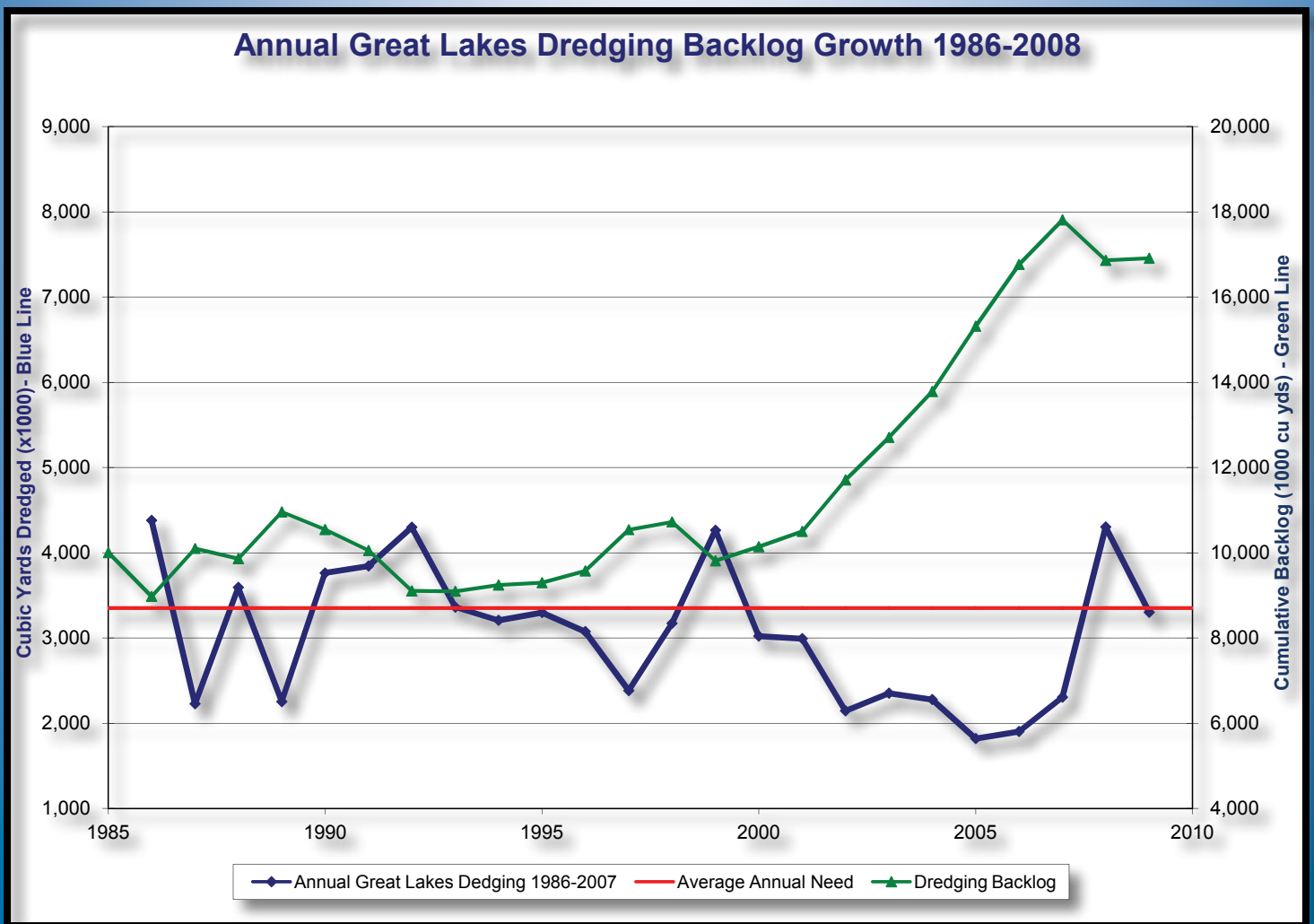


2008 Annual Report

GREAT LAKES MARITIME TASK FORCE



Promoting Great Lakes Shipping Since 1992



Graphic courtesy of U.S. Army Corps of Engineers

2008 Annual Report of Great Lakes Maritime Task Force

Dear Supporter of Great Lakes Shipping:

Great Lakes Maritime Task Force can take pride in what it accomplished in 2008. Thanks to our focus on the dredging crisis, Congress really stepped up to the plate and gave the U.S. Army Corps of Engineers nearly \$140 million to dredge Great Lakes ports and waterways in FY08. As a result, for the first time in many years, the Corps could both remove all the sediment that builds in the course of a year and actually start to chip away at the 18 million cubic yards that remain.

We can maintain our nation's deep-draft ports and waterways if we spend what the taxpayer puts into the Harbor Maintenance Trust Fund each year.

However, funding is an annual contest in our Democracy, and what the Bush Administration proposed in its final budget shocked even the most seasoned government affairs professional. Although virtually every port and waterway was in need of dredging, the Administration shrank the Lakes' dredging budget by nearly \$50 million. That backlog that had started to shrink would start to grow again if more funds were not appropriated.

We wish we could report that funding was boosted to an optimal level, but thanks to the Great Lakes delegation, the omnibus bill did bring the Lakes' dredging appropriation back up to \$125 million, an increase of \$35 million over what the Bush Administration proposed. The economic stimulus package may also include some additional funds for Lakes dredging. The important point is we were again able to bring more Federal dollars back where they belong - the Great Lakes.

Regardless of one's political leanings, we are grateful to once again have a President who has spent considerable time in the Great Lakes region and has pledged to end the neglect. Therefore, we have already begun working on our recommendations for the FY10 dredging budget. We cannot address every need in one year or one budget, but we must NOT let what we accomplished in FY08 become just a highlight. It must become the standard against which we are now measured.

As we have pointed out before, the dredging crisis is man-made. (It is also nationwide.) The Harbor Maintenance Trust Fund (that's where the Port Use Tax revenues go) takes in about \$1.1 billion a year, yet withdrawals are only about \$700 million a year. The excess – now nearly \$5 billion – is used to paper balance the budget. Jim Weakley, our 2nd Vice President and President of Lake Carriers' Association, testified in Washington about the need to use the Harbor Maintenance Trust Fund for its intended purpose. Fortunately, more and more members of Congress are getting the message: We can maintain our nation's deep-draft ports and waterways if we spend what the taxpayer puts into the Harbor Maintenance Trust Fund each year.

The need to jump start the economy makes the dredging crisis even more of a millstone around the nation's neck. The economic stimulus bill wisely chose to use American-made goods and materials to the degree possible, but most of the steel made in our country begins as iron ore and fluxstone that moves on the Lakes. Every ton of iron ore that stays on the loading dock means less steel and fewer new jobs. Every ton of aggregate or cement that is left lessens our ability to promote and sustain economic growth. Now more than ever, it's time to put the TRUST back in the Harbor Maintenance Trust Fund and get the job done!

We would be remiss if we did not close with one final salute to two dear friends who passed away in 2008: Congresswoman Stephanie Tubbs Jones (D-OH), our 2008 Great Lakes Legislator of the Year, and Charles T. Crangle, Director of Congressional and Legislative Affairs for American Maritime Officers. Their contributions to this industry were almost innumerable, but more importantly, they were wonderful people and the world is richer for their having been here.



AMO's Charlie Crangle (1937-2008), sharing a moment with then Senator Hillary Clinton (D-NY).

Sincerely,

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

2008 Annual Report of Great Lakes Maritime Task Force

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:

- 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.
- Restoring adequate funding for dredging Great Lakes deep-draft ports 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 (Dunkirk, New York) 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. The Harbor Maintenance Trust Fund has a surplus of nearly \$5 billion. If used for its intended purpose, the HMTF could easily provide the \$230 million the U.S. Army Corps of Engineers needs to restore the Great Lakes Navigation System to project dimensions.

Federal Regulation of Ballast Water

Waterborne commerce must be Federally-regulated because vessels transit many State jurisdictions, and to comply with differing regulations would cripple trade. Effective Federal legislation to regulate ballast water was passed by the House of Representatives in 2008, but Senate action was blocked by environmental interests bent on using the Clean Water Act. GLMTF wants to keep the Lakes open to commerce and closed to exotics and supports strong Federal regulation to achieve that goal. Reliance on the Clean Water Act is already producing conflicting requirements on the Great Lakes. New York, Minnesota, Illinois, Wisconsin and Pennsylvania have set standards that are unattainable.

Fast Tracking Second Poe-Sized Lock

Building the second Poe-sized lock at Sault Ste. Marie, Michigan, authorized in WRDA 2007 must be a key component of the economic stimulus effort. A closure of the Poe Lock will slow the iron ore, western coal, and export grain trades to a trickle. The jobs created by the \$500 million project are likened to operating an automobile manufacturing plant in Michigan's Upper Peninsula for a decade.

Adequate Coast Guard Icebreaking Resources

Most of the eight U.S. Coast Guard vessels on the Great Lakes with icebreaking capabilities are aged and in need of replacement. Construction of a twin to the *Mackinaw* would immediately revitalize a Great Lakes shipyard. The Coast Guard should also transfer two vessels from the Coasts where their icebreaking capabilities are unneeded for law enforcement missions.

Seaway Tolls

Tolls on the U.S. portion of the St. Lawrence Seaway were eliminated in 1987 with enactment of the Port Use Tax. Re-imposition of 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 on the U.S. Seaway.

A Strong Steel Industry

Steel is the foundation of America's standard of living and national defense capabilities. Everything from cars to a Navy destroyer are made mostly of steel. The industry provides hundreds of thousands of jobs, both direct and indirect.

Steel (and all manufacturing) is struggling right now to survive the recession gripping the country. At latest count, 20 of the nation's 29 blast furnaces are idle. Tens of thousands of steel workers have been furloughed.

America is also the first target of foreign steelmakers' 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 Maritime Research Institute (GLMRI)

The Great Lakes Maritime Research Institute 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 review of these issues and more, visit our Web site – www.glmf.org.

Steel Industry Executive Calls for More Dredging on Lakes At GLMTF Briefing for Great Lakes Delegation

GLMTF hosted its 13th Annual Informational Briefing for the Great Lakes Congressional Delegation in Washington on April 2, 2008. The keynote address was delivered by Daniel J. Cornillie, Manager – Marine and Raw Materials Logistics for ArcelorMittal U.S.A. – Indiana Harbor. ArcelorMittal is America’s largest steelmaker, with about 21,000 employees who make about 25 percent of the nation’s steel.

“More than half of ArcelorMittal USA’s jobs are in facilities immediately adjacent to the Great Lakes,” said Cornillie. “This is not a coincidence. The Great Lakes link the iron ore and stone from the north with the coal to the south. We require approximately 26 million tons per year of Lake-delivered raw materials to sustain ArcelorMittal’s production and jobs in just its U.S. Lakes mills. That is approximately 3,000 tons of material per hour, 24/7. Without Great Lakes shipping to deliver these materials, these mills would not be here. In fact, as you look at the rationalization of the American steel industry, the likelihood of a primary steel mill being shut down is proportional to its distance from the Lakes.”

Cornillie noted that ArcelorMittal’s Indiana Harbor operation is the largest steel-producing complex in North America.

“We rely on Lakes shipping to deliver or ship over 14 million tons per year. Despite the fact that we have been paying into the Harbor Maintenance Trust Fund for the past 20 years, Indiana Harbor has not been dredged in that entire period. Twenty years ago, our time-chartered M/V JOSEPH L. BLOCK, for example, was carrying summertime loads of approximately 41,000 tons. Last summer, on the same runs, she carried less than 35,000 tons. She has to make six trips to deliver what she did in five. This math is being repeated across the U.S.-Flag Lakes fleet.”

In calling for more dredging on the Lakes, Cornillie pointed out the cost to restore the Great Lakes Navigation System to project dimensions would be less than half that recently spent on reconfiguring one freeway intersection south of Chicago.

GLMTF also presented its Great Lakes Legislator of the Year Award to Congresswoman Stephanie Tubbs Jones (D-OH). She represented the east side of Cleveland, Ohio in the House, and was co-sponsor of legislation to encourage new cargo ferry services on the Lakes. Congresswoman Tubbs Jones passed away suddenly in August, a great loss to the Lakes and the nation.



Daniel J. Cornillie, Manager, Marine & Raw Materials Logistics for ArcelorMittal U.S.A. – Indiana Harbor, stressed the dredging crisis has a major impact on an operation that needs 3,000 tons of ship-delivered raw materials every hour, 24/7.



The late Congresswoman Stephanie Tubbs Jones (D-OH, third from left) accepted her Great Lakes Legislator of the Year Award at the Briefing. Joining her were (l-r) Torey Zingales (MEBA), Mark Barker (Interlake Steamship), Pat O’Hern (Bay Shipbuilding Company and President of GLMTF in 2008), Congresswoman Marcy Kaptur (D-OH), and Dan Smith (AMO).



Rep. Vernon Ehlers (R-MI, left) and Rep. James L. Oberstar (D-MN) illustrate the strong bipartisan support Great Lakes shipping enjoys in Washington.

Congressman Oberstar (right) and John Cullather (second from left, Staff Director, House Subcommittee on Coast Guard and Maritime Transportation) discussed a wide range of issues with Jim Weakley (left, Lake Carriers’ Association) and Mark Barker (Interlake Steamship).









Congressman Dennis Kucinich (D-OH, right) discussed Great Lakes issues with John D. Baker, Jr. (left) and Mike Baker, both of the ILA’s Great Lakes District Council.

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 Foot of Draft |
|---|----------------------|----------------------------|----------------------------|
|  | 1,000 | 69,664 | 3,204 |
|  | 806 | 34,720 | 1,752 |
|  | 767 | 28,336 | 1,524 |
|  | 730 | 27,558 | 1,380 |
|  | 635 | 22,064 | 1,284 |
|  | 501 | 13,776 | 852 |



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 ♦ Dock 63 Inc. – St. Joseph ♦ Durocher Marine – Cheboygan
Edw. C. Levy Co. – Detroit ♦ International Union of Operating Engineers Local 324 – Livonia
The 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
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

AGP Grain, Ltd. - Duluth ♦ Duluth Seaway Port Authority – Duluth ♦ Great Lakes Fleet / 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 ♦ ArcelorMittal Steel – Richfield
Cleveland-Cuyahoga County Port Authority – Cleveland ♦ Cliffs Natural Resources, Inc. – Cleveland ♦ Corus – Warren
CSX Transportation, Toledo Docks – Toledo ♦ District No. 1-PCD, MEBA, AFL-CIO – Cleveland
Faulkner, Muskovitz & Phillips, LLP – Cleveland ♦ Flats Oxbow Association – Cleveland
Grand River Navigation Company, Inc. – Avon Lake ♦ Great Lakes District Council, ILA, AFL-CIO – Cleveland
ILA - Lake Erie Coal & Ore Dock Council – Toledo ♦ ILA - Local 1317 – Cleveland ♦ ILA - Local 1768 – Toledo
The Interlake Steamship Company – Richfield ♦ Int'l Organization of Masters, Mates & Pilots – Cleveland
Int'l Ship Masters' Association – Brooklyn ♦ Ironhead Marine, Inc. – Toledo
Lafarge North America – Streetsboro ♦ Lake Carriers' Association – Rocky River ♦ Lorain Port Authority – Lorain
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

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

VIRGINIA

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

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
Fraser Shipyards, Inc. – Superior ♦ 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, AFL-CIO – Washington, DC
American Maritime Officers Service – Washington, DC ♦ American Shipbuilding Association – Washington, DC
Int'l Brotherhood of Boilermakers – Fairfax, VA ♦ K&L | Gates – Washington, DC ♦ Transportation Institute – Camp Springs, MD

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