



ADMINISTRATOR'S  
COLUMN



Collister  
Johnson, Jr.

*The Future is Bright*

There is no doubt that we are witnessing good things happening in the Great Lakes Seaway System this year and the future looks positive. Cargo shipments are rebounding, there's an increase in new business and trade routes, and these trends look to continue through the remainder of the navigation season. In fact, this fall will likely see continued robust American grain shipments to cap off the 68 percent surge we

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## U.S. Great Lakes Seaway Ports Enjoying Magic Grain Season

### *Freight Rates Luring Salties to Seaway*

U.S. grain tonnage shipped through the St. Lawrence Seaway this year by both Seawaymax ocean-going vessels and Canadian lakers has increased by more than 36 percent over 2009 navigation season numbers with almost 1.3 million metric tons shipped through September 30. Part of the reason for the big bump up in tonnage can be attributed to Nature's generosity in providing excellent weather during the growing season. Farmers deserve kudos for having had the foresight to increase grain acreage planted.

Seed, sunshine, rain, labor — all are vital — but are not enough reasons for an exceptional year for grain on the southern side of the Great Lakes. The price of grain, especially wheat, has been substantially higher since late July than most analysts projected two brief months earlier.

Record rainfall in a huge swathe of the Canadian Prairie provinces spelled trouble in June. In a few days, a major chunk of the season was lost. Meanwhile intense heat baked fields in Russia, Ukraine and Kazakhstan laying waste wheat crops that had been slated to be exported to global markets. Wild fires burning fields and forests worsened the crisis, and Russia's President forbid grain exports through the year's end to allay public concerns amid widespread price spikes. The action essentially tightened supply lines for key grain importers like Egypt and India at a time when another major grain exporter, Australia, was experiencing drought conditions.

Global wheat prices spiked in August just as the U.S. harvest was getting underway. In September, grain prices dropped as it became clear that ample stocks were on hand. Still, wheat prices have remained relatively high to the delight of farmers, the marine industry, supply chain professionals and the chagrin of bargain conscious consumers.

The clear winner has been the American farmer, and U.S. Great Lakes ports and the St. Lawrence Seaway. Why have the latter profited so much when one considers that typically this region ships less than

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# Seaway Compass

U.S. Department of Transportation • Saint Lawrence Seaway Development Corporation



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realized through September. The recovering economy is reflected in the demand for raw materials in the Great Lakes, resulting in a boost in iron ore and steel shipments.

Even while this season is bringing an uptick in cargoes and transits on the System, we all must be proactive in developing new business, new cargoes, new routes, and new vessels to grow the System. Cargo growth is our most pressing issue. At the top of the list for trade development is short sea shipping—the movement of containers through the lakes. Most container traffic entering Montreal and Halifax is destined for the Midwest, demonstrating the need for expanded use of Great Lakes shipping. It is important to track trends to identify areas of focus. Much of the traffic from the Canadian ports enters the U.S. on truck through congested bridges and border crossings. We need to capitalize on the efficiencies of using maritime transportation to move these goods. The Erie Inland Port project is doing just that.

The Erie Inland Port is poised to begin container operations with minor upgrades and equipment purchases. The Greater Erie Industrial Development Corporation was recently awarded a \$500,000 grant from the Department of Commerce to move the project forward. The project is multifaceted and multimodal (with rail and highway connections) and is designed to alleviate a number of problems related to shipping logistics and the environment by initiating more efficient and sustainable methods of shipping and transportation of goods. There are currently few alternatives for increasingly problematic, time strapped and expensive modes of transportation in the region. Container shipping in the Port of Erie would have certain measurable outcomes including reducing costs for shippers, relieving congestion on land border crossings between the U.S. and Canada, reducing emissions and energy consumption, and providing savings on landside transportation infrastructure maintenance. The project received the federal grant in large part because it was able to demonstrate the potential to create long-term, positive economic impacts in its surrounding community. I believe this case can be replicated in other Great Lakes port communities.

More and more, entrepreneurs are looking at cross lakes service that is rate and time competitive. Great Lakes Feeder Lines is currently working with the Port of Cleveland to develop a new container shipping service from Cleveland to Montreal that could begin as soon as next spring. It would provide a competitive, reliable,

environmentally responsible alternative to the existing surface modes of transportation. Their operating vessels are modern, state-of-the-art, fit-for-purpose, short-sea shipping feeder vessels. The service promises to have financial and environmental advantages for the greater Cleveland area and beyond, and its launch is much anticipated.

Without a doubt, there are some regulatory hurdles that require attention; the myriad of state ballast water regulations, the Harbor Maintenance Tax (HMT) on shipping, and various security-related challenges to name a few, that continue to place limitations on the industry. Work continues on all these fronts with possible resolution of the HMT issue coming ever closer to fruition. Along with 51 Members of Congress who have signed on as cosponsors of the HMT waiver legislation (H.R. 3486), a litany of maritime trade associations and labor organizations has endorsed this proposal and they continue their work to generate support for the bill. Although there are few legislative vehicles remaining in the 111<sup>th</sup> Congress to which the HMT bill might be attached, there is still a possibility this goal can be achieved. If not, the proposal will be reintroduced and return in an even stronger position to be approved in the next Congress.

I think it's worth noting that the November election brought some significant changes to Washington, D.C. and in a number of state capitals around the Great Lakes. Although we are losing some close Congressional friends of the Seaway System across the Great Lakes states, there are some new faces and strong alliances that we can look to for support in the new Congress. New committee chairmen will be chosen and members will vie for new leadership positions. There are six new governors in Great Lakes states, and they are familiar with our issues. The education process will continue, but we have come a long way in communicating our messages and developing good relationships with those making decisions that impact the maritime industry on the Great Lakes.

On another positive note, the Seaway's Asset Renewal Plan is allowing us to ensure system reliability and infrastructure integrity. In just two years, over \$33 million has been spent to upgrade the U.S. locks and facilities and every indication is that the full ten year plan will continue to receive Federal dollars annually.

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Also underway is an important evaluation of the economic impact of the Great Lakes St. Lawrence Seaway System. For the first time, in a single study, Canadian and U.S. benefits and impacts will be evaluated to give a comprehensive snapshot of our binational system. This economic impact study will serve to update Canadian and U.S. data regarding employment and tax revenue. Data will be provided at the regional level, by country (U.S./Canada), and by state and province. This study, scheduled for completion sometime early next year, will provide a great deal of critical, factual

and verifiable information about the Seaway System and its users that can be widely utilized for educational purposes.

As we head into the final months of the 2010 shipping season, I anticipate a strong finish and believe there is cause for continued optimism for next year and beyond. But we must continue to be proactive and persistent in promoting maritime transportation and the Great Lakes-Seaway System. Get engaged in the debate, make your voice heard, and do your part to help get the facts about the industry out there in the public domain.

*Seaway Ports Enjoying Magic Grain Season, continued from page 1*

10 percent of the Nation's grain? Several factors account for that such as exchange rates, location of importing nations, and freight rates. When the books close on the 2010 navigation season it is clear that freight rates will have played the decisive role.

A brief reminder that historically about half of America's grain moves by barge down the Mississippi River to the Gulf of Mexico is important. Barge traffic is extremely efficient, safe if slow, and each fall hundreds of barges move south to New Orleans where dozens of Panamax ships load tens of thousands of tons of grain which head primarily to Asian markets through the Panama Canal. Traditionally, barge traffic freight rates are highly competitive, but this year barge freight rates from the Upper Mississippi to the Gulf rose dramatically this fall. Some shippers, not surprisingly, scrambled to seek alternate routes, and the Seaway began to look better and better. The binational waterway had always been a shortcut to European and North African markets, but it had increasingly lost tonnage since the 1980s to other routes as grain totals to Asia grew and tonnage across the Atlantic shrunk.

The dramatic spike in barge rates for the Upper Mississippi reported by the U.S. Department of Agriculture in its weekly Grain Transportation Reports in mid October just as the corn and soybean harvests came to market early made it clear that a second transportation option was desperately needed. By then, many of the experts had already explored alternate routes. The USDA numbers showed a rate six times the benchmark tariff of \$44 per ton, besting all previous highs.

Increased barge freight rates alone, however, would not have catalyzed the stampede that has occurred since August. What has? The saying 'steel in, grain out'—the jingle that has accurately described the business formula for the waterway over half a century, says it all.

China's dominance of the world steel market over the past decade makes it the hands-down importer of iron ore as well, and while freight rates were healthy in spring 2010 given strong demand in Asia for steel, those rates dropped like a rock on the Baltic Dry Index (BDI) by the summer. The contraction was sufficiently steep and some analysts say it not only impacted the larger Aframax and Panamax ships that typically ferry ore and grains to the world's largest steelmaker, but also deflated freight rates for smaller vessels like Handymax and Handies that service the Great Lakes via the Seaway.

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*Seaway Ports Enjoying Magic Grain Season, continued from page 3*

Timing in the marine agribusiness as in any business venture is everything. The drop in the BDI that measures activity for the bulk dry goods industries (ores, grains, coal, etc.) reflected decreased activity which immediately signaled freight rates would drop to attract flagging business. Some shippers who otherwise barged grain to the Gulf of Mexico now saw a compelling reason to charter Seaway size ships (handies). That is exactly what has happened. The salties that move 15–25,000 metric tons of wheat for \$40 a ton are filled to capacity. But what about the “steel in” part of the “grain out” formula?

Well, some steel is indeed entering the Seaway despite the sluggish economic activity in North America through the first three quarters (roughly 1–2 percent). Steel has been imported from Romania and South America as well as small amounts from the typical western European nations. The Canadian St. Lawrence Seaway Management Corporation notes that quartz stone has been shipped from the Maritimes to Hamilton while bulk commodities needed for construction have come from halfway around the globe—Japan. With a head haul and a backhaul cargo to move, the carrier usually can break even or make a profit even in the constrained freight rate environment that currently exists. Low freight rates tend to be fleeting, so shippers are capitalizing while they can.

While it does last, here is what is happening at Duluth. “September was a huge month, with cargoes up 123 percent from September a year ago,” Adolph Ojard, Port Director, said. “In one week there were 17 ships in port loading or waiting to load wheat for Europe, the Mediterranean and North Africa.” The port expects continued strong shipments through the end of the 2010 season, he said.

The Toledo-Lucas County Port Authority routinely ships corn, wheat, beans, and oats. Soybeans have played a staple role in exports over the last decade and move to markets by salties and lakers. “Soybean harvest began in mid September so our grain season here really took off in October, and we’re expecting a solid corn harvest as well that will translate into a nice export program this fall,” said Joe Cappel, Director of Cargo Development.

The Port of Milwaukee routinely exports grain through the Seaway, and services the domestic market as well. The 2010 season has been special. “With the best harvest Wisconsin has seen in years, corn and soybeans have been steadily flowing into overseas ships since the beginning of October,” said Betty Nowak, Marketing Director. “A constant line of railcars and trucks are replenishing elevators every day, and grain shippers are using every means possible, including container shipments of grain, which fill every export container we can get our hands on.”

This year the stars aligned for the Seaway, U.S. grain farmers, and shippers as high prices, excellent weather, lots of planted acreage, favorable currency values for the dollar vis-à-vis the euro, and low freight rates attracted ocean carriers in abundance to foreign markets. The carriers may not be as thrilled with the freight rates as the shippers but many would argue that quantity more than makes up for the lower prices. America’s major foreign grain competition, heavyweight grain exporters like Russia, Ukraine (number one in barley), Australia and Canada—endured punishing droughts or heavy rains.

This unusual combination has kept grain prices high as traders seek to reap maximum profit without inducing panic and alternate food sources. By all accounts, it appears that has happened and 2010 will go down in the books as a black ledger year for farmers, shippers, and ports throughout the Great Lakes.



## HIGHLIGHTED GUEST

## Ross Gaudreault, President and Chief Executive Officer, Quebec Port Authority



On December 31, I will be leaving the Port of Québec, after steering it for 23 years. Prior to joining the port, I was lucky enough to work for the Irving family for about 20 years. This lengthy professional journey has brought me a lot as far as the human dimension goes and I like to believe that

I was able to give back as much to my close ones, my partners and my region.

It is impossible for me to sum up a 45-year career through only one project or challenge. However, throughout the years, the common denominator in the major projects in which I worked is the Partnership. This approach was always my best move. Be it in business development or public controversy, partnerships were always at the heart of my philosophy. Partnerships are, in my opinion, the cornerstone of my greatest professional achievements with clients, institutions, governments, associations, etc.

At the heart of every business arena is the same reality: people. I firmly believe that the will and desire of yesterday's entrepreneurs is the same as that of the entrepreneurs of tomorrow: to do better. When I arrived at the port, the situation was different, customers were rare and the future was uncertain at best. Twenty-three years later, thanks to excellent partnerships, the port's activities have more than doubled and we are looking at extraordinary potential.

Twenty-three years at the head of one of Canada's most important ports is quite something to be proud of. Let's not forget that the Port of Québec was incorporated in 1858 and has been part of the history of the city ever since it was founded in 1608! The fact that the best year ever at the port was recorded in 2008 and that this record will soon be broken within the near future is of great pride to me.

Now, on the verge of leaving the port to go into semi-retirement from the business world, I feel privileged to have had such a wonderful run. I want to salute everyone who has crossed my path over the years and to thank everyone who joined in the partnerships that have brought success to the port.

The Québec Port Authority is an independent federal agency created under the Canada Marine Act. The Port of Québec is one of Canada's main ports. Its principal activities include bulk goods transshipment, cruise ships, and a host of recreational and urban activities. According to SECOR Consulting, in 2007 activity in the maritime and port sector of Québec's maritime industry provided close to \$800 million in economic benefits across Canada, over \$160 million in taxes across all levels of government, and invaluable support in maintaining nearly 9,800 jobs.

Starting January 2011, Mario Girard will take over as the President and CEO for the Québec Port Authority (QPA). Mr Girard will replace Ross Gaudreault, who is retiring from the port on December 31.



With over 25 years of experience in both local and international business, Mr. Girard's background is a perfect match for the expectations of the QPA board.

Mr. Girard's professional background includes work in the IT sector, where he made a name for himself by founding Gespro Technologies and Nstein Technologies. At the international level, Mr. Girard has accrued significant experience in terms of market development, business acquisition, and private and public project financing.

## The St. Lawrence Seaway Management Corporation Appoints a New President and CEO

On November 1, 2010, Terence F. Bowles took over as the St. Lawrence Seaway Management Corporation's (SLSMC) President and Chief Executive Officer. Mr. Bowles succeeds Richard Corfe who had served in the position since 2003.

Mr. Bowles served as President and CEO of the Iron Ore Company of Canada from 2001 until early 2010. Prior to that, he worked in various capacities with QIT Fer et Titane du Quebec, including five years as President from 1996–2001.

Changes have also been made to the SLSMC's Board of Directors. Ian MacGregor assumed the position of Chair of the Board. Mr. MacGregor replaced Guy Véronneau, who recently left the Board after serving as Chair for the past four years and President of SLSMC from 1998 to 2003.

## Lifting of Canadian Import Duty Paves Way for New Ships On the Great Lakes

The Canadian government's recent announcement that has eliminated the 25 percent import duty on foreign-built ships paves the way for "an exciting new era" of investment into the Canadian Great lakes fleet that will have wide-reaching economic and environmental benefits, said marine industry leaders.

The duty, which adds more than \$10 million to the purchase of a ship built overseas, has been a major barrier standing in the way of Great Lakes shipowners renewing the fleet. A new full Seaway-size dry bulk carrier or petroleum products tanker has not been built in Canada in the past 25 years. The average age of a Canadian-flag operating in the Great Lakes is now 38 years old.

"This heralds an exciting new era of investment which will allow Canadian shipping companies to rebuild their aging Great Lakes fleets with the newest state-of-the-art ships currently being designed. This will not only substantially reduce our emissions and environmental footprints but also provide jobs for Canadians in the years to come," said Gerry Carter, Chief Executive of Montreal-based Canada Steamships Lines, which operates 18 ships on the Great Lakes Seaway System.

Allister Paterson, Chief Executive of St. Catharines-based Seaway Marine Transport, which operates 30 ships in the Great Lakes, said, "This tax has stood in the way of new ship orders for almost three decades. Much of the Canadian Great Lakes fleet is nearing retirement, and will need replacement in the coming years. We are confident that this news will pave the way for much needed reinvestment."

## Internationally Recognized Environmental Scientist Supports Saint Lawrence Seaway Development Corporation

Dr. David Reid, retired environmental scientist for the U.S. National Oceanic and Atmospheric Administration (NOAA), recently began consulting with Corporation officials on ballast water issues. Dr. Reid advises the Saint Lawrence Seaway Development Corporation (SLSDC) Administrator and senior staff on a variety of environmental matters, specifically in the areas of non-indigenous



aquatic species, ballast water treatment, management and policy, and bathymetric mapping of the Great Lakes.

Dr. David Reid has been actively involved in scientific research projects involving the Great

Lakes for more than four decades. He is an internationally recognized expert on aquatic nuisance species, with an impeccable reputation amongst those in the scientific and academic communities.

Recently Dr. Reid spoke on the Science of Ballast Water at the HWY H<sub>2</sub>O Conference held in Toronto.

## SLSDC Employee Honored by the Secretary of Transportation

Carol Fenton, Deputy Associate Administrator, was recently honored at The Secretary’s 43<sup>rd</sup> Annual Awards Ceremony held in Washington, D.C. Mrs. Fenton was awarded the Silver Medal, which is the third highest award within the Department given by the Secretary in recognition of exceptional meritorious service to the Department or Federal Government, or for exceptional achievement that substantially contributed to the accomplishment of the Department’s mission or major programs. Secretary LaHood cited Mrs. Fenton’s exceptional leadership and participation on several binational strategic projects, such as the Ballast Water Working Group, Ice Observational Study, Draft Optimization, and as the 50<sup>th</sup> Anniversary co-Chair. Carol joined the

SLSDC in 1978, serving in several positions within the Corporation; after 32 years of service, we salute Carol and her accomplishments.



Carol Fenton receives her prestigious DOT Award from Ray LaHood, Secretary of Transportation (left) and Craig Middlebrook, Deputy Administrator (right).

## Cleveland Port, Vessel Owner Advance Effort to Start International Container Service

The Port of Cleveland is aggressively pursuing the near term prospect of hosting a container shuttle service. Earlier this month, the port authority received a visit from Steve Shumway, managing partner of Great Lakes Feeder Lines, a Canadian company headquartered in Burlington Ontario. Mr. Shumway met with port officials to discuss the possibility of launching a Cleveland-Montreal feeder service in the spring of 2011.

The service is still in the planning stage, but if it comes to fruition the company’s two cargo vessels — *Dutch Runner* and *Arctic Sea* — will make regular runs between Cleveland and Montreal.

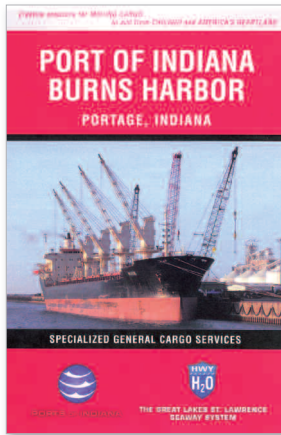
Will Friedman, CEO of the Cleveland-Cuyahoga County Port Authority, described the service as “an exciting economic opportunity for the port, the region and the state.” He stressed that the port does not require capital investments or enlarged facilities to begin moving containerized freight and other non-containerized cargoes, declaring, “We have the space, equipment, a capable terminal operator and a productive waterfront workforce in place. We can move containers today!”



## Great Lakes Ballast Water Collaborative

The written report of the most recent Ballast Water Collaborative meeting which took place from July 20–21, in Duluth, Minnesota is now available on line. Go to our binational website, [www.greatlakes-seaway.com](http://www.greatlakes-seaway.com), and look under the environmental tab.

## The Port of Burns Harbor Celebrates 40 Years of Business in a Big Way



The Port of Indiana-Burns Harbor celebrated its 40<sup>th</sup> year in a big way — by handling the largest shipment of project cargo in its history. The 134 complete turbine units were carried by 11 ships operated by Canada Steamship Lines and Flinter Shipping from various locations around the Great Lakes. The final two ships offloaded their cargo at Burns Harbor on October 21. The turbines

are being stored at the port pending delivery to their final destination in Bloomington, IL.

This year, the port also handled its first outgoing shipment of wind equipment — tow ship loads of turbines manufactured at the Acciona Windpower plant in Iowa for export to Nova Scotia.

The port opened in 1970 and handled its first ship in May of that year, bringing to fruition more than three decades of determined effort. In 1939, the Indiana Board of Public Harbors and Terminals was established to negotiate for land acquisition and construction of a public port on Lake Michigan. In 1957, the Indiana General Assembly appropriated \$2 million for land acquisition for a port in Port County. While the St. Lawrence Seaway officially opened up the Great Lakes to international ships in 1959, Indiana did not formally select a port site until 1961, and groundbreaking did not take place until October 19, 1966.

## Melford and Maher Terminals Join Forces

Melford International Terminal (MIT) and Maher Terminals, the operator of one of the largest marine container terminals in North America, have entered into a shareholders/service agreement. Maher will provide services for the forthcoming container terminal in Melford, Nova Scotia. The Terminal will be called Maher Melford Terminal. Maher Terminals, headquartered in New Jersey operates world-class marine container terminals in Prince Rupert, British Columbia as well as Port Elizabeth, New Jersey.

MIT, a privately-owned Nova Scotia company, is developing a 315-acre container terminal, an intermodal on-dock rail facility and a 1500-acre logistics park on the mainland side of the Strait of Canso in Nova Scotia. The new Maher Melford Terminal will feature deep water berths of 60 feet at mean low water, an ice-free 100-foot deep channel and no air draft restrictions. The terminal will enable the most direct and convenient service for intermodal trade between North America and emerging Asian markets, through on-dock rail access to key markets throughout Canada and the United States.

When phase 1 of the project is completed, the USD \$350 million terminal will comprise two berths with initial projected capacity of 1.5 million twenty-foot equivalent units (TEUs) per year. The parties intend to commence commercial operations by 2013, or as required by market demand.





## Environmental Protection Agency Publishes a Notice in the *Federal Register*

On October 29, the Environmental Protection Agency (EPA) published in the *Federal Register* a notice stating it will hold a listening session in Washington, D.C. on December 15 to obtain suggestions from the public for improving the next Vessel General Permit (VGP). If you prefer to provide written comments, EPA is requesting

comments from the public to be submitted to the docket on or before December 31, 2010. The VGP is a Federal Water Pollution Control Act (FWPCA) National Pollutant Discharge Elimination System (NPDES) permit that authorizes, on a national basis, discharges incidental to the normal operation of non-exempt vessels. Among the issues of interest to EPA is whether any effluent limitations or reporting requirements should be revised. The *Federal Register* notice is 75 Fed. Reg. 66757 (October 29, 2010) and can be viewed at [www.gpoaccess.gov/fr](http://www.gpoaccess.gov/fr).

## Upcoming Events

### December

December 2, 2010

#### Great Lakes Stakeholder Appreciation Reception

Montreal, Québec

Contact: [kyle.savage@dot.gov](mailto:kyle.savage@dot.gov)

(202) 366-0095

December 8–9, 2010

#### Great Lakes Panel on Aquatic Nuisance Species

Ann Arbor, MI

Contact: Kathe Glassner-Shwayder

[shwayder@glc.org](mailto:shwayder@glc.org)

(734) 971-9135

### January 2011

January 19

#### Ballast Water Collaborative Meeting

Fairmont Royal York

Toronto, Ontario

Contact: Marvourneen Dolor

[marvourneen.dolor@dot.gov](mailto:marvourneen.dolor@dot.gov)

(202) 366-6510