Future of Great Lakes Shipbuilding Looks Promising

Shipbuilding in the United States has been on a roll for the past three years due to skyrocketing shale oil and gas production, and Great Lakes shipyards are participating in this economic good news. In the United States, shipbuilding and oil and gas have long been connected because of the Jones Act. As the world’s newly crowned top gas producer and contender for that honor in oil production, America is increasingly focusing on its shipyards. While the Gulf Coast with its long history of offshore petroleum-gas production and shipyards supporting that industry has been at the forefront of energy issues, the Great Lakes is participating in a more measured but clearly positive fashion. Tougher environmental air quality emissions standards have focused ship operator efforts on cleaner, cheaper fuels than marine diesel. In the Great Lakes System, Interlake Steamship Company announced last year its commitment to converting its first 1,000 footer to run off liquefied natural gas (LNG) by 2015. No shipyard in the Lakes has yet been awarded a contract but that announcement is being eagerly anticipated. So what is happening?

One of the best known shipyards in the Lakes is Bay Shipbuilding Co. (BSC) in Sturgeon Bay, Wisconsin. Owned by Fincantieri Marine Group, BSC announced contracts for three oil/chemical barges and two tugs for Moran Towing Corporation of New Canaan, Conn., earlier this spring. The work began immediately and is slated for completion within 24 months. Two of the barges will hold 150,000 barrels of product with the third being a bit smaller and accommodating 110,000 barrels. The tugs will be...
from merchant marine students to senior citizens. Each time, I come away with the sense that there is a new energy in the region, a new period of revitalization underway, and a renewed focus — a ‘second-look’ at the maritime world of transportation.

In a short time, I have gained an appreciation of how important relationships and partnerships are in our system. I’ve seen the dynamic workings of the Great Lakes maritime industry, the commitment of so many individuals, and the optimistic spirit of our stakeholder community. I am impressed by how closely the U.S. and Canada work together to operate and maintain this large and complicated international waterway in a safe and seamless manner. And yet there is so much untapped potential! I like to call our Great Lakes region the “Opportunity Belt” because there is so much opportunity available to us all.

As Administrator, I want to raise the profile of the Great Lakes Seaway System and elevate the role of maritime transportation. Over the past year, we have witnessed some big events and promising developments in the Great Lakes St. Lawrence Seaway System: the launching of the new Cleveland-Europe Express scheduled liner service, the first-ever international export cargo shipments through the Port of Monroe, increasing shipments of high value export cargo such as the locomotives moving from the Port of Erie, increased dredging funding specifically for Great Lakes ports provided in the Water Resources Reform and Development Act, the attainment of the half-way point of the SLSDC’s Asset Renewal Program, and six U.S. ports earning SLSDC Pacesetter Awards. Each of these developments, and the resulting attention they garner from public officials and the business community, as well as the exposure they generate in multiple media markets is helping spread the word about us to policy makers and the general public alike. We are reaching a wider audience that is taking note when I talk about the advantages of using the water to move goods and commodities, and in particular, why the Seaway is the best way to connect the heartland of North America to global markets.

That leads to another priority, which is my desire to raise the economic development potential of the Great Lakes region through the use of the maritime mode. The data shows that the Great Lakes Seaway System is an economic driver for the region. I want to capitalize on that fact and believe there are ways to make our economic development efforts broader and even more impactful. To that end, I am working on efforts that will allow the SLSDC to provide more opportunities to support job creation and stimulate economic growth in the region. There are a number of examples of successful programs that exist in our Great Lakes states designed to give a jump-start to innovative projects that can serve as a model for this effort. With others, we are working to move this idea from concept to creation; to utilize the SLSDC as a valuable resource and as a regional economic development accelerator.

My interactions with individuals and groups in so many places this past year have provided me the opportunity to see where we can make inroads to gain the traction that will bring us to another level of visibility. The SLSDC will continue working hard to promote the importance and advantages of Great Lakes commercial shipping to regional public officials, new markets and stakeholders, and prospective users of the system in an effort to increase awareness, seek inclusion in state and national transportation freight plans, and generate new commerce through the waterway. I am confident that year two holds a great deal of promise — stay tuned!

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** ADMINISTRATOR’S COLUMN CONTINUED FROM PAGE 1 **

** Binational Trade Mission Postponed **

The Seaway Corporations have jointly decided to postpone the scheduled mid-October Seaway Trade Mission to Europe. Budget constraints of potential participants were frequently cited as a major issue for many of our stakeholders.

The Seaway Corporations are recommending changing the dates of the Trade Mission to May 18-22, 2015. This will coincide with the Breakbulk Europe Exhibition in Antwerp, Belgium. We did a similar Trade Mission a few years ago and it was very well received by the delegation. This time, we are attempting to add in the Dry Bulk Europe Exhibition in Antwerp, Belgium. The Trade Mission will also include a business information session with presentations from pertinent organizations and a networking reception.

If you have any questions or recommendations, please contact Rebecca Spruill, Director, Trade Development, Saint Lawrence Seaway Development Corporation at 202-366-5418 or Rebecca.spruill@dot.gov.
The Pearl Mist on Her Maiden Voyage through the Great Lakes

The Pearl Mist departed the Great Lakes Seaway System late September after completing its first full cruising season in the Great Lakes Seaway System. While in the Great Lakes the Pearl Mist sailed for 66 days, conducted 6 voyages and carried approximately 1,250 passengers. The ship visited both U.S. and Canadian ports in Lake Ontario, Huron, Michigan and Georgian Bay. The Pearl Mist will return July 15, 2015 for another full cruising season in the Great Lakes Seaway System.

6000 hp and a smaller 5300 hp; both will operate as articulated tug barges.

Donjon Shipbuilding and Repair (DSR) in Erie, Pa., has seen business grow steadily since its arrival in 2010. Last year’s rugged winter with record ice resulted in hull damage to many ships and the owners of the CSL Niagara, a Canadian self-unloader, and the Atlantic Huron, a self-discharging bulk carrier, turned to DSR for vital repair work.

A contract reportedly worth $125 million to build an 185,000 barrel chemical-petroleum ocean barge for Seabulk Tankers Inc. was signed last spring and work is underway on an 18-month project that will increase a 180-person workforce to about 250 in the coming months according to a DSR official. Seabulk will marry up the huge barge with a new tug being built at an East coast shipyard and participate in the growing and profitable movement of crude oil from Texas shale plays to U.S. refineries.

Cleveland’s Great Lakes Shipyard has been awarded three contracts in the last couple of months. In August the Environmental Protection Agency’s Lake Explorer II arrived to undergo drydocking, repairs and maintenance, upgrades and a new bulbous bow. The small (770-ton) research vessel performs essential marine environmental research in the Lakes. The following month the U.S. Geological Survey sent its research vessel, the R/V Kiyi in for repair and its five-year survey and inspection. Cleveland’s Great Lakes Shipyard won a contract worth nearly $5 million to build two tugboats for the New York Power Authority for that organization’s ice boom operations on the Niagara River.

Will the Great Lakes shipyards continue to see newbuilds and repairs associated with oil-gas production activities for a few more years? Assuming the supply and regulatory structure continues unchanged, the answer is probably ‘yes.’ Intensive hydraulic fracturing, horizontal drilling and 3-D mapping improvements have produced tens of millions of barrels of shale oil and billions of cubic feet of shale gas. These massive quantities of crude oil and natural gas must get to refineries—via pipelines, rail and/or marine vessels. Unless there is a sudden and major turn towards pipeline construction or a continued sharp increase in rail movements, the need for marine vessels to get this product to market is undeniable. Shipyards across America, including the Great Lakes, will continue to see newbuild orders.

The regulatory structure supporting that logic is the Jones Act, a linchpin of America’s maritime legislation. Almost a century old, it permits only American owned, built, and crewed vessels to discharge and load cargo from one U.S. port directly to another. That simple yet enormously important requirement means that the barges and tankers that are currently so much in demand to move oil and gas domestically (i.e., from crude oil terminals to refineries) must be built in U.S. shipyards.

Companies wishing to participate in America’s domestic marine market for LNG or liquid petroleum gas (LPG) would have to ensure that the vessels built—gas carriers or barges—are constructed in U.S. shipyards. Given the exponential growth in gas production and the large capital investment requirements for pipelines or rail deliveries, the potential for marine LNG and LPG domestic movements via barge within a decade look promising.

The President of the Shipbuilders Council of America, Matthew Paxton, summed it up best in an upbeat assessment of his industry to Congress in early September. How are they doing? “The state of America’s commercial shipyard industry is the strongest it has been in decades. [It contributes] hundreds of thousands of jobs and billions of dollars to the economy.” Great Lakes shipyards look to be well situated to receive a significant share of this sunrise industry.
Two Great Lakes Ports Receive Awards in AAPA’s 2014 Communications Competition

The American Association of Port Authorities (AAPA), a trade association representing leading port authorities throughout the Western Hemisphere, has selected 21 seaports to be recognized for exemplary communications projects and programs at its annual convention and awards luncheon this fall.

The 2014 AAPA Communications Awards Program, which had a May 1 deadline for entries, utilized 40 professional public relations practitioners from the Washington, D.C. area who cumulatively spent about 160 hours over a period of two-and-a-half weeks judging the 15 classifications of entries, ranging from advertisements and periodicals to videos and websites.

Based on the number of points awarded each entry by the judges, 34 submissions from 11 ports earned an Award of Excellence, while 36 submissions from 14 ports scored an Award of Distinction, and 36 submissions from 15 ports received an Award of Merit.

- The Ports of Indiana received the Award for Excellence for their Portside Magazine.
- The Toledo-Lucas County Port Authority received the following awards:
  - Award of Merit for Social/Web-Based Media
  - Award of Merit for their 2013 Annual Report to the Community
  - Award of Distinction for their “Do You Know the Toledo-Lucas County Port Authority?” video

To see all of the winning entries in the 2014 AAPA Communications Awards Program, go to http://www.aapa-ports.org/Programs/content.cfm?ItemNumber=19718

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GUEST COLUMNIST PAUL TOTH
CONTINUED FROM PAGE 1

Detroit, Toledo, Cleveland, Duluth, and many other cities on the Great Lakes and in the Midwest thrive during the industrialization of America. Transportation of natural resources such as coal, iron ore, aggregates, petroleum, and movement of Midwest grain had kept the commerce of Great Lakes vibrant and the economies of Great Lakes cities booming through the 1950s, 60s, 70s and into the 1980s. With cheap oil in the 1980s and 1990s, the cost of transportation of both raw materials and finished goods was a small fraction of the overall cost of manufacturing, and was practically overlooked as a cost of doing business, while companies focused on legacy costs of labor that could be dramatically reduced by outsourcing to foreign countries such as China and Mexico. This concept of outsourcing worked well while the price of oil was $30 per barrel or less, as this represented less than 25% of the cost of sourcing for companies, and even decreased further toward the end of the 1990s with increases in efficiencies throughout the transportation supply chain. These efficiencies included larger container ships, increased efficiency at container terminals, acceptance by the railroads of the need for more consistency and efficiency in intermodal rail connections, and use of technology and the internet to create a truly cost efficient transportation system.

With the price of oil at $100 per barrel, the equation has changed forever. Most would agree that $100+ oil is now our new normal. Even in spite of our recently found shale oil fortunes in the U.S., the oil industry will manage to keep the cost of oil in the $80–$100 per barrel range in order to achieve their targeted return on investment. This new normal has forced companies to change the way they think about their business, and transportation is no longer an overlooked expense in manufacturing. In fact, in warehousing and distribution of finished goods alone, the cost of transportation has ballooned up to 72% of the total cost of the supply chain. Companies are now less focused on the cost of labor and the cost of the building that they will lease, and have been refocused on the cost of transportation as the primary driving factor in locating their manufacturing and distribution facilities. Gone are the days of the real estate department in a corporation having the sole decision making in choosing the plant or warehouse location based upon state incentives and where the large developers were focused on building in large metro areas. Today’s corporations are looking at their supply chain divisions to determine optimal locations that will ultimately keep the cost of transportation at the lowest cost possible, including avoiding locations that create bottlenecks for movement of both inputs and outputs due to congestion of the transportation system.

So what does this all mean for the Midwest and Great Lakes Cities? OPPORTUNITY!
I have heard Administrator Sutton talk several times over the past year referring to the Great Lakes as the “Opportunity Belt”. I couldn’t agree more with her assessment. I believe that we are at a rare point in time for our region to take advantage of our location relative to transportation assets that have been developed over the past 100 plus years to support the industrialization of America. While those assets were marginalized during the 80s and 90s due to cheap oil and the increased efficiency of the overall supply chain, they have once again become incredibly important to the success of American business. As you consider strategic plans for your port and your community over the next 5–20 years, you should strongly consider where your strengths lie within the transportation system. At the Port of Toledo, we believe that the days of retreating and managing the status quo are behind us, and we are making bold investments in our community to support the reshoring of manufacturing, reshuffling of distribution networks, and other potential prospects that the “Opportunity Belt” is presenting.

- The Toledo-Lucas County Port Authority?” video

To see all of the winning entries in the 2014 AAPA Communications Awards Program, go to http://www.aapa-ports.org/Programs/content.cfm?ItemNumber=19718
Dwight D. Eisenhower Visitors’ Center Closes for the Season

The Saint Lawrence Seaway Development Corporation’s Visitors’ Center wrapped up another successful season on Labor Day. The Dwight D. Eisenhower Center continues to be a huge tourist attraction for shipwatchers from all over the country and the world. This year almost 56,000 visitors entered the Center or stopped by the overlook to view ships from dozens of nations traversing the binational U.S.-Canadian inland waterway linking North America’s heartland ports as distant as Duluth, Minnesota and Thunder Bay, Ontario with overseas markets.

Here are a few of the comments left in our Visitor log:

• From Denver, CO: “We traveled all the way from Colorado just to see this and we were not let down.”
• From Switzerland: “Wow! And very helpful people.”
• From Dewitt, IA: “Much bigger than the locks on the Mississippi.”
• From Montreal, QC: “The most amazing lock ever. That was so cool.”
• From Vermont: “Really great as always. Coming since 1959.”

The Eisenhower Lock and Visitors’ Center was also featured on The Getaway Guy that ran on New York Times Warner Cable for a summer segment. This was an excellent opportunity for the SLSDC, for Massena, N.Y., and for the region. To check out the video coverage, go to: http://rochester.twcnews.com/content/lifestyles/the_getaway_guy/753377/eisenhower-lock-getaway/

Seaway Included in Regulatory Cooperation Council (RCC) Pilot Program

On August 29, 2014, the United States (U.S.) and Canada jointly released the Regulatory Cooperation Council (RCC) Joint Forward Plan. The 2014 plan expands upon the initial RCC Joint Action Plan, originally released in December 2011, which outlines methodologies and practices to “facilitate closer cooperation between [the United States and Canada] to develop smarter and more effective approaches to regulation” and to make both “economies stronger and more competitive, while meeting the fundamental responsibilities to protect the safety and welfare” of North America’s citizens.

Since the Plan’s initial launch, U.S. and Canadian regulators and stakeholders have worked tirelessly to achieve greater regulatory cooperation and participation through a variety of new pilot initiatives, including a program specific to shipping on the Great Lakes St. Lawrence Seaway System. Four RCC pilots have emphasized maritime programs overall; construction and safety standards for recreational boats, overall marine transportation security regulation reform, establishing a universal lifejacket standard across North America, and consolidating the binational safety and security framework for vessels operating within the Great Lakes and the St. Lawrence Seaway. The Seaway-specific pilot sought to eliminate duplicative inspection processes to facilitate greater readiness of trade on the Great Lakes while “maintaining the same level of safety, security, and environmental protection.” SLSDC employees and other Seaway stakeholders, including the U.S. Coast Guard, were active in the Port State Control pilot project.

Phase II of the RCC was launched at the recent RCC Regulator and Stakeholder Conference in Washington, D.C., which began on October 7, 2014. RCC parties are expected to draft supplementary work plans that will address additional binational commitments, including shipping on the Arctic, cruise shipping regulation, ballast water compliance, and other regulatory issues affecting the Seaway stakeholder community. The SLSDC and the U.S. Department of Transportation intend to remain actively involved as the work of the RCC continues in the months and years to come. All Seaway stakeholders are encouraged to stay up-to-date on new regulatory cooperation updates as they are announced. Stakeholder engagement sessions are expected in the near future and will be announced in both the United States at http://www.trade.gov/rcc/ and in Canada at http://actionplan.gc.ca/en/content/regulatory-cooperation-council.
Administrator Betty Sutton Presents Robert J. Lewis Pacesetter Awards

Saint Lawrence Seaway Development Corporation’s (SLSDC) Administrator Betty Sutton presented the Robert J. Lewis Pacesetter Award to Paul Toth, President & CEO of the Toledo-Lucas County Port Authority, during the Ohio Conference on Freight last month.

The Robert J. Pacesetter Award recognizes Great Lakes ports that increased international cargo tonnage.

During the 2013 navigation season, the port handled over 4.1 million metric tons of freight through the Seaway, and more than 972,000 metric tons of freight on ocean vessels, representing a five percent jump in tonnage over 2012 figures. In total, the Port of Toledo handled over 9.7 million metric tons of cargo during the 2013 shipping season. General cargo through the port more than doubled last year representing the most significant aluminum and steel volume in five years. Ships from Germany, Latvia, Ukraine, Norway and India carried steel coils, beams and pig iron. Soybean exports were another commodity on the rise after the 2012 drought. The eight percent jump in tonnage was predominately shipped to China.

Paul LaMarre, Port Director, Port of Monroe, and other port officials accepted the Robert J. Lewis Pacesetter Award from SLSDC Administrator Betty Sutton during the AGLPA summer meeting. This is the first year that the Port of Monroe has earned a Pacesetter Award.

More than 2.1 million tons of cargo were handled through the port during the 2013 navigation season, with 97 vessel calls. Most of those ships (81) were providing low sulfur, Powder River Basin coal for DTE Energy’s Monroe Power Plant where local workers have been busy adding scrubbers to this plant.

The modular upgrades used in helping make this power plant one of the cleanest coal burning facilities are large and heavy. That means waterborne movement to site is an ideal transportation solution not just for safety and competitiveness but for environmental reasons as well.
SLSDC Participates in 2014 Boom Deployment Exercise with Akwesasne Reservation

On August 21, 2014, the Saint Lawrence Seaway Development Corporation (SLSDC) in coordination with the Saint Regis Mohawk Tribe’s Environmental Response Team (ERT), U.S. Coast Guard, and other local agencies participated in a Boom Exercise. The annual exercise provides local responders with practical training in boom deployment, handling, and watercraft maneuvering and testing of local response capability in advance of a potential spill in Tribal waterways. The exercise provides the opportunity for the Tribe and cooperating response agencies to network and learn from one another about their response capability, tactics and practical skills.

The event began with a roundtable discussion of resources in the area between the reservation, U.S. Coast Guard, and the SLSDC. Also discussed were first responder actions, cleanup, and diversion of spills. After the roundtable discussion, a mock drill of a spill on the river was conducted. A boom deployment took place to simulate the diversion of the spill away from a marsh area and fish habitat.

The exercise was a complete success and provided the opportunity to assess local response plans, identify resource needs, and discuss ways to improve response capabilities.
Personnel News

Many of our Great Lakes Seaway stakeholders may or may not be aware that long-time Seaway employee Carol Fenton, Associate Administrator for Strategic Planning and Programs, Saint Lawrence Seaway Development Corporation (SLSDC), retired last summer, June 2013, after 35 years serving in various capacities at the SLSDC. We were lucky enough to have her come back as a retired annuitant to help continue her fine work with several significant initiatives that were well underway. Well, she has really decided to retire this time, and we wish her all the best in her well-earned retirement.

Tom Lavigne has assumed the position of Associate Administrator for Infrastructure Management and Strategic Programs. Tom continues to lead the Office of Engineering and Maintenance overseeing the Asset Renewal Program as well as the Office of Lock Operations and Marine Services. Thank you, Tom for taking on the extra duties and responsibilities. Your willingness and can do attitude is greatly appreciated.

Captain David W. Murk recently completed a three-year assignment as the Senior Maritime Advisor to the Secretary of Transportation where he advised the Secretary on a wide variety of maritime policy matters and represented the Department on the National Ocean Council Deputy Secretaries’ Committee, and on the Coordination of Domestic Energy Development and Permitting in Alaska Deputies Working Group. We wish him well in his new role at the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration, and appreciate all he did to support the Saint Lawrence Seaway Development Corporation. Thank you, Dave for all your support of the Great Lakes Seaway System, we will miss you.

Captain Kirsten (“Kirt”) Martin has taken over Captain Murk’s duties. Captain Martin is a career Coast Guard maritime safety and security officer with over 26 years of service in the United States Coast Guard. Captain Martin’s most recent assignment was in a special assignment at the Office of the Secretary of Defense where she was the Coast Guard’s lead liaison with DOD working on a wide spectrum of military personnel compensation and policy issues across the military services.

The Erie-Western Pennsylvania Port Authority has announced a new Executive Director to take over when current Executive Director, Ray Schreckengost, retires at the end of October. Brenda Sandberg has been appointed to become the next Executive Director for the Port Authority. Ray, please know your extensive knowledge of the port and the Seaway System has played a key role in development of the Erie-Western Pennsylvania Port Authority, and you will be greatly missed.

The Detroit/Wayne County Port Authority Board of Directors unanimously appointed John Loftus to be the next Executive Director of the Port Authority. “John’s experience with port authorities is unparalleled,” said Thomas Orzechowski, Jr., Chairman of the Board of Directors, “We are thrilled that John is coming aboard and bringing his wealth of knowledge to make a positive impact in the Detroit/Wayne County region.”

Prior to running the Detroit/Wayne County Port Authority, Loftus served as Executive Director of the Lake County Port Authority in Ohio, and prior to that served as Vice President of Regional Development at the Cleveland-Cuyahoga County Port Authority, and the Seaport Director at the Toledo-Lucas County Port Authority. Welcome back, John.

Canada Steamship Lines (CSL) announced that Louis Martel will become President and Allister Paterson will become Executive Vice-President beginning January 2, 2015.

Thank you for your continued support of the Saint Lawrence Seaway Development Corporation’s mission.

Greg Wight, President and CEO of Algoma Central Corporation, announced his plans to retire, after 35 years with Algoma, from the corporation during the first quarter of 2015. We wish you all the best.

Upcoming Events

November
November 9–13, 2014
AAPA 2014 Annual Convention and Expo
Houston, TX
Contact: http://www.aapahouston.com/events/aapa-annual-convention/event-summary-a118b9b3f7704967a6cd69ab3210d2dd.aspx

November 19–20, 2014
Hwy H2O Conference
Toronto, ON
Info: http://hwyh2o-conferences.com/

December
December 4, 2014
Great Lakes Stakeholder Appreciation Reception
Montreal, Quebec
Contact: Kyle.savage@dot.gov; (202) 366-0095

February
February 10–11, 2015
Great Lakes Waterway Conference
Cleveland, OH