

**STATEMENT OF JAMES WEAKLEY, PRESIDENT,  
LAKE CARRIERS' ASSOCIATION, BEFORE THE  
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION OF  
THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
2:00 p.m., June 19, 2019**

**“Short Sea Shipping: Rebuilding America’s Maritime Industry”**

Good morning. Thank you for the opportunity to speak to you today. I am Jim Weakley, President of the Lake Carriers’ Association (LCA). We represent 13 American companies that operate 46 U.S.-flag vessels on the Great Lakes and carry the raw materials that drive the nation’s economy: iron ore and flux stone for the steel industry, aggregate and cement for the construction industry, coal for power generation, as well as sand and grain. Collectively, our members can transport more than 100 million tons of dry-bulk cargo per year and employ more than 1,600 men and women, all of whom are U.S. citizens or legally admitted aliens, and provide annual wages and benefits of approximately \$125 million. In turn, the cargos our members carry generate and sustain more than 103,000 jobs in the eight Great Lakes states and have an annual economic impact of more than \$20 billion.

I would like to provide a brief overview of the Great Lakes Navigation System (GLNS), its different market segments, how we engage in short sea shipping and are investing in our fleet. Then, I’ll focus the majority of my testimony on the economic and environmental benefits of marine transportation. I’ll touch on the challenges we face, the importance of the Jones Act and government’s role in maritime infrastructure.

***The GLNS***

The Great Lakes Navigation System (GLNS) enables maritime commerce on America's Fourth Sea Coast. The five Great Lakes are tied together by three connecting channels (the St. Marys River, the Detroit/St. Clair River system and Welland Canal) and the so-called "Achilles Heel of North American Manufacturing," the USACE navigation locks at Sault Ste. Marie, Michigan (Soo). The St. Lawrence Seaway is the umbilical cord that connects the GLNS and its 68 U.S. ports and 35 Canadian ports to global trade. The Great Lakes are a bi-national system supporting both domestic and international trade. For example, in the Detroit/St. Clair River portion of the system alone the navigation channel crosses the U.S./Canadian border 17 times. If measured as a single region, the eight Great Lakes States and two Canadian Provinces represent the world's third largest economy.

Although there is a great desire to move international *container* traffic through the GLNS, the majority of the cargo moved today is bulk. The international ocean-going fleet,

vessels, sometimes referred to as "salties," primarily bring steel into the Great Lakes region and take grain out. Approximately 225 salties call annually on both sides of the border moving 10 million tons of cargo annually.

U.S.-flag "lakers," the vessels LCA represents, are ships and barges specifically designed for the Great Lakes trade. Most are self-unloading dry-cargo vessels, although some lack the self-unloading equipment, and others move liquid bulk material. Both the United States and Canada reserve their domestic waterborne movements of cargo for "coastwise qualified" vessels. Our nation's Jones Act vessels are American-owned, American-built and American-crewed. In 2018, U.S.-flag lakers transported approximately 84 million tons of iron ore, coal, limestone, cement, salt, sand, and grain in domestic moves (between two U.S. points) under the Jones Act, and they carried 2 million tons of cargo between U.S. and Canadian ports. In 2014 (the last year they published cargo data) Canadian-flag lakers transported 69 million tons of cargo. About half of that total moved domestically (between two points in Canada), including Canadian points on the Great Lakes ports, the Canadian Arctic or its East Coast, and about half between U.S. Great Lakes ports and Canadian ports.

### ***GLNS and Soo Lock Economic Importance***

LCA members are the linchpin of what has been called "one of the nation's most economically vital systems, the iron mining—integrated steel production—manufacturing supply chain..."<sup>1</sup> In general, iron ore, the primary raw material for steel, is transported by our ships from mines in Minnesota and the Upper Peninsula of Michigan to steel mills in Indiana, Ohio, Michigan and Pennsylvania. So crucial is that waterborne supply chain that the Department of Homeland Security (DHS) has warned that an interruption of domestic shipping services through the Poe Lock would have "catastrophic impacts on the regional and National economy,"<sup>2</sup> including the interruption of steel production and the plunging of the North American economy into a "severe recession."<sup>3</sup>

The DHS study estimated that 11 million Americans would become unemployed if shipping through the Poe Lock was interrupted for a 6-month period beginning at the start of the shipping season. According to DHS, the State of Michigan's unemployment would reach 22%, exceeding its peak unemployment rate of 15% during the Great Recession of 2008. This is a direct result of interrupting the manufacturing made possible by the 60 million tons of key raw materials transiting the Poe Lock on an annual basis.

However, this is a national problem. In fact, the unemployment spikes in the event of an interruption in Great Lakes shipping will ripple through the United States, a result of the far-reaching impacts of the automobile manufacturing and general steel industries. Three States,

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<sup>1</sup> "The Perils of Efficiency: An Analysis of an Unexpected Closure of the Poe Lock and its Impact," Department of Homeland Security, (October, 2015), at 1. While this report is focused on the impact of a failure of the Poe Lock, through which vessels that are part of this supply chain must pass, the analysis also demonstrates the significant impact of shipping on the Great Lakes economy and beyond.

<sup>2</sup> Id. at 29.

<sup>3</sup> Id. at iii.

Michigan (944,000), Texas (865,000) and Ohio (826,000) would experience job losses in excess of 800,000 people. The DHS study also determined that nearly 100% of North American appliance, auto, construction equipment, farm equipment, mining equipment, and railcar manufacturing would cease. The \$1.1 trillion decrease in gross domestic product would result in widespread bankruptcies and a likely recession. DHS concluded that, “In terms of an impact to the North American economy, it is hard to conceive of a single asset more consequential than the Poe Lock.”<sup>4</sup> Without our vessels to move the raw materials via the GLNS, this North American manufacturing would not be possible.

### ***This Hearing***

This hearing examines domestic movements of cargo via marine transportation, also known as “short sea shipping.” By understanding the dynamics and market forces that make the Great Lakes Navigation System (GLNS) successful, we may be able to expand it to other markets. Recognizing the challenges we face can lead to good investment decisions by government and business.

### ***Economic and Environmental Benefits of Marine Transportation***

#### **Comparing Energy Consumption and Air Emissions:**

It takes less energy to move cargo via water than it does the other modes of transportation. A U.S.-flag laker can move a ton of cargo 607 miles, the approximate distance from Duluth to Detroit, while consuming only one gallon of fuel. A truck can typically move that same ton of cargo about 59 miles per gallon and rail can move it 202 miles per gallon. Given the lower energy consumption, marine transportation emits fewer tons of carbon dioxide. A laker will emit 19 tons to transport 1,000 tons of cargo 1,000 miles. Trucks making the same cargo movement will emit 190 tons. Attachment 1 provides a modal comparison of fuel consumption and carbon dioxide emissions.

Economies of scale also help us achieve lower energy consumption rates. One of our lakers can move 70,000 tons of cargo. That is the equivalent of 700 rail cars or 3,000 trucks. Another measure of modal efficiency is horsepower per ton. Trucks require 12-20 horsepower for each ton of cargo moved. For rail it is about 1 to 1 and for vessels, it is 0.2 - 0.3. If trucks could operate with vessel efficiency, they could be powered with a lawnmower engine.

#### ***Evolution of the GLNS***

Lakers have always moved raw materials. However, there was a time, prior to the development of the interstate highway system, that lumber, people, vehicles and other finished goods moved via lakers. Those higher value and time sensitive cargoes are less suited to domestic maritime movements than they were 100 years ago because other faster modes of transportation have evolved to serve those markets. Low value, heavy cargoes are now our focus. Our self-unloading vessels use a series of conveyor belts running from under the cargo holds to the unloading boom. They can place cargo within 250 feet of the vessel on the dock at a

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<sup>4</sup> Id. at 55

rate of up to 10,000 tons per hour. We can unload in hours what it took days or weeks to do. The combination of self-unloading technology and larger vessels have combined to make the GLNS the most efficient system in the world for handling dry-bulk cargo.

### ***Investing In Our Fleet***

Given the fresh water environment of the Great Lakes, our vessels can last decades longer than oceangoing vessels. That means we maintain our vessels rather than replace them. During the winter Soo Lock closure from January 15<sup>th</sup> until March 25, our owners will do engine overhauls, steel replacement, drydock vessels, and upgrade systems. Last winter, LCA members invested \$70 million to maintain their fleet. That is not unusual. In years when a vessel is repowered, that number can be significantly higher.

New construction and conversions are also part of our member's investment plans. Interlake Steamship recently announced the construction of a new river class laker. VanEnkvort Tug and Barge announced the construction of a laker sized barge. Port City Marine Services recently completed a 21-month conversion of a bulk cargo barge to a cement carrying barge.

### ***Jones Act Remains Critical***

The Merchant Marine Act of 1920, also known as the Jones Act, requires that vessels moving cargo between U.S. ports be American owned, American built and American crewed. This bedrock of maritime policy provides the stability necessary for LCA's members to invest in maintaining and adding to their fleet. The national, economic and homeland security implications of the law and the regulatory certainty it provides, allows us to enter into long-term contracts. The Jones Act encourages Americans to invest huge sums of money in assets that will last decades.

### ***Maritime Infrastructure Investments***

It takes more than vessels to keep the GLNS operating reliability and efficiently. I've already mentioned the importance of the Soo Locks. We are pleased that the U.S. Army Corps of Engineers will soon begin construction on a second Poe-sized lock. More important than the efficiency gains it will provide is the system resiliency. No longer will we be dependent on a single point of failure. The maintenance of channel depths and harbor breakwalls is also critical to the GLNS. I applaud the Transportation and Infrastructure Committee's efforts to fully spend the Harbor Maintenance Trust Fund. Through your efforts, we have made great strides. On the Great Lakes we also need adequate and reliable U.S. Coast Guard icebreakers, but we appear to be losing ground on that front.

### ***Maritime Regulation***

Because U.S. lakers carry low-value cargo and our vessel operators must make large annual investments just to maintain their current fleet, we operate on thin margins. This makes U.S.-flag laker operators sensitive to the cost impacts of regulations. While U.S. federal agencies typically attempt to ensure that these cost impacts on U.S. lakers do not eliminate our

economic viability when considering new regulations that directly impact us, this is not the case with Canada.

Transport Canada recently proposed new ballast water regulations that would force U.S.-flag laker operators to either spend hundreds of millions of dollars to comply or give up our portion of the U.S.-Canada maritime trade. The Canadian government knows that their proposed regulations would likely force our vessels out of that trade, leaving Canadian vessels as the only option for U.S. exporters to ship commodities by water to Canada. Although this cargo is a small portion of our overall business, its loss would reduce U.S.-flag laker operators' revenue and our ability to reinvest in our short sea shipping assets.

### ***Conclusion***

The Lake Carriers' Association was formed in 1880. Our members were and continue to be engaged in short sea shipping. Our business has evolved to meet the needs of our customers. As we often say in the transportation world, cargo is king and the transportation industry evolves to serve its needs. We have changed the size of our vessels and invented self-unloading technology. We have exploited the laws of physics that make the marine mode of transportation the most efficient, environmentally friendly and socially responsible mode of transportation. In order to grow the domestic maritime industry, we need:

Regulatory stability – support the Jones Act and carefully consider the cost impacts of new regulations

Infrastructure investment – dredging, breakwalls, locks, and icebreakers

System resiliency – a new Poe-sized lock at Sault Ste. Marie, MI

Moving low value, heavy, raw material is what we do best. We have been doing it for over 100 years and I believe will do it for the next 100. We can do more and we will. All it takes is sufficient cargo over enough time to justify the investment.

Thank you for your interest and for the opportunity to provide my perspective. I will answer any questions you may have about these concerns.