dredging crisis was of course the focal point. The keynote address was delivered by Joseph A. Carrabba, President and Chief Executive Officer of Cleveland-Cliffs Inc, the largest iron ore producer in North America. The company's North American mines can annually produce more than 41 million tons of iron ore pellets. Virtually all of those pellets – 96 percent – are delivered to its steel mill customers in Great Lakes vessels.

“The Administration must commit itself to restoring the Great Lakes navigation system to project dimensions,” declared Carrabba. “The restructured domestic steel industry is the most

efficient in the world. Productivity at our operations is world-class, and the U.S.-Flag Lakers represent the largest fleet of self-unloading vessels in the world. Yet all these advances and advantages are at risk because the U.S. Army Corps of Engineers does not receive enough money to maintain the Great Lakes navigation system.”

The Task Force also presented its *Great Lakes Legislator of the Year* Award to Congressman Dave Camp (R-MI). Rep. Camp's district includes significant shoreline and Traverse City, home of the Great Lakes Maritime Academy. The award recognized Camp's commitment to the industry, including correcting a tax provision that had made U.S.-Flag Lakers less competitive when engaged in commerce between the United States and Canada.



Congressman James L. Oberstar (D-MN) correctly predicted that the second Poe-sized lock would be approved at full Federal expense in 2007. Oberstar also pledged to fight for more dredging dollars at every opportunity.



Congressman Dave Camp (R-MI, center) accepted his award as *Great Lakes Legislator of the Year* from (left) John D. Baker, Jr., Great Lakes District Council - ILA, and James H.I. Weakley, Lake Carriers' Association.



Senator Amy Klobuchar (D-MN, right) discussed the dredging crisis with Joseph A. Carrabba, President and CEO of Cleveland-Cliffs Inc, the largest iron ore producer in North America. Iron mining is the life blood of Minnesota's Mesabi Range.



Congresswoman Marcy Kaptur (D-OH, left) listened intently as Dan Smith, American Maritime Officers, explained how the dredging crisis is affecting cargo movement on the Lakes.









Congressman Vern Ehlers (R-MI, at the podium) discussed the urgent need for legislation addressing the problem of ballast water introduction of non-indigenous species.

Lost Inches, Lost Efficiencies



Commercial vessels working the Great Lakes are leaving behind cargo virtually every time they load because of inadequate dredging of deep-draft ports and waterways. The map above uses select Great Lakes ports to illustrate how many inches of loaded draft the dredging crisis is costing the industry. Graphic courtesy U.S. Maritime Administration.

Impact of Dredging Crisis on Per-Trip Carrying Capacity Major Great Lakes Vessel Classes

Major Great Lakes Vessel Classes	Vessel Length (feet)	Per-Trip Carrying Capacity	Capacity Per Inch Of Draft*
	1,000	69,664	267
	806	34,720	146
	767	28,336	127
	730	27,558	115
	635	22,064	107
	501	13,776	71

*Capacity per inch of draft reflects the incremental tonnage carried at normal loaded draft.



GREAT LAKES MARITIME TASK FORCE



MEMBERSHIP BY STATE AND CITY

ILLINOIS

CN – Chicago ♦ Chicago Port Council – Joliet
Hannah Marine Corporation – Lemont ♦ Illinois International Port District – Chicago

INDIANA

Central Marine Logistics, Inc. – Griffith ♦ Ports of Indiana – Indianapolis

MICHIGAN

CMS Energy – Jackson ♦ Central Dock Company – Benton Harbor ♦ Detroit Edison – Detroit
Detroit/Wayne County Port Authority – Detroit ♦ Durocher Marine – Cheboygan ♦ Edw. C. Levy Co. – Detroit
King Co., Inc. – Holland ♦ Lake Michigan Carferry Service, Inc. – Ludington ♦ Lakes Pilots Association – Port Huron
Luedtke Engineering Company – Frankfort ♦ MCM Marine, Inc. – Sault Ste. Marie
Michigan Maritime Trades Port Council, MTD, AFL-CIO – Algonac
O-N Minerals, Great Lakes Division – Rogers City ♦ Pere Marquette Shipping Company – Ludington
Ryba Marine Construction Co. – Cheboygan ♦ Sargent Companies – Zilwaukee
Seafarers International Union – Algonac ♦ Soo Marine Supply, Inc. – Sault Ste. Marie ♦ Wirt Stone Docks – Bay City

MINNESOTA

Duluth Seaway Port Authority – Duluth ♦ Great Lakes Fleet, Inc. / Key Lakes, Inc. – Duluth
Hallett Dock Company – Duluth ♦ Marine Tech, LLC – Duluth

NEW YORK

American Steamship Company – Williamsville ♦ Gateway Trade Center, Inc. – Buffalo
Port of Oswego Authority – Oswego ♦ St. Lawrence Seaway Pilots' Association – Cape Vincent

OHIO

AK Steel – Middletown ♦ American Maritime Officers, AFL-CIO – Toledo ♦ ArcelorMittal Steel – Richfield
Cleveland-Cliffs Inc – Cleveland ♦ Cleveland-Cuyahoga County Port Authority – Cleveland ♦ Corus – Warren
CSX Transportation, Toledo Docks – Toledo ♦ Faulkner, Muskovitz & Phillips, LLP – Cleveland
Flats Oxbow Association – Cleveland ♦ Grand River Navigation Company, Inc. – Avon Lake
Great Lakes District Council, ILA, AFL-CIO – Cleveland ♦ The Interlake Steamship Company – Richfield
ILA - Lake Erie Coal & Ore Dock Council – Toledo ♦ ILA - Local 1317 – Cleveland ♦ ILA - Local 1768 – Toledo
Int'l Organization of Masters, Mates & Pilots – Cleveland ♦ International Ship Masters' Association – Brooklyn
Lafarge North America – Streetsboro ♦ Lake Carriers' Association – Cleveland
Midwest Terminals of Toledo, International, Inc. – Toledo ♦ Osborne Concrete & Stone Co. – Grand River
Pickands Mather Lake Services Company, Inc. – Kirtland ♦ Toledo-Lucas County Port Authority – Toledo
Toledo Port Council, MTD, AFL-CIO – Toledo ♦ United Steelworkers, District 1, AFL-CIO-CLC – Warrensville Hts.
United Steelworkers, Local 5000 – Middleburg Hts. ♦ Wheeling & Lake Erie Railway Co. – Brewster

PENNSYLVANIA

Carmeuse Lime, Inc. – Pittsburgh ♦ Erie Shipbuilding, LLC – Erie ♦ US Steel Corp. – Pittsburgh

VIRGINIA

Norfolk Southern Corporation (coal shipping docks in Sandusky, Ohio, and Ashtabula, Ohio) – Norfolk
B+B Dredging Company – Portsmouth

WISCONSIN

Bay Shipbuilding Company – Sturgeon Bay ♦ Brown County Port & Solid Waste Dept. – Green Bay
City of Superior Planning Department – Superior ♦ Fox River Dock Co., Inc. – Green Bay
Midwest Energy Resources Company – Superior ♦ The Port of Milwaukee – Milwaukee
Western Great Lakes Pilots' Association – Superior

GREATER WASHINGTON, DC

American Great Lakes Ports Assn. – Washington, DC ♦ American Maritime Officers Service – Washington, DC
American Shipbuilding Association – Washington, DC ♦ District No. 1-PCD, MEBA, AFL-CIO – Washington, DC
Int'l Brotherhood of Boilermakers – Fairfax, VA ♦ K&L Gates – Washington, DC ♦ Transportation Institute – Camp Springs, MD

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