FALL 2011

Seaway Compass

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

ADMINISTRATOR'S COLUMN

Collister Johnson, Jr.

Great Lakes Seaway System Generates Significant Economic Benefits to United States and Canada

In October, a consortium of U.S. and Canadian Great Lakes St. Lawrence Seaway System stakeholders released the results of a groundbreaking economic impact study measuring the value of

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Making the Case for Maritime

Data Drives Home the Value of Great Lakes-Seaway Shipping in Dollars & Sense

by Adolph Ojard, Executive Director, Duluth Seaway Port Authority

Two years ago, a report by the U.S. Army Corps of Engineers determined that marine shipping — moving cargo via the Great Lakes-St. Lawrence Seaway (GLSLS) — saves companies some $3.6 billion per year in transportation costs compared to the next least-costly, land-based mode. Yet for maritime leaders and policymakers alike, bigger questions were left unanswered. What truly is the economic impact of this binational trade corridor on local, state and provincial economies? And, perhaps even more importantly, how many jobs are inextricably tied to this industry?

On October 18, a coalition of Great Lakes-St. Lawrence Seaway maritime industry leaders rolled out to the public results of a year-long study that answered these and a myriad of other questions about the economic impacts of our GLSLS navigation system. This, the first ever, system-wide binational study found that maritime commerce along this waterway supported 226,833 jobs; contributed $14.1 billion in annual personal income, $33.5 billion in business revenue, and $6.4 billion in local purchases; plus added $4.6 billion to federal, state/provincial and local tax revenues.

The newly released study slices data in several different ways, reporting impacts by cargo type, by geographic area, by industry sector and more. The timeliness of this study cannot be overstated. As we debate national transportation policies, having an accurate, comprehensive set of numbers now provides a framework — a solid foundation — for key decision-making at all levels of government. It enables the Great Lakes-Seaway maritime industry to speak with one, resounding voice and back up our policymaking requests in Washington and Ottawa with defensible, system-wide facts and figures.

The study uses 2010 as its base year (the most recent year for which statistics were available). While this was an economic recovery year, 2010 did not begin to approach historical 5-year tonnage averages for our waterway. The study therefore represents a conservative snapshot of the maritime industry's economic impact. It should be noted that the binational steering committee overseeing this project purposely did *not* cherry-pick a "good year" for the analysis. As a consequence, the numbers do reflect a weakened economy.

The Numbers, the Impacts are Staggering

This study unearthed statistics which reveal that this waterway's economic impact is far greater than any of us ever imagined… surpassing the expectations of even its most ardent supporters. Its dynamism, its vitality, its economic development potential are all evident in these new numbers.

Yet, why should we be surprised? For over 100 years, the Great Lakes waterway has been an integral part of our regional transportation network. Producers and end-users built water into their transportation system by necessity and are now earning a dividend ($3.6 billion in savings) for their work.

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maritime commerce to the eight-state, two-province region. The SLSDC was one of the study's funders.

The study results answer a question that has been asked for a long time: "Just how economically valuable is maritime commerce on the Great Lakes and St. Lawrence Seaway to the United States and Canada?" The answer — in terms of jobs, wages and salaries, business revenues, and taxes paid — is that Great Lakes Seaway System commerce generates tremendous economic benefits to the citizens of the United States and Canada.

For example, more than 226,833 good-paying jobs are dependent upon commercial maritime activity on the Great Lakes Seaway System. The majority of these — over 128,227 — are jobs in the United States. Other system-wide benefits identified include:

- $33.5 billion in business revenue from transportation firms;
- $14.1 billion in wages and salaries (personal income);
- $6.4 billion in local purchases;
- $3.1 billion in U.S. and Canadian federal taxes paid; and
- $1.5 billion in state/provincial/local taxes paid.

This study is the most detailed and comprehensive economic benefit analysis of its kind ever produced for this region. For the first time in the history of our transportation system, U.S. and Canadian stakeholders agreed to study economic impacts at the same time, use the same geographic scope, and employ the same study methodology.

The study sponsors also emphasized a conservative and transparent approach to the development and presentation of the report results. For example, the study's methodology and results were peer reviewed by three respected independent economists — one Canadian and two U.S. — who all found the study to be conceptually sound and comprehensive.

In addition, the results were produced and illustrated at both the system-wide level as well as at local level breakdowns, including by country, by state and province, by waterway segment, by cargo type, and by fleet type. The sponsors also agreed to use 2010 traffic data, which represents one of the weakest navigation seasons in history.

Finally, related user jobs were not included in the overall benefit totals. These jobs are related to shippers/consignees and supporting industries that move cargo through our system, but can and in most cases do, use other transportation modes and/or routes. It is a common approach in economic analyzes to add these jobs to the dependent job totals. However, the study sponsors decided to show these related user jobs, which total an additional 478,000 U.S. and Canadian jobs, as a supplemental non-additive benefit in a separate chapter.

The report also included a separate chapter detailing the impacts of maritime commerce that traverses New York waters. This chapter on New York traffic clearly details the likely losses to the U.S. and Canadian economies should the proposed New York State Department of Environmental Conservation (NYDEC) ballast water regulations take effect in August 2013.

For example, more than 72,000 jobs in Canada and the United States are in some way dependent upon the movement of more than 47 million metric tons of cargo handled by ports on the Great Lakes Seaway System that moved through New York waters. The implementation of the NYDEC rules will have an immediate effect on those jobs and the associated wages totaling $3.8 billion. In addition, $10.5 billion in business revenues and $1.4 billion in federal, state, provincial, and local taxes are generated each year from this cargo movement. In today's tough economic conditions, these significant impacts cannot be ignored and should be strongly considered when determining a viable policy solution.

It is important to emphasize that the majority of these economic benefits are Canadian and New York's current regulations would result in a direct violation of long-standing international agreements between the United States and Canada allowing for free and open commerce through the binational St. Lawrence Seaway.

The results of the new economic impact study provide accurate and comprehensive data for government decision-makers and for our stakeholder community for years to come. One of the most important and timely purposes is to further a better understanding of the NYDEC ballast water rules. Let's hope that officials in Albany will take notice of the tremendous economic losses facing both nations should the current set of regulations go into effect. With an implementation date quickly approaching, it is vital that a proper balance between protecting the environment and supporting economic growth be reached.

Making the Case for Maritime, continued from page 1

Martin Associates of Lancaster, Penn., was the firm retained to conduct this study — a highly-respected, global leader in transportation economic analysis and strategic planning. However, since many of the funders for this project were directly tied to the maritime industry, the overarching goal was to ensure that data gathered/results reported would be objective and free from industry bias. As such, the study was peer reviewed by three economics professionals from three different institutions in the U.S. and Canada, and the entire peer review process managed by the U.S. Department of Transportation and Transport Canada.

The Foundation for Policymaking

This study will go a long way toward identifying the public return on investment and providing a framework for the development of maritime public policy at all levels of government as it relates to the Great Lakes-St. Lawrence Seaway transportation corridor. Furthermore, if we expect the system to remain viable — and if we expect ships and ports to recapitalize and modernize their assets — we must demonstrate that policies and public support are in place.

Maintaining transportation infrastructure that supports international and interstate commerce is a core responsibility of the federal government. It is important that we define the *value* of our maritime transportation system — which this comprehensive study has begun. And, it is just as important that the industry rally together to deal with the issues facing maritime. While ports and fleets and companies within the maritime industry compete aggressively for business, we also work in harmony when prudent as demonstrated by this study.

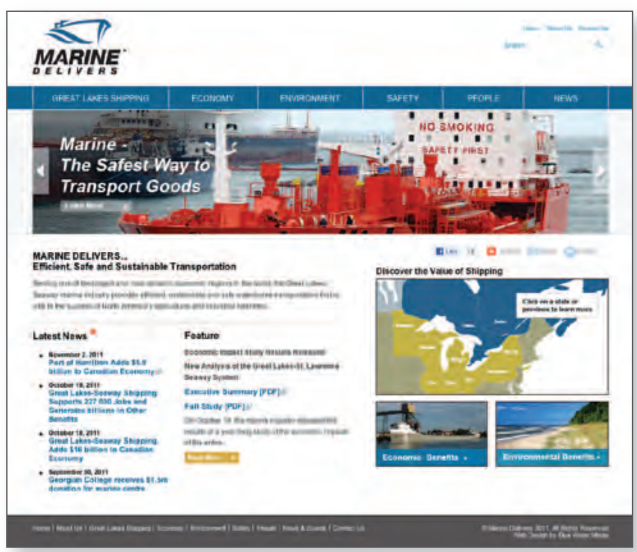
The monies required to support this work were raised by a broad array of Great Lakes Seaway maritime interests coming together to speak with one voice. There is more that needs to be done. Before the ink is dry on this report, the next step will be taken to study the impact of a modal shift — to identify and quantify the social and environmental consequence of shifting freight from our marine highway to landside transportation (truck and rail) which will, in turn, provide a framework for future discussion and policy debates.

Marine Delivers Announces New Website

Marine-Delivers is a binational industry collaboration created to demonstrate the positive economic and environmental benefits, safety, energy efficiency, and sustainability of shipping on the Great Lake Seaway System. The primary mission of the Marine Delivers communication program is to provide responsible, timely, consistent and relevant information to help share a positive image of the Great Lakes St. Lawrence Seaway maritime industry.

Marine Delivers has recently redesigned their website, www.marinedelivers.com to serve as an information-rich platform to share industry-related news and announcements.

They encourage the ports and shipping companies to send their releases and other announcements to them so the site can serve as another venue to educate the public on all that happens around the System. As the site grows, they anticipate adding photos and videos to further enhance its usefulness. Likewise, they have plans to include more profiles of industry professionals to reinforce the varied nature of positions available both at sea and on land that make the industry viable.



Seaway Robert J. Lewis Pacesetter Awards

The Saint Lawrence Seaway Development Corporation announced in the Spring Seaway Compass issue the winners of the Robert J. Lewis Pacesetter Award for the 2010 navigation season. This award is presented to U.S. ports whose management, marketing, and operational excellence have resulted in an increase in international tonnage shipped through the Seaway System when compared to the previous navigation season. Seaway officials have been busy traveling throughout the Seaway System presenting the awards.

Ports of Indiana

Terry Johnson, Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to the Ports of Indiana commission in front of the M/S Federal Patroller on the dock at the Port of Indiana-Burns Harbor. (L-R: Phil McCauley, Ramon Arredondo, Terry Johnson, HC "Bud" Farmer, Ken Kaczmarek, David Fagan, Marvin Ferguson and Jay Potesta.

Cleveland-Cuyahoga County Port Authority

Terry Johnson, Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to Cleveland-Cuyahoga County Port Authority Board Chair Robert Smith.

Duluth Seaway Port Authority

Craig Middlebrook, Deputy Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to Adolph Ojard, Executive Director, Duluth Seaway Port Authority.

Toledo-Lucas County Port Authority

Terry Johnson, Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to Paul Toth, CEO of the Toledo-Lucas County Port Authority.

Port of Oswego

Terry Johnson, Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to Jonathan Daniels, Port Director, Port of Oswego. (Four gentleman in the middle, L-R: Terry Johnson, Thomas Gillen, Secretary/Treasurer, Jonathan Daniels, and Terrence Hammill, Chairman of the Board and longshoremen.

Ogdensburg Bridge and Port Authority

Sal Pisani, Associate Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to Wade Davis, Executive Director, Ogdensburg Bridge and Port Authority. (L-R: Steven J. Lawrence, Director of Operations, Frederick S. Morrill, Chief Financial Officer, Wade A. Davis, Executive Director, Sal Pisani, Associate Administrator, SLSDC, John A. Rishe, Director of Commercial and Industrial Development, and Frederick J. Carter, Chairman, Board of Directors.)

Illinois International Port District of Chicago

Terry Johnson, Administrator, Saint Lawrence Seaway Development Corporation, presents the Award to William J. Braasch, Chairman of the Board, Illinois International Port District.

What a Difference a Year Makes

This past October marked the first anniversary of the Government of Canada's decision to repeal the 25 percent duty on imported vessels. Removal of the tax has achieved its intended goal: major investments in fleet renewal by Canadian shipowners in the Great Lakes St. Lawrence Seaway (GLSLS) System. To date, those capital outlays exceed one billion dollars.

A flurry of new build announcements came within months following the historic tax revocation. Algoma Central Corporation announced it will purchase six new state-of-the art Equinox Class vessels consisting of four full-size self-unloading vessels and two full-size gearless bulkers. The Canadian Wheat Board is purchasing two Equinox Class vessels, which will be operated by Algoma. The Canada Steamship Lines Group (CSL) will build four Trillium Class self-unloading vessels with the option for another four during the 2013 shipping season. Fednav, the largest ocean-carrier servicing the GLSLS System, is increasing its fleet capacity by investing in three new bulk carriers.

The new builds offer environmental and labor benefits. They are more fuel efficient, saving hundreds of tons of fuel per year. The new vessels reduce air emissions and enable the installation of ballast water treatment equipment, further reducing the risk of the introduction of invasive species. Removal of the duty offers employment for Canadians in highly skilled, good-paying jobs across the country during the fleet's lifetime of 25–30 years.

The first of three new vessels to Fednav's fleet arrived in the Great Lakes earlier this year. The *M/V Federal Yukina* made its maiden port call at the Port of Hamilton in early June. The remaining two vessels will be delivered in 2012 and 2013. CSL will receive two Trillium Class new builds in 2012 and two additional vessels in 2013. The first new Equinox Class vessel for Algoma and the Canadian Wheat Board is expected to be available for service in 2013, with additional ships following later that year and in 2014.

The removal of the 25 percent duty would not have been possible without the three-year efforts of the Canadian Marine Commerce and the Canadian Shipowners Association. Both organizations spearheaded and coordinated a marine industry caucus that raised the critical importance of this issue with legislators and policymakers. Prior to the arrival of the first vessel representing the fleet renewal in June 2011, the Canadian fleet consisted of 67 "Great Lakers." Those vessels are on average more than 36 years old.

Toledo-Lucas County Port Authority Dedicates a New Rail Line

Late this summer officials from Midwest Terminals, the Toledo-Lucas County Port Authority and various local, state and federal governments dedicated the new rail line currently under construction at the Ironville Terminal.

The port authority and Midwest Terminals shared their joint plans for the $18 million project that includes three phases of development. The port authority acquired the 180-acre remediated site in 2008 from Chevron for $3.4 million, making the Port of Toledo the largest seaport on the Great Lakes in terms of land mass.

"This public-private partnership is possible not only due to the vast amounts of grant funding but specifically to our private partners, Midwest Terminals, who will invest $5 million into the development of this property said Paul Toth, president and CEO of the Toledo-Lucas County Port Authority. Without this strong partnership, we would not be able to create this new development opportunity," Toth said.

Phase one of the Ironville project, involving installation of a rail-loop, is underway. Approximately 7,200 linear feet of rail and eight switches will be installed when Phase one is complete later this year. The port authority owns rail line connections with the nearby Norfolk Southern railroad.

Under the second phase, improvements will be made to the river channel and shoreline in preparation for building a deep marine dock to accommodate barges, lake carriers and ocean vessels. The third phase will focus on the installation of bulk material handling and conveyor infrastructure for the multi-modal delivery system.

M/S C. Columbus Returned to the Great Lakes

Hapag Lloyd's *M/S C. Columbus* returned to the Great Lakes in September after a four-year absence, with two cruises that included day-long stops at the Port of Duluth. Altogether, the ship has now visited the Lake Superior port 12 times since her initial call in 1997.

"It's great to see this passenger ship return to the Great Lakes," said Ron Johnson, Trade Development Director for the Duluth Seaway Port Authority. "We're thrilled to have her back. It's a great boost for the local economy and for the Seaway."

SLSDC Participation in Wind Industry

The Saint Lawrence Seaway Development Corporation (SLSDC) is committed to promoting a healthy marine industry for today and future generations and diversifying the cargoes that move through the binational waterway's locks to North American markets. In the past three years the growth of renewable energies, especially the wind sector, in the Great Lakes has attracted widespread attention. The first shipments of wind cargoes into U.S. and Canadian Great Lakes ports occurred less than a decade ago, but the tempo of their movements has increased steadily.

SLSDC actively participates in the Great Lakes Wind Collaborative (GLWC), a multistakeholder group working to facilitate sustainable development of wind energy in the region. The Office of Trade Development worked with the GLWC for more than three years primarily in the offshore working group and the economic development groups. The GLWC, along with the Department of Energy and the White House Council on Environmental Quality, co-hosted a workshop in Chicago October 26–27, 2010, to help clarify the role of federal agencies in siting offshore wind projects in the Great Lakes. Though the SLSDC is not involved in siting issues, the group recognized the invaluable role our agency plays operationally with the Canadian St. Lawrence Seaway Management Corporation. The binational Seaway is the gateway for wind components moving into and out of states and provinces, and will be key in the ultimate establishment of an offshore wind industry.

The SLSDC served as a liaison with industry, government and academia for wind industry events in Phoenix, AZ (AWEA Fall Seminar on Transportation and Supply Chain Issues); Chicago, IL (GreenPower: Identifying Supply Chain Gaps and Strategies to Increase Domestic Wind Manufacturing Facilities); and Detroit, MI (Freshwater Wind 2).

In the spring of 2011 SLSDC and the U.S. Maritime Administration represented the Department of Transportation (DOT) in a meeting for senior British engineers and scientists visiting Washington, D.C., Cleveland, and Boston. The purpose of the weeklong visit was to explore opportunities for binational cooperation in offshore wind research and identify key long term issues and potential solutions. These offshore wind industry meetings were followed by others at embassies in Washington (United Kingdom and the Netherlands), and continue into the new fiscal year.

SLSDC has conducted outreach with Germany's offshore wind industry through the invaluable assistance of senior managers at the Seaports of Niedersachsen, a dynamic group of ports that the Highway H_2O group has partnered with for several years. A weeklong series of meetings and facility tours in Emden, Brake, Nordenham, Bremerhaven, and Cuxhaven included stops at turbine manufacturers, foundation companies, a cable supplier, and stevedore.

The future for onshore wind components moving through the Seaway continues to look bright with robust tonnage anticipated to be posted by the end of the navigation season.

Distinctive yellow tripiles at Cuxhaven, Germany await ship transport to offshore wind sites in the North Sea. Towering 70 meters high (45m under water), the 490 ton foundations hold 5 megawatt (and more) turbines.

U.S. Ports Report An Uptick in Tonnage

Seaway tonnage through the first two-thirds of the 2011 navigation season is up more than five percent over last year's figures, putting the waterway close to its seven percent increase projected at the spring opening.

Considering that only one of the big three Seaway commodities — grain — is doing substantially better than in 2010, the current respectable showing is surprising as well as welcome. Grain is up eight percent overall, but that is due to robust Canadian exports (up 24 percent) that are taking up the slack for lackluster U.S. export tonnage (down 27 percent). Earlier this year, U.S. grain exports via the Seaway were posting double and triple digit increases, setting the tone for the year but have cooled off in September compared to last season's strong pace. Iron ore, the waterway's historical commodity leader, is down 18 percent. The standard bearer for the third spot, coal, looks like a carbon copy of last year's record with a bump up of 20 tons.

The shining star for this year in 'other bulk' categories is petroleum products which has vaulted to more than 2 million tons so far. Other strong performers include salt (+40%), coke (+21%), and in modest quantities, scrap metal (+47%). General cargoes are up almost 16 percent, a figure of enormous importance given that this group typically generates several times as much economic impact per ton handled. Usually about 90 percent of the Seaway's general cargo is semifinished iron and steel such as slabs, coils, and pipe.

A small but highly coveted subset of general cargo is project cargo including wind turbines, generators and mining machinery. Tonnage for this group has almost doubled. The delivery of several barge loads of aluminum sows and ingots to Oswego, NY and frequent wind cargo deliveries to Burns Harbor, Ind. are among the most watched in the System. In early October, the Canadian Wind Energy Association noted that Canada is enjoying its best ever wind industry Season, though it's too soon to attribute specific percentages to this high value cargo to the Seaway.

Finally, transits are up more than 10 percent. That's excellent news for the Seaway as transits are the yardstick for determining capacity. Despite the growth, the Seaway has plenty more room for ships to trade in the Great Lakes St. Lawrence Seaway (GLSLS) System.

SLSDC Database Modernization

The Saint Lawrence Seaway Development Corporation (SLSDC) is currently modernizing its Seaway Stakeholder Database, and will be contacting you by either email or telephone to verify your contact information. Our database is our link to our stakeholders to keep you informed on the important news, issues and happenings in the Great Lakes St. Lawrence Seaway System. Thank you for your assistance on this tremendous effort.

Upcoming Events

November

November 30–December 1, 2011
Meeting of the Great Lakes Panel on Aquatic Nuisance Species
Ann Arbor, MI
Contact: Kathe Glassner-Shwayder; shwayder@glc.org

January

January 22–26, 2012
Transportation Research Board 91st Annual Meeting
Washington, D.C.
Contact: http://www.trb.org/AnnualMeeting2012/ContactUs2012.aspx

February

February 27–29, 2012
2012 Great Lakes Commission Semiannual Meeting and Great Lakes Days
Washington, D.C.
Contact: teder@glc.org