



2016 Annual Report of Great Lakes Maritime Task Force



A 105-foot-wide U.S.-flag laker transits the 110-foot-wide Poe Lock at Sault Ste. Marie, Michigan. In her holds are nearly 70,000 tons of Minnesota iron ore that will feed blast furnaces in Indiana or Pennsylvania. But if the Poe Lock goes down, the iron mining/steelmaking/manufacturing supply chain will be broken and the industrial heartland laid waste. The only way to avoid such a catastrophe is to twin the Poe Lock. Photo courtesy Roger LeLievre.

2016 Annual Report of Great Lakes Maritime Task Force

Dear Supporter of Great Lakes Shipping:

The year 2016 was one of steady progress towards making shipping on our nation's Fourth Sea Coast as efficient and reliable as possible. In terms of dredging, the Water Resources Development Act of 2016 (WRDA16) ensures that going forward the Great Lakes Navigation System will, each year, receive 10 percent of the increased funding for dredging legislated in 2014. We thank Congressman Bill Huizenga (D-MI) for that provision in WRDA16. The bill also mandates that annual appropriations from the Harbor Maintenance Trust Fund (HMTF) will continue to grow until they reach 100 percent of annual receipts by 2025, even should HMTF revenue projects decrease. Equally important, WRDA16 requires the U.S. Army Corps of Engineers (Corps) to (1) map out how it will maintain the GLNS as a single, comprehensive system of interdependent projects; (2) determine the transportation rate savings of maintaining the various harbors and connecting channels to constructed dimensions; and (3) provide Congress with an estimated cost to repair and maintain each federal breakwall and jetty.

To truly appreciate what we've accomplished requires a short history lesson. It was not too long ago that the dredging backlog at Great Lakes ports and waterways topped 18 million cubic yards (cy) and was projected to grow to 21 million cy. It now stands at 15 million cy and will keep shrinking because expenditures from the HMTF will annually increase rather than build a surplus that was then used to make the federal deficit seem smaller. We can see the day when fluctuating water levels, not lack of dredging, determine vessels' loaded draft.

We avoided a lengthy closure of either operational lock at Sault Ste. Marie (Soo), Michigan, in 2016, but if anything, the threat is even greater in 2017, as both the MacArthur and Poe Locks are now a year older (74 and 48 respectively). We used to average building a new lock at the Soo every 19 years, but it is now nearly half a century since the Poe was opened.

We have discussed before the Department of Homeland Security's 2016 report on the effects of a 6-month closure of the Poe Lock, but in short, nearly 11 million Americans would lose their livelihood and the economy forfeit more than a trillion dollars. Just this January the U.S. Treasury Department forecast the system resiliency a second Poe-sized lock would provide would produce an economic benefit of as much as \$1.7 billion.

The stumbling block remains the Corps' 2005 assessment of the project's benefit-cost (b/c) ratio, which, because the report assumed the railroads had the capacity to move the cargos stranded by a failure of the lock and could do so at no additional cost, was set at 0.73. An Administration cannot include a project in its budget unless the b/c ratio is at least 1.0. The Corps is reassessing the b/c ratio and its report is due by year's end. We expect a very favorable report, because for one, Treasury's recently released report estimates the project's b/c ratio could be as high as 4.0.

As of this writing (March 2017), the Lakes are experiencing their second mild winter in a row. While there is much positive about that, we must not let it lessen our resolve to fund the new heavy Lakes icebreaker authorized in the Coast Guard Authorization Act of 2015. Fortunately, our Great Lakes delegation, in particular Wisconsin Senators Tammy Baldwin (D) and Ron Johnson (R), takes the long view and is committed to another Mackinaw-class icebreaker. It was not that long ago a 7,000-horsepower laker sat icebound within sight of land for 5 days.

We are disappointed the Vessel Incidental Discharge Act (VIDA) was not enacted in 2016, but pleased that a new iteration, the Commercial Vessel Incidental Discharge Act (CVIDA), was among the first bills introduced in the 115th Congress. We must have a uniform, federal ballast water discharge standard, one that meets the highest standard currently achievable and is dictated by the U.S. Coast Guard. The status quo, two federal vessel discharge regulations enforced by two different agencies, plus, at latest count, 25 state regimes, is unworkable.

And work is what Great Lakes shipping is all about. U.S.-flag lakers moved 83.3 million tons of cargo in 2016. The St. Lawrence Seaway handled 38.7 million tons and tied its record for the longest navigation season: March 21-December, or 286 days.

The capacity is there to move much more cargo. However, the opposite is also potentially true. If we do not dredge, build a second Poe-sized lock, fund another heavy icebreaker, and enact a uniform federal ballast water discharge standard, cargo totals will decline. We are fortunate it is so clear that investments in Lakes/Seaway shipping are good for the economy and good for the environment. The legislative process is laborious and can frustrate even someone with the patience of Job, but if we persevere, we will achieve our goals.

We must have a uniform, federal ballast water discharge standard, one that meets the highest standard currently achievable and is dictated by the U.S. Coast Guard. The status quo, two federal vessel discharge regulations enforced by two different agencies, plus, at latest count, 25 state regimes, is unworkable.





Sincerely,

Brian D. Krus, President
James H.I. Weakley, 1st Vice President
John D. Baker, 2nd Vice President
Peter A. Groh, 3rd Vice President

2016 Annual Report of Great Lakes Maritime Task Force

Our Foundation

GLMTF has been dedicated to promoting all facets of shipping on America's "Fourth Sea Coast" since 1992. Our core values are:

-  There can be no other anchor for our domestic maritime policy than the Jones Act and its requirement that vessels in domestic commerce be U.S.-crewed, U.S.-built, and U.S.-owned. A strong U.S.-flag merchant marine is vital for our national, economic and homeland security.
-  A Great Lakes Navigation System ("GLNS") dredged and maintained to project dimensions is key to sustaining and growing domestic and international trade.
-  Adequate U.S. and Canadian Coast Guard icebreaking resources stationed on the Great Lakes and St. Lawrence Seaway are a must if the GLNS is to function safely and efficiently.
-  Waterborne commerce through the Soo Locks is too critical to the nation to be effectively limited to one lock. Nearly 11 million American jobs are at risk if the Poe Lock is not twinned.

2017 Priorities

Second Poe-Sized Lock Restores Redundancy at "The Soo"

Locks at Sault Ste. Marie, Michigan, (The Soo) have connected Lake Superior to the lower four Great Lakes since 1855. As the nation grew, a new lock was built to provide the redundancy needed to meet the needs of commerce on average every 19 years.

However, redundancy has been lacking since 1969 when the new, 1,200-foot-long Poe Lock was opened. The Davis and Sabin Locks quickly became obsolete and the MacArthur Lock cannot accommodate vessels longer than 767 feet, so 70 percent of U.S.-flag carrying capacity is restricted to the Poe Lock for which there is no back-up.

Congress recognized that a closure of the Poe Lock would slow the iron ore, western coal, and export grain trades to a trickle so approved twinning the lock at full federal expense in 2007.

Construction is stalled because an analysis of the lock's benefit/cost (b/c) ratio assumes the railroads can move the cargos delivered by vessels. That was not true when the analysis was performed in 2005 and is even less so in 2017. The U.S. Army Corps of Engineers (Corps) has acknowledged the b/c ratio is flawed and is conducting an economic reevaluation that should be complete by year's end.

The Department of Homeland Security (DHS) and the U.S. Treasury strongly support a second Poe-sized lock. A DHS study of a 6-month closure of the Poe Lock estimates nearly 11 million Americans would lose their jobs. A Treasury Department study projects the lock could provide as much as \$1.7 billion in economic benefits and have a b/c ratio as high as 4.0.

Federal Regulation of Ballast Water

Federal regulation of ballast water is a must if Lakes/Seaway shipping is to remain viable. A state-by-state approach is an operational impossibility. Take a grain cargo loaded in Superior, Wisconsin, bound for an elevator in Buffalo, New York. It transits six states' waters: Wisconsin, Minnesota, Michigan, Ohio, Pennsylvania, and New York. (The vessel also passes through Ontario's waters.) If each state has its own unique requirements, waterborne commerce will come to a standstill.

Legislation to end this patchwork approach has been introduced in Congress. S. 168/H.R. 1154, The Commercial Vessel Incidental Discharge Act (CVIDA) consolidates the fractured system currently in place into a single, nationwide, federal ballast water discharge standard that employs the most stringent standard currently available. The U.S. Coast Guard would ensure that the discharge standard becomes more stringent as technology permits. Oceangoing vessels would continue to be required to exchange their ballast at sea prior to entering the GLNS.

Keeping the Shipping Lanes Open During the Ice Season

The winters of 2014 and 2015 were so severe that cargo lost or delayed by

heavy ice cost the nation 5,800 jobs and \$1.1 billion in economic activity.

Congress responded by authorizing construction of a second heavy icebreaker for the Lakes in the Coast Guard Authorization Act of 2015. The vessel is projected to cost \$240 million.

A second heavy icebreaker is crucial to the future of Lakes/Seaway shipping. The ice season can begin in early December and on occasion extend into early May. U.S.-flag lakers can move 12 million tons of cargo during the ice season. That's approximately 15 percent of their annual total.

Even though the St. Lawrence Seaway is closed for a fair portion of the ice season, oceangoing vessels also need the assurance of adequate icebreaking resources or they will delay or cancel trips to the GLNS.

Adequate Funding for Dredging

Decades of inadequate funding for dredging have left 15 million cubic yards of sediment clogging Great Lakes ports and waterways. As a result, even now when water levels have risen, full cargos are still not the norm. Fortunately, the Water Resources Reform and Development Act of 2014 requires the federal government to increase annual expenditures from the Harbor Maintenance Trust Fund until they attain 100 percent of receipts by 2025 and specifically directs 10 percent of the increase to the Lakes. The Water Resources Development Act of 2016 made that 10 percent allocation permanent and also requires the Corps to (1) publish how it will operate and maintain the GLNS as a single, comprehensive system of interdependent projects; (2) calculate the transportation rate savings of maintaining each navigation channel at its constructed dimensions; and (3) report to the Congress on the estimated cost to repair and maintain each Federal breakwater and jetty.

Encouraging More Short Sea Shipping

A narrow exemption from the Port Use Tax for non-bulk cargo will remove the largest impediment to launching new cargo trades on ferries and other vessels on the Lakes. In addition to creating jobs, expanded waterborne moves 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.

Federal Funds for State Maritime Academies

The six State Maritime Academies (one of which is in Traverse City, Michigan) produce more than 70 percent of all new licensed officers, but federal funding for these institutions is at its lowest level in years. The federal government 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 www.glmtf.org.

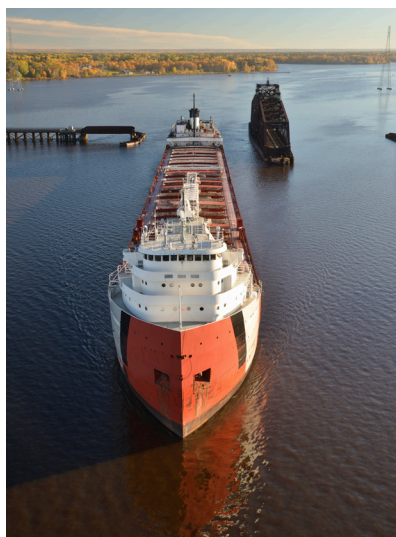
2016 Annual Report of Great Lakes Maritime Task Force

Conversion of Two Steamships Further Reduces Shipping's Carbon Footprint

Two more U.S.-flag lakers underwent the conversion from steamships to internal combustion engines at Wisconsin shipyards during 2016 and early 2017. The HERBERT C. JACKSON returned to service in September 2016 and the JOHN G. MUNSON will make her second “maiden voyage” in the spring of 2017. As a result, the fleet’s already small carbon footprint has gotten even smaller.

The MUNSON was built in 1952, the JACKSON in 1959. Both vessels are active in the iron ore, coal and limestone trades. The JACKSON hauls about 25,000 tons per trip. The MUNSON is 78 feet longer, so carries about 28,000 tons per trip.

The conversion of these vessels illustrates another benefit of the Lakes’ freshwater environment. Since a well-maintained hull can last virtually indefinitely, it was not necessary to build a vessel from the keel up to incorporate the latest technology. In fact, a 2012 study by the U.S. Maritime Administration found that repowering a laker achieves 80 percent of the efficiencies of a new build at 20 percent the cost.



Repowering of the JOHN G. MUNSON will be completed in the spring of 2017. Photo by Paul Scinocca.



The MUNSON's new engine is carefully lowered into place. Photo by Chris Winters.



Repowering of the HERBERT C. JACKSON completes Interlake Steamship's conversion of its steamships to internal combustion engines. Photo courtesy The Interlake Steamship Company.



On this massive foundation now rests the JACKSON's new engine. Photo courtesy Fraser Shipyards, Inc.







2016 Annual Report of Great Lakes Maritime Task Force

Despite Progress on Removing Sediment Backlog Dredging Still Critical to Efficiency of Great Lakes Navigation System

A steady increase in funding for dredging the Great Lakes Navigation System has reduced the backlog from a peak of 18 million cubic yards in 2006 to 15 million cubic yards today. While that is welcome news indeed, the reality is there will always be a need for dredging, even once the backlog is cleared. The natural rate of siltation build-up in the Lakes is more than 3 million cubic yards per year, and even that reduced amount will have an impact on commercial navigation.

As the table below illustrates commercial vessels lose anywhere from 850 to 3,200 tons of cargo for each foot they must reduce loaded draft.

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

The resumption of the iron ore trade in February 2017 illustrates the problem that still faces the GLNS. The first cargo was loaded at Cleveland Bulk Terminal and delivered to the steel mill at the end of the navigable portion of the Cuyahoga River. The vessel carried 14,738 tons that trip. Had the Cuyahoga been dredged to project depth, the vessel could have carried nearly 19,000 tons. The dredging crisis is still very real!



Although Great Lakes dredgers have made real headway in reducing the amount of sediment clogging ports and waterways, another 15 million cubic yards still need to be dredged. Photo by Rod Burdick.

Promoting Shipping on America's Fourth Sea Coast Since 1992

2016 Annual Report of Great Lakes Maritime Task Force

Senator Ron Johnson, Rep. David Joyce Receive Legislator of the Year Awards

Wisconsin Senator Ron Johnson (R) and Ohio Congressman David Joyce (R) received GLMTF's coveted Great Lakes Legislator of the Year Award in 2016. Both legislators are champions of shipping on the Lakes and St. Lawrence Seaway.

Fittingly enough, Senator Johnson received his award at Bay Shipbuilding Company in Sturgeon Bay, Wisconsin. "BayShip" is the largest shipyard on the Lakes and each winter is crowded with Lakes freighters undergoing maintenance and modernization.

"Senator Johnson has demonstrated time and again that Great Lakes shipping has his full support," said Thomas Curelli, President of GLMTF in 2016. "From the start he has fully recognized that Great Lakes shipping is a linchpin in both the Wisconsin and national economies and called for better maintenance of ports and waterways and more effective prioritization of federal spending on dredging and U.S. Army Corps of Engineers projects."

Representative Joyce has two major ports in his district, Ashtabula and Conneaut, Ohio, and the winter of 2014/2015 has made him a leading advocate for more icebreaking resources. "Back in February 2015 a U.S.-flag laker bound for Conneaut became icebound for 5 days and the U.S. Coast Guard icebreaker dispatched to free it was unable to get the vessel moving," said Brian D. Krus, 1st Vice President and GLMTF in 2016 and Senior National Assistant Vice President of American Maritime Officers. "Its last cargo of the season had to be cancelled. Rep. Joyce knows jobs hang in the balance when cargo can't move during the ice season."



Senator Ron Johnson (R-WI, eight from left) accepts his award as Great Lakes Legislator of the Year. Joining him (l-r) are Mark Ruge, K&L Gates; Stewart Fett, Fincantieri Bay Shipbuilding; Mark Barker, The Interlake Steamship Company; Marla Thibodeau; Todd Thayse, Fincantieri Bay Shipbuilding; John Thibodeau, Key Lakes/Great Lakes Fleet; Robert Nichol, American Maritime Officers and Chief Engineer on the CASON J. CALLAWAY; Ryan Hoernke, Fincantieri Bay Shipbuilding; Mike McDermott, Grand River Navigation; Tom Wiater, Central Marine Logistics; Jim Weakley, Lake Carriers' Association; Brian Lester, Central Marine Logistics; and Thad Birmingham, Mayor, Sturgeon Bay, Wisconsin.

Rep. David Joyce (R-OH, fifth from left) accepts his award as Great Lakes Legislator of the Year from Great Lakes Maritime Task Force. Joining him were (l-r) Tom Curelli, Fraser Shipyards; Aaron Bensinger, Central Marine Logistics; Brenda Otterson, American Maritime Officers Service; Andrew Strosahl, Transportation Institute; Mark Barker, The Interlake Steamship Company; Thomas Rayburn, Lake Carriers' Association; Steve Fisher, American Great Lakes Port Association; and Jeffery Freeman, Fincantieri Marine.



2016 Annual Report of Great Lakes Maritime Task Force

New Vision Characterized Sutton Tenure as St. Lawrence Seaway Administrator

Although Betty Sutton's time as Administrator of the St. Lawrence Seaway was less than three years, she will always be credited with changing the public's perception of the waterway. In every speech and every interview she dismissed images of an aging system serving mature industries and proclaimed the region North America's "Opportunity Belt." Truer words have never been spoken.

Sutton's relationship with shipping on the Fourth Sea Coast dates back many years, actually decades. Born in Akron, Ohio, she was a lawyer with the law firm that represents the ILA's Great Lakes District Council before entering public life. After serving in the Ohio House of Representatives for a number of years, she was elected to Congress in 2006 and represented Ohio's 13th District until 2013. She was appointed Seaway Administrator by President Obama in July 2013.

Congresswoman Sutton made an indelible mark on America in 2009 when she led the effort to pass the Consumer Assistance to Recycle and Save (CARS or "Cash for Clunkers") Act. "That program resulted in the sale of more than 330,000 American-made cars and light- and heavy-duty trucks," said John D. Baker, 2nd Vice President of GLMTF and President Emeritus of the ILA's Great Lakes District Council. "An estimated 60,000 jobs were created or saved by the program and the sales stimulated local economies nationwide."

The CARS Act was also good for Great Lakes shipping. "It takes about 1.5 tons of iron ore to make a ton of steel," Baker noted, "so those vehicles consumed nearly 400,000 tons of Minnesota and Michigan iron ore that moved in U.S.-flag lakers."

While GLMTF looks forward to working with the next Seaway Administrator, we hope we will have many more opportunities to cooperate with Betty Sutton and together create and sustain more jobs for American workers and economic activity for American companies.



Betty Sutton

During Betty Sutton's final year as Seaway Administrator the waterway tied its record for the longest navigation season: 286 days. Photo by Dennis O'Hara, courtesy Duluth Seaway Port Authority.



GREAT LAKES MARITIME TASK FORCE



MEMBERSHIP BY STATE AND CITY

ILLINOIS

ArcelorMittal – Chicago ♦ Calumet River Fleeting Inc. – Chicago ♦ TPG Chicago Dry Dock, LLC – Chicago
The Chicago & Western Great Lakes Port Council, MTD, AFL-CIO – Joliet ♦ CN – Homewood
Illinois International Port District – Chicago ♦ International Union of Operating Engineers Local 150 - Countryside

INDIANA

Central Marine Logistics – Griffith ♦ Ports of Indiana – Indianapolis

MAINE

International Association of Machinists & Aerospace Workers (IAMAW) District Lodge 4 – Lisbon Falls

MICHIGAN

Central Dock Company – Benton Harbor ♦ Consumers Energy – Jackson ♦ DTE Electric – Detroit
Detroit/Wayne County Port Authority – Detroit ♦ Dock 63 Inc. – St. Joseph ♦ Durocher Marine – Cheboygan
Edw. C. Levy Co. – Detroit ♦ Grand River Navigation Company – Traverse City ♦ IAMAW District Lodge 60 – Coopersville
International Ship Masters' Association – Berkley ♦ The King Co. – 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 ♦ Moran Iron Works – Onaway
Pere Marquette Shipping Company – Ludington ♦ Port of Monroe – Monroe ♦ Ryba Marine Construction Co. – Cheboygan
Seafarers International Union of North America – Algonac ♦ Soo Marine Supply, Inc. – Sault Ste. Marie
Verplank Dock Co. – Ferrysburg

MINNESOTA

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

MONTANA

Montana Coal Council – Helena

NEW YORK

American Steamship Company – Williamsville ♦ IAMAW – Lancaster
Maritime Port Council of Greater New York/New Jersey & Vicinity – New York City ♦ Port of Oswego Authority – Oswego
Rand Logistics, Inc. – New York City ♦ St. Lawrence Seaway Pilots' Association – Cape Vincent

OHIO

AK Steel Corporation – West Chester ♦ American Maritime Officers, AFL-CIO – Toledo
Cleveland-Cuyahoga County Port Authority – Cleveland
Cliffs Natural Resources, Inc. – Cleveland ♦ Consumer Energy Alliance – Columbus
CSX Transportation, Toledo Docks – Toledo ♦ Faulkner, Hoffman & Phillips, LLC – Cleveland
Great Lakes District Council, ILA, AFL-CIO – Cleveland
The Interlake Steamship Company – Middleburg Hts. ♦ ILA - Lake Erie Coal & Ore Dock Council – Toledo
ILA - Local 1317 – Cleveland ♦ ILA - Local 1768 – Toledo ♦ IAMAW District Lodge 54 – Columbus
IAMAW Local Lodge 1943 – Middletown ♦ Int'l Organization of Masters, Mates & Pilots – Cleveland
LafargeHolcim – Streetsboro ♦ Lake Carriers' Association – Rocky River ♦ Lorain Port Authority – Lorain
Osborne Concrete & Stone Co. – Grand River ♦ Tata Steel – Warren
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.

PENNSYLVANIA

Carmeuse Lime, Inc. – Pittsburgh ♦ Donjon Shipbuilding and Repair – Erie
IAMAW District Lodge 65 – Sayre ♦ IAMAW District Lodge 98 – York
United States Steel Corporation – Pittsburgh

VIRGINIA

Norfolk Southern Corporation (coal docks in Sandusky, Ohio, and Ashtabula, Ohio) – Norfolk

WISCONSIN

Bay Shipbuilding Co. – Sturgeon Bay ♦ Brown County Port & Resource Recovery Dept. – Green Bay
City of Superior Planning Dept. – Superior ♦ Fraser Shipyards, Inc. – Superior
Midwest Energy Resources Co. – Superior ♦ Western Great Lakes Pilots' Association – Superior

GREATER WASHINGTON, DC

American Great Lakes Ports Association – Washington, DC ♦ American Maritime Officers Service – Washington, DC
International Brotherhood of Boilermakers – Washington, DC
K&L Gates, LLP – Washington, DC ♦ MEBA, AFL-CIO – Washington, DC ♦ Transportation Institute – Camp Springs, MD

One Maritime Plaza - 3rd Floor • Toledo, Ohio 43604

www.glmtf.org

For more information, contact Glen G. Nekvasil, Secretary/Treasurer: (440) 333-9996 / info@glmtf.org

