FALL 2009

Seaway Compass

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

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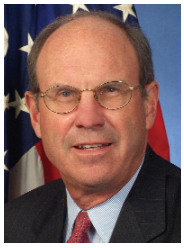
ADMINISTRATOR'S COLUMN



Collister Johnson, Jr.

Growing the Seaway

When I took over the job as Administrator of the Saint Lawrence Seaway Development Corporation three years ago, I tried to boil down our strategic plan for the Seaway into six words: "Fund It, Fix It, Grow It".

The "Fund It" part of the plan has succeeded. The "Fix It" part is underway. We now have in place an Asset Renewal Program consisting

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Sea3 Container Feeder Service Barging Forward

Shippers interested in a waterborne competitor for truck and rail movement of their containerized goods between Hamilton and Montreal have had their wish granted. The Port of Hamilton launched Sea3 on July 3, and the container on barge service has been running weekly between Canada's busiest Great Lakes port and the country's second largest container port, Montreal.

The barge service accommodates 260 TEUs, the 20 foot steel boxes that are always in demand in the "Golden Horseshoe" region of western Lake Ontario. The larger 40 foot containers used primarily in the international trade sector that move on this new start up service are mainly stuffed with consumer products and machinery.

"This service is exceptional for providing shippers and ultimately the public a cost-effective means of reliable container movement in the most environmentally friendly fashion possible," said Bruce Wood, President and CEO of Hamilton Port Authority. "We are excited about the potential for this service and believe that it will signal an increase in waterborne box movement in Great Lakes ports as shippers seek competitive transport options in a difficult economic climate."

Hamilton Port Authority developed the initiative and it is operated by its wholly owned subsidiary, Sea3 Inc. The container barge service offers three fundamental advantages, according to company officials. They note that it cuts overall transportation costs for selected cargoes, it posts a better environmental performance (i.e., reducing the carbon footprint) than rail and truck modal competitors, and it offers social benefits such as less road and rail congestion.

A barge leaves Montreal on Monday, works its way upbound through the Seaway's Montreal to Lake Ontario locks to arrive in Hamilton typically within 48 hours. A full day in port is planned, which permits 24 extra hours to ensure that any bad weather does not put the schedule in jeopardy. The next barge leaves Hamilton on Friday for Montreal arriving typically on Sunday. The feeder service schedule calls for it to run from beginning to end of the Seaway navigation season that has averaged 40 weeks over the last two decades.

Sea3 provides an efficient all water shuttle that links the Golden Horseshoe region with direct access to multiple global shipping lines.

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of over 50 projects at a cost of approximately $165 million which will rebuild and rehabilitate all Seaway assets over the next ten years.

Now comes the hard part: "Grow It". Since its inception 50 years ago, the Seaway has been an essential and effective conduit for the transport of bulk commodities throughout the agricultural and industrial heart land of North America. But times are changing. The recent economic crisis will probably produce structural changes in the industrial base of the Midwest. The old adage of "steel in—grain out" may not be as relevant for the Great Lakes Saint Lawrence Seaway System (GLSLS) as it was in the past. Shipment of bulk commodities tends to ebb and flow with the state of the economy. It is difficult to consider growth of a system which is dependent on the vagaries of the business cycle.

So how does the Seaway capture growth?

The first place to start is to focus on the one sector of maritime transport which is indisputably growing, and that is containers. Most experts predict that container traffic will continue to grow at roughly 7 percent per year (after recovery from the recent economic downturn). Is there an opportunity for the waterborne transport of boxes within the GLSLS?

One indication that this may be so is the recent initiation of tug/barge container service between the Port of Hamilton and Montreal. This partnership between the port and McKeil Marine cleverly skirts some of the barriers that have impeded such service in the past:

- Tug/barge service avoids the 25 percent duty requirement that has traditionally applied to container ships under Canadian cabotage laws.
- Focusing on "heavy" containers relieves the railroads of cargo which they would prefer not to carry in the first place.
- By forming its own marketing company, Sea3, the port is better able to manage supply and demand.

Here at the Seaway we are spending an extensive amount of time and resources conducting due diligence on the possibility of container services through the Seaway. There is no question that the obstacles are formidable, and the consensus of industry experts is that it will not happen. But that is what they said to the Wright brothers. That is what they said to the people who predicted that smallpox could be eradicated in our lifetime. That is what they said to the folks who said that everyone in the world would be able to communicate instantly only using electrons.

We are seeing some recent momentum in Congress on legislation that could go a long way toward removing the barriers to container shipping in the Great Lakes. Legislation originally sponsored by Cong. John McHugh (who has now moved on to become the Secretary of the Army) was reintroduced by Cong. Brian Higgins at the end of July, H.R. 3486. Since then, more than two dozen other members of Congress from both parties have signed on as cosponsors of this bill which would exempt short sea shipping operations from the Harbor Maintenance Tax (HMT). A litany of maritime trade associations and labor organizations have endorsed this legislation and the word is spreading. In addition, Senator Debbie Stabenow has reintroduced her bill from last year which exempts short sea shipping operations in the Great Lakes from the HMT, S. 1509.

The efforts to ease landside congestion, reduce air pollution and fuel consumption and provide an incentive for waterborne transportation of cargo—at virtually no cost to the government—as this legislation provides, will continue to demand our collective time and energy. But I believe this is an achievable, near-term goal that will make a huge difference in realizing our "GROW IT" challenge.

Sea3 Container Feeder Service Barging Forward, continued from page 1

The 315-nautical mile lake route is ideal for servicing Ontario's diverse manufacturing operations. Hamilton has long been the steel center of the province, and its close proximity to Toronto's millions-strong customer base make a waterlink with Montreal a sound financial transport route.

The manufacturing sector's slowdown, especially the automobile industry, has many shippers looking for ways to retain reliable container deliveries without paying just-in-time freight rates. Government data in the U.S. and Canada suggest customers are not purchasing at the same rates as they did before the 2008 – 2009 global recession, so supply chain cost cutting efforts are likely to continue at least until a robust rebound occurs.

Getting the maximum tonnage into each container at the best price with reliable service is a strong incentive for shippers to switch at least their heavy containers to the water. The Sea3 barge service specifically targeted heavy commodities like iron and steel components and ceramic tiles. Heavy cargoes such as auto parts, screws, nuts, bolts, and the like are most often stuffed in the smaller 20 foot containers which can transport as much as 28 tons. Safety regulations preclude such full loading on trucks and rail which means less tonnage per box, resulting in more boxes and higher transport costs.

Another key component that Sea3 is focusing on is the development of an empty container pool in Hamilton and the Hamilton Port Authority is working steadily towards establishing an inland depot for empty containers. Ian Hamilton, the Vice President for Marketing, Hamilton Port Authority, explains why that's so important. "Giving our customers the opportunity to pick up containers here will be extremely convenient, cut down on drayage costs that siphon away profits, and provide built in long-term business opportunities for the port and community," said Hamilton.

Sea3 pulls upon the expertise of each of its varied marine business stakeholders. Tug and barge service is provided by McKeil Marine Limited, the largest Canadian barge operator in the Great Lakes, and a company with experience in short sea shipping. The Federal Marine Terminals and Montreal Gateway Terminals act as managers for their respective ports in Hamilton and Montreal. Bookings and sales along with the administrative paperwork requirements fall to Montship Inc.

The steel sector has been the first to commit volume to the service, given the huge benefits for heavy weight commodities. The big surprise has been the attraction of over dimensional/out of gauge pieces on flat racks and in open tops where users are enjoying substantial savings.

Mr. Wood noted that as with any new product or service which is introduced into the marketplace, effecting a mindset change to consider these alternatives is often met with resistance. "Generating sufficient volume to create a sustainable business model is critical, and we are very encouraged by the new customers coming onboard every week," he said. "Over the last three months Sea3 has shown that moving containers on the Highway H_2O is a viable green, socially responsible alternative to land transport, and I would encourage both U.S. and Canadian governments to tangibly support innovations like this."

The 2010 season may well be the one that proves whether Sea3 and feeder container-on-barge movements are a growth industry or a short-term solution to tough economic times. For now at least, the Sea3 stakeholders and Highway H_2O community are crossing fingers that this business is here for the long haul.

HIGHLIGHTED GUEST

Gregg Ward,
Vice President, Detroit-Windsor Truck Ferry

The Marine Highway: A Road to Recovery

The U.S. Marine Transportation System (MTS) is an amazing collection of ocean, costal, and inland waterways that efficiently and safely moves goods and people. International trade is vital to our economy and the MTS proudly serves importers, exporters, manufactures and agriculture producers by carrying 43.5 percent by value and 77.6 percent by weight of all U.S. international trade.

One component of the MTS that has yet to reach its potential is the Marine Highway System. A vibrant network of freight ferries and container-on-barge operations can help relieve congestion on certain highways, expand national highway freight capacity and potentially reduce travel times. Heavily congested routes along the coast and at border crossings can be served with marine alternatives to keep freight moving and provide redundancy to critical infrastructure.

The most significant impediment to the development of the Marine Highway system is the Harbor Maintenance Tax (HMT). The HMT was enacted by Congress in the Water Resources Development Act of 1986. This is an *ad valorem* tax meaning a tax on the value of cargo.

Currently the HMT applies, with limited exceptions, to domestic and foreign marine cargo unloaded at a U.S. port, including waterborne cargo arriving from Canada. The HMT is not assessed on the harbor or port, nor is it assessed on the vessel's operator or owner. The tax is set on the value of the cargo, and is to be paid by the shipper or importer of the cargo. Not subject to the HMT is domestic highway freight and imported cargoes arriving in the U.S. by a land border — highway, bridge or tunnel.

Now for the good news:

With the support of shippers, ports, maritime labor and vessel operators, several legislative proposals are now before the 111th Congress that exempt non-bulk marine cargo transported between U.S. ports and between Canadian ports on the Great Lakes from the HMT.

The proposed legislation promises, at last, to remove the most significant barrier to the development of a robust Marine Highway system in the United States.

These bipartisan proposals are revenue neutral, meaning they will have a *de minims* impact of the federal budget. The proposed legislation will not affect or change the application of the HMT on cargo arriving from overseas — which is the major source of tax receipts funding the Harbor Maintenance Trust Fund.

The HMT exemption, when passed, will enable the expansion of the Marine Highway — strengthening the domestic maritime industry, providing redundancy and resiliency to our transportation network, benefiting trade and improving the environment.

This article appeared in its entirety in the Marine Log, September 2009.

Great Lakes Wind Collaborative Offshore Wind Work Group

The SLSDC Office of Trade Development participated in a one-day offshore wind work group meeting of the Great Lakes Wind Collaborative (GLWC) in Ann Arbor, Mich., on October 8. The GLWC is a coalition of wind energy stakeholders working to facilitate the sustainable development of wind power in the binational Great Lakes region. Led by the Great Lakes Commission, the offshore working group seeks to identify and address issues affecting the planning, development, and operation of offshore wind power facilities in the Lakes.

This meeting focused on four major topics. The morning sessions focused on permitting/siting issues and the requirement of environmental impact statements. Two breakout groups addressed regulation of submerged land leases and public trust responsibilities as well as R&D issues such as data collection, and scientific and technological research. The afternoon sessions dealt with federal and state regulation of wind turbine sites and public outreach and perception.

Tim Downey, SLSDC International Trade Specialist, reported that a survey of port/terminal infrastructure capable of handing windmill components is being prepared for distribution. The Collaborative anticipates it will be sent to U.S. and Canadian ports in the coming weeks, and when completed and collated will provide companies with vital information that can be accessed quickly in a single location.

Duluth Embarks on New Era in Great Lakes Passenger Cruising

The July 4th arrival of the *Clelia II* ushered in a new era of luxury passenger cruise service for Duluth and the Great Lakes. This, her maiden voyage on our inland waterway, was the first of 12 seven-day, one-way trips between Toronto and Duluth this year. Based on the success of this venture, Travel Dynamics International (TDI) is already booking Great Lakes expedition cruises aboard the *Clelia II* for 2010.

Cruise vessels have periodically called on the Twin Ports, but it has been decades since Duluth has enjoyed *regular* service or served as an origin/destination hub. Maritime and tourism industry leaders worked collaboratively with government officials for nearly two years to make this a reality (including Great Lakes Cruising Coalition, Duluth Seaway Port Authority, Visit Duluth, Great Lakes Aquarium, the DECC, U.S. Customs and Border Protection (CBP), U.S. Coast Guard, City of Duluth, Monaco Air Duluth, Daniel's Shipping Services, General Security Services Corp., UWS Transportation and Logistics Department, offices of Congressman Jim Oberstar and former Senator Norm Coleman). An interim CBP Federal Inspection Station was created at the Great Lakes Aquarium where officers cleared disembarking passengers.

In addition to Duluth and Toronto, passengers aboard the *Clelia II* visited many points of interest on their voyage through the Great Lakes, including:

- Port Weller/Welland Canal/Niagara Falls
- Little Current, Manitoulin Island, Ontario
- Mackinac Island, Michigan/Soo Locks
- Houghton/Keweenaw Peninsula, Michigan
- Thunder Bay, Ontario/Old Fort William

Great Lakes Regulatory Forum in Detroit

On September 24, 2009, the Saint Lawrence Seaway Development Corporation and the International Joint Commission co-hosted an information-sharing forum on ballast water issues in the Great Lakes St. Lawrence Seaway System. The forum was held in Detroit, Michigan, facilitated by representatives from the Minnesota Sea Grant and Great Lakes Commission and attended by representatives from State and Provincial Governments (Minnesota, Wisconsin, Illinois, Ohio, Michigan, New York, and Ontario); U.S. and Canadian Regulatory agencies (U.S. Coast Guard, U.S. Environmental Protection Agency, U.S. National Park Service, U.S. National Oceanic and Atmospheric Administration, U.S. Geological Survey, Transport Canada, and Fisheries and Oceans Canada); senior executives from the U.S.-flag laker, Canadian-flag laker, and international fleets; and the leading academic ballast water researchers from Canada and the United States.

The goals of the meeting were to share relevant information among the participants, increase dialogue among the key stakeholders involved in this issue, and to discuss ways of further reducing the risk of introduction and spread of invasive species through ballast water. These goals were met successfully, and at the end of the meeting participants felt that they had begun the process of breaking down barriers by exchanging pertinent information. One main point on which participants established consensus was the fact that uncertainty in the area of ballast water management has been bad for technology, bad for business and bad for policy. The parties present expressed a willingness to collaborate and improve communications moving forward.

Congressional Staff Tours the SLSDC's Massena Facilities

A Congressional staff on-site tour of the Massena, N.Y. facilities and lock operations took place in early September. This provided an opportunity to take a small group of key authorization and appropriations staff to observe the day-to-day operations of the Seaway System. Participants included key majority and minority staff from both the House and Senate as well as individuals from the Office of the Secretary of Transportation who are involved with Seaway issues.

The briefings included a discussion led by the SLSDC's Chief Engineer of the infrastructure projects being funded in FY09 under the Asset Renewal Program. The group visited one of the rehabilitation projects, the Seaway International Bridge, as part of the day's tour. In addition, Seaway Corporation managers provided attendees a personalized briefing of lock operations and vessel traffic control procedures. A demonstration of our navigational system, the Automatic Identification System, took place aboard the Seaway's workboat, the *Robinson Bay*, on which the group had the opportunity to transit Eisenhower lock. A discussion of the joint ballast water inspection process and a viewing of a ship transiting through the locks capped off the day.

Congressional delegation watches a ship go through the locks.

Rulemakings

On August 28, 2009 the United States Coast Guard (USCG) proposed a two-phase ballast water discharge standard. The phase-one standard is based on the International Maritime Organization (IMO) "Regulation D-2" standard of the Ballast Water Management Convention. The phase-two standard is based on the most stringent U.S. state regulations proposed, which are essentially 1,000 times more stringent than phase-one standards. In this rule-making, the Coast Guard is also establishing an approval process for ballast water management systems.

Also on August 28, 2009, Environmental Protection Agency (EPA) proposed a rule under the Clean Air Act that sets new engine and fuel standards for U.S. flagged ships, which are consistent with amendments to Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL Annex VI). This rule would apply to the proposed binational Emission Control Area (ECA), which is within 200 nautical miles of the coasts of both the U.S. and Canada and includes the Great Lakes.

Fact Finding Trip to Europe

From September 26 to October 2, 2009, SLSDC Administrator Collister Johnson, Jr. and Canadian counterpart, Richard Corfe, President and CEO, The St. Lawrence Seaway Management Corporation (SLSMC), traveled to Europe in a binational effort to increase awareness about the opportunities and challenges of moving containers via Short Sea Shipping operations in the Great Lakes St. Lawrence Seaway (GLSLS) System. They met with senior executives from various European inland waterway ports and terminals, as well as associations that currently conduct or promote operations in this growth industry.

After receiving a tour of Port of Duisburg, Germany, officials engaged in a discussion about port operations with Erich Staake, President and CEO.

For the GLSLS System to achieve its goal of successfully re-introducing container shipping into the System, the SLSDC and SLSMC sought the counsel of experienced maritime professionals from the Associated British Ports and Freight by Water, in London, England and the port and terminal managers and ship owner/operators from the inland waterway ports of Duisburg, Germany, and Rotterdam and Amsterdam, The Netherlands.

U.S. and Canadian Great Lakes Seaway System stakeholders routinely consult with the Seaway Corporations for research and guidance in adopting 'best practices' for the efficient movement of cargo to the heartland of North America. With significant political and business interest in jumpstarting these types of operations in the System, it's imperative that the Seaway leaders gain knowledge on how they can most effectively implement the movement of containers via short sea shipping operations based on the lessons learned and success stories of European operations that have garnered worldwide praise.

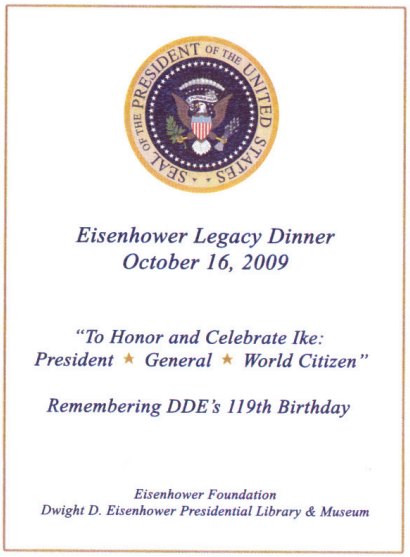
Eisenhower Legacy Dinner

The Eisenhower Foundation and Dwight D. Eisenhower Presidential Library and Museum invited SLSDC Administrator Collister Johnson, Jr. to be the keynote speaker at their annual *Eisenhower Legacy Dinner* on Friday, October 16, 2009 in Abilene, Kansas. The audience of some 150 people traditionally includes descendants of President Eisenhower, the Governor and officials from the state of Kansas, general officers from nearby Fort Riley and Fort Leavenworth, area business leaders, university officials, and other "Friends of the Eisenhower Foundation."

PHOTO COURTESY OF ABILENE REFLECTOR-CHRONICLE

Collister Johnson, Jr., SLSDC Administrator.

The Administrator's remarks were most fitting as the Seaway is celebrating its 50th Anniversary. A few years ago, President Eisenhower was named the "Transportation Person of the 20th Century" by the American Association of State Highway and Transportation Officials. While his establishment of the interstate highway system is well known, we believe it is equally important for Americans to understand his critical role in the creation of the St. Lawrence Seaway and the impact this vital waterway has on commerce in this country. Administrator Johnson said, "Eisenhower was the right president at the right time." Eisenhower was president when the Wiley-Dondero Act (or Seaway Act, May 1954) was approved to allow the U.S. and Canada to develop the seaway.



Seaway Personnel News

It is with a saddened heart to report the passing of former SLSDC Administrator, **David "Dave" Oberlin**, on July 28, 2009 in Florida. Mr. Oberlin was 89. He served as the Corporation's fourth Administrator from 1969 – 1983.

Mr. Oberlin was a former U. S. Navy Commander, awarded the Silver Star for Conspicuous Valor in the Submarine Service during WWII. He subsequently served as Assistant Director of the Toledo-Lucas County Port Authority, Director of the Duluth Seaway Port Authority, Administrator of the Saint Lawrence Seaway Development Corporation, Special Assistant to the Director of the Maritime Administration, and President of Fednav USA.

Mr. Oberlin was preceded in death by his beloved wife, Ellie, an accomplished artist and poet. He is survived by daughters Diane Oberlin and Alida Pisano, and by sons David and Robert and an extended family including 11 grandchildren and 4 great grandchildren.

Mr. Oberlin was the longest-serving Administrator, and the Seaway has truly lost a legend.

Captain Robert (Bob) Muir Fraser, founder and President of Gresco Ltée passed away on September 21, 2009. He was 71 years old.

Michael Stolarczyk, President of the Toledo-Lucas County Port Authority has recently resigned his position. Paul Toth will be the new president effective immediately.

Upcoming Events

December

December 3, 2009
SLSDC Stakeholder Appreciation Event
Montreal, Quebec
Contact: kyle.savage@dot.gov

December 10 – 11, 2009
Meeting of the Great Lakes Panel on Aquatic Nuisance Species
Ann Arbor, MI
Contact: Erika Jensen; ejensen@glc.org

January

January 15, 2010
Marine Club Annual Dinner
Toronto, ON
Contact: Ken Burns; kburns@greatlakes.seagulf.com

February

February 10 – 11, 2010
Marine Community Day
Cleveland, OH
Contact: www.marinecommunityday.com

February 21 – 24, 2010
GLC Semiannual Meeting and Great Lakes Days in Washington
Washington, D.C.
Contact: Tim Eder; teder@glc.org