



ADMINISTRATOR'S
COLUMN



Collister
Johnson, Jr.

*The Grain Trade
and the Seaway*

Was the improvement in grain shipments through the Seaway in 2010 the result of one-of-a-kind, unanticipated events in foreign markets, or are we seeing a fundamental change in world trading patterns that is signaling steady increases in grain shipments in the years

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2011 Seaway Season Gets Underway

The 2011 Seaway navigation season officially opened in Montreal on March 22 at Saint Lambert's lock when the BBC-chartered vessel *Avonborg* arrived from the Danish port of Esbjerg loaded with 75 wind blades. On hand to greet the ship and its Captain and Engineer were Collister (Terry) Johnson, Jr., Administrator of the U.S. Saint Lawrence Seaway Development Corporation (SLSDC), and his Canadian counterpart, President and CEO Terence Bowles, The St. Lawrence Seaway Management Corporation (SLSMC).

The *Avonborg* had closed out the waterway's 2010 season and its arrival as first ship entering the Seaway for the new season served as the impressive backdrop for the annual opening ceremony at the first of seven Canadian and U.S. locks permitting vessels to enter Lake Ontario. The upbound ship entered Snell Lock the following day at 9:35 a.m., officially kicking off the U.S. Seaway's season. Headed to Burns Harbor, Indiana, the ship's cargo will be offloaded and trucked to a wind farm in Payne, Ohio, near Ft. Wayne.



The Avonborg carries wind turbine components bound for Indiana through the St. Lambert Lock.

The Dutch Wagenborg-owned ship routinely moves project cargo in and out of the Seaway. The arrival of expensive project cargo as the lead off vessel into the Great Lakes instead of the usual bulk and steel commodities did not go unnoticed at the ceremony.

"Wind turbine components, especially towers, blades and nacelles, have been increasingly transiting the Seaway locks since last spring, and that's sound economic news for U.S. and Canadian ports and the communities they serve," said Administrator Johnson. The change is one eagerly sought by Seaway officials on both sides of the St. Lawrence River who have been working diligently to diversify the waterway's commodity base.

The early shipment is another sign of the growth in the dynamic renewable wind industry sector. Last season saw more than 138,000 metric tons of wind components move through the Seaway. Burns Harbor

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

Seaway Compass



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ahead? Overall grain shipments through the Seaway were up 11 percent over 2009, and U.S.-grown shipments tallied an impressive 27 percent increase over last year. While grain may not generate as much attention as some other commodities, such as wind turbines, grain is one of the fundamental bulk cargoes that support trade through the Seaway. Second only to iron ore as a percentage of overall Seaway cargo, grain is an indispensable component of people's diets and lifestyles around the world.

Much of last year's significant increases in Seaway grain shipments can be attributed in large part to short-term, weather-related events that produced poor harvests in other grain-producing markets, such as droughts in Ukraine, Russia, and Kazakhstan, floods in Australia and Europe, and fires in Russia that has led to a ban on grain exports from these countries. But these short-term events should not cause us to overlook fundamental changes underway in the world's grain markets that will positively affect the Seaway's trading well into the future.

Growing populations and increasing standards of living in countries such as China, India, and Indonesia are causing fundamental changes in eating and consumption habits around the world. These three countries alone account for over 40 percent of the world's population. As living standards rise among more people, there is a shift underway from traditional vegetarian-based diets to more calorie-rich diets that include meat. Meat production, particular cattle-based meat production, requires a significant amount of grain in the form of feedstock. As more people demand and are able to pay for meat in their diets, the demand for grain will surely rise.

China is a good example of this trend. The soybean originated in China and was not imported by that country until about 10 years ago. Today, China is the world's largest importer of soybeans. Likewise with corn, which China first began importing two years ago. China is now the largest importer of corn in the world. While China is not a traditional market for Seaway trade, its increasing demand for grain products is affecting trading patterns in grain markets that are traditionally served by the Seaway.

The demand for grain is even increasing in countries that are not experiencing a dramatic rise in their population or standards of living. As the demand for grain has increased in recent years, so has its price, and as a result the cost of

products made from grain, such as bread, have also increased as supplies have tightened. In many developing countries, half of an average family's budget now goes to pay for food. When food prices increase rapidly, as has been the case recently, this can contribute to social unrest. This has been true in northern Africa, where countries along the Mediterranean Sea have been traditional importers of Seaway-shipped grain. To counter the increased price of grain due to more limited supplies, countries in this market have moved to increase imports to enlarge their grain stocks in an effort to keep domestic prices stable.

The increased production of biofuels is also raising the demand for grain. The U.S. and the European Union have established mandates to increase the use of energy derived from renewable sources, many of which involve grain production. Other countries are following similar plans. A decade ago, the demand for grain for biofuels production was only of marginal concern, today it has become a major international demand factor that has tightened up available supplies.

The world's grain markets will continue to be affected by short-term, weather-related events. But a fundamental set of changes in the world's grain markets is also underway: growing populations, rising living standards, changing diets, increasing use of grain for energy, and an overall tightening of world supplies. Together, these short- and long-term factors mean the demand for Seaway-transited grain will continue to increase in the coming years.



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particularly benefitted with 11 shiploads of this high value cargo off loading on its docks.

Iron ore, grain and coal have long been the waterway's major export commodities by tonnage shipped. Iron and steel products have always dominated imports into the Great Lakes St. Lawrence Seaway System (GLSLS). The slow but undeniable resurgence of the U.S. and Canadian economies over the past 18 months promises further improvement this year.

The new season outlook is positive according to SLSMC President and CEO Bowles who noted that his organization anticipates a seven percent increase over last year's traffic tonnage to about 39 million metric tons. "Projections for the 2011 season foresee continued strength in the traditional staple cargoes of grain and iron ore," he said. "Project cargo is pegged to rise due in part to continued activity in the Alberta oil sands."

The keynote speaker for the opening ceremony was Canadian Wheat Board (CWB) President and CEO Ian White. Since CWB moves about 3–3.5 million tons of grain through the Seaway each year, the organization has a huge stake in the success of the waterway. He cited the announcements by Algoma Central Corporation, Canada Steamship Lines, and CWB to build state-of-the-art vessels as the Seaway begins a long delayed process of fleet renewal. "Recent announcements on laker construction by a number of companies demonstrate our shared confidence in the Seaway's vibrant future," said White.

Tata Steel executive Stephen Wilkes, Director, U.S. Governmental and Regulatory Affairs, joined White and the Seaway executives at the podium to acknowledge the waterway's importance to his industry. "The St. Lawrence Seaway is an integral part of the logistics chain from Tata Steel in Europe and its predecessor companies to customers in the North American heartland," he said. "It has been so since the 1960s—unbroken."

Wilkes reminded the audience of his company's recently announced binding agreement with New Millennium Capital Corporation "to develop one of the world's largest undeveloped iron ore deposits—the LabMag and KeMag iron ore deposits." The two deposits in the Labrador Trough region north of Sept-Îles could

produce 22 million metric tons per year of concentrate after capital expenditures of almost five billion Canadian dollars.

The Seaway Corporations are doing their part in improving infrastructure and addressing ballast water issues. The SLSDC continues to fund its Asset Renewal Program designed to ensure the U.S. portion of locks, bridges, and equipment is ready to handle traffic safely, reliably and efficiently for another half century. Moreover, Johnson noted that the Seaway's mandatory ballast water exchange designed to keep invasives out of the Lakes has been effective: no newly established species have been identified since the inspection regime got underway in 2006.

He praised broad stakeholder coalitions such as Green Marine and Marine Delivers. The latter educates the public daily about the vital role the marine industry plays as an economic engine for job creation throughout the eight-state/two province region. An update of the economic impact the system produces annually is expected to be released later this year and for the first time ever will include financial figures for both U.S. and Canadian (Ontario and Québec) ports.

The decision by the SLSMC to not increase tolls this year will certainly assist in encouraging more shippers to use the waterway. The Seaway Corporations continue to actively pursue introduction of container shipping on a scheduled basis in the GLSLS System. Higher crude oil prices may not be welcome by customers at the pump, but each \$10 increment exceeding \$75 a barrel over a business quarter shifts oil sands investments from neutral to higher and higher gears. Project cargo shipments through the Seaway look very promising in 2011.

If the economy stays on track, a renewed automotive sector suggests steel imports will rise. Salties arriving in the Lakes loaded with steel coil and slabs are almost certain to seek loads of grain exports as backhaul cargo prior to exiting the System. This time-honored 'steel in/grain out' formula has proven beneficial to key U.S. steel ports like Burns Harbor, Cleveland, and Detroit and America's top grain export ports in the Lakes—Duluth, Toledo and Milwaukee. Near record corn and wheat acreage have been planted in the U.S. and will likely be in demand to meet growing world needs, according to several grain analysts. The unique events that piqued keen interest last fall in wheat exports may be duplicated.

HIGHLIGHTED GUEST

William D. Friedman,
President and CEO,
Cleveland-Cuyahoga County
Port Authority



William D. Friedman became President and CEO of the Cleveland-Cuyahoga County Port Authority on June 1, 2010. He has more than 20 years experience in port management and related real estate development, the international supply chain and multimodal distribution. He previously served as Vice President of ports and logistics for Duke Realty

Corp. Prior to that he was CEO of the Ports of Indiana, and served in a variety of management roles with the Port of Seattle.

The Port of Cleveland is aggressively pursuing a plan to revitalize our waterfront and maritime economy.

Since I arrived as CEO last June we've been working on a series of initiatives to boost our cargo volumes and be a catalyst for new jobs and business growth. We're also taking a lead role in solving an infrastructure issue that is critical to companies dependent on the dredging of Cleveland's navigational channel.

In an era in which economic and market forces have led to declines in tonnage, we must work even harder. But we are determined to be an innovative, realistic and spirited leader on behalf of our maritime users. The projects we have recently launched include the following:

- *Improving rail connectivity:* We will construct \$4 million in on-dock rail improvements to attract additional cargo. We've also launched a pilot with the short line Cleveland Commercial Railroad to operate and market this system, which will make it easier and more efficient for area companies to use our port.
- *Pursuing container shipping:* We are working to secure the first container feeder service on the Great Lakes. Ocean-going vessels could dock in Montreal and hand-off trans-Atlantic containers to smaller vessels that would then bring them to Cleveland. The service would provide a cost-effective and environmentally friendly complement to truck and rail transport.
- *Reviving the prospect for cross-lake ferry service:* We recently restarted discussions about launching service between Cleveland and Port Stanley, Ontario. We and local officials from Ontario are eager to explore the opportunity. A pilot service would focus on tourism and other passenger demand.
- *Providing development finance:* We recently partnered with The Ohio Manufacturers' Association and FirstEnergy Corp. to offer flexible financing options designed for manufacturers. This fits with the leading role the Port has played since 1993 in securing financing for local development projects valued at \$1.5 billion.
- *Resolving a crucial community challenge:* The Port is taking a lead role in finding the most cost-effective and environmentally sustainable way to manage sediment dredged from the Cuyahoga River. Resolution is essential to companies that rely on the river, such as the ArcelorMittal integrated steel mill.

A recent economic study shows that nearly 18,000 jobs and \$1.8 billion in economic activity are tied to our port-and-river system. Already an important engine for the region, the Port is now even better positioned to encourage job-creating growth throughout Northeast Ohio.

Pacesetter Awards
Announcement for
2010 Season

The Saint Lawrence Seaway Development Corporation Administrator Collister (Terry) Johnson, Jr. is pleased to announce that six U.S. Great Lakes St. Lawrence Seaway ports have earned the Corporation's annual 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.

- Congratulations to the winners:
- Cleveland-Cuyahoga County Port Authority
 - Duluth Seaway Port Authority
 - Ogdensburg Bridge and Port Authority
 - Ports of Indiana — Burns Harbor
 - Port of Oswego Authority
 - Toledo-Lucas County Port Authority

The Pacesetter Awards will be presented to these ports in the coming months.

Great Lakes Ship Named After Former U.S. Congressman

The Interlake Steamship Company is excited to announce the renaming of the *M/V Charles M. Beeghly* in recognition of the Honorable James L. Oberstar, former U.S. Representative.

“Interlake is honored to be able to recognize former Congressman Oberstar’s service and dedication to our Country by naming a vessel after him,” stated Mark Barker, Interlake’s Steamship Co. President. “Few legislators have made more contributions to Great Lakes shipping and the United States maritime industry.”

As former chairman of the House Transportation and Infrastructure Committee, Congressman Oberstar was a tremendous champion of the Great Lakes maritime transportation. This is certainly a fitting tribute to him.

The laker had previously been named the *M/V Charles M. Beeghly*, after the former Chairman of the Board of



The Charles M. Beeghly soon to be named the Oberstar.

Jones & Laughlin Steel Corp. The 805-foot ship was built in 1959 and originally was named *Shenango II*.

A formal christening ceremony is planned for later this month in Duluth, Minn.

SLSDC’s Asset Renewal Program (ARP) Continues, Staff Completes Major Rehabilitation and Maintenance Work During Winter Months



The Saint Lawrence Seaway Development Corporation (SLSDC) continues to show significant progress on its 10-year Seaway Asset Renewal Program (ARP) to rehabilitate the U.S. Seaway’s navigation infrastructure. The ARP, which began in 2009, is the first time in the binational waterway’s history that a comprehensive capital program has addressed the U.S. Seaway assets, including improvements to

the U.S.-operated locks, the navigation channels, the Seaway International Bridge, and other SLSDC facilities in Massena, N.Y.



Preparing to remove the valve stem.

In the first two years of the ARP, over \$33 million (\$17.6M in 2009 and \$16.3M in 2010, respectively) has been spent. The current ARP includes 52 projects estimated at \$186 million. During the Seaway’s recent winter non-navigation period (December 30, 2010–March 21, 2011), SLSDC staff were hard at work, completing the first large-scale ARP projects in Massena, including:

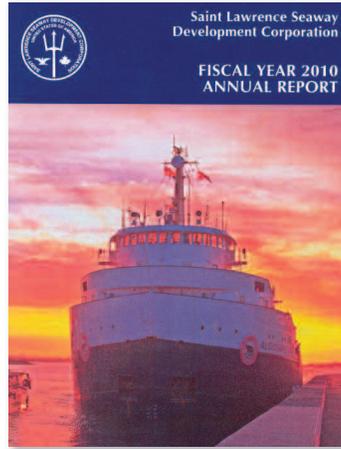
- Upstream miter gate rehabilitation at Eisenhower Lock
- Emergency vertical lift gate cable replacement and operating equipment rehabilitation
- Culvert valve replacement
- Lock control improvements

These ARP projects and the efforts of the SLSDC staff have already resulted in more modernized infrastructure and new equipment that will help ensure the long-term reliability and vitality of the St. Lawrence Seaway.

SLSDC FY 10 Annual Report Completed

The Saint Lawrence Seaway Development Corporation (SLSDC) recently released its FY 10 Annual Report and has posted it on our binational website — <http://www.greatlakes-seaway.com/en/pdf/fy2010ar.pdf>

Fiscal year 2010 was a very successful year, with many projects and initiatives completed. The Corporation remained strongly committed to its ongoing and effective operational programs geared at ensuring safety and reliability and to its 10-year capital Asset Renewal Program focused on improving and renewing the U.S. Seaway infrastructure assets. The SLSDC met all of the core performance metrics, including maintaining an annual reliability rate greater than 99 percent and performing safety and environmental



inspections for 100 percent of oceangoing vessels entering the waterway. Since 2006, no new establishment of any invasive species in the Great Lakes has been detected — the longest such period on record.

The SLSDC also helped facilitate the Great Lakes Ballast Water Collaborative to bring together industry, state, and federal regulators, and scientific experts on the issue of ballast water and invasive species in the region. The efforts of the Collaborative have been vital to the sharing of relevant, useful, and accurate information among all of the parties and to foster better communication and collaboration among stakeholders engaged in the effort to reduce the risk of introduction and spread of aquatic nuisance species.

In addition, the SLSDC continued to market the waterway to prospective customers and met with European port and carrier officials to learn “best practices” for Short Sea Shipping operations as the Great Lakes Seaway System prepares to launch similar cross-lake services.

To learn more about what the SLSDC is doing to improve Seaway operations, visit www.greatlakes-seaway.com.

Algoma Central Corporation Completes Acquisition of Upper Lakes Group Interests in Seaway Marine Transport

Algoma Central Corporation recently completed the acquisition from Upper Lakes Group Inc. (ULG) of its partnership interest in Seaway Marine Transport (SMT). This also includes related entities along with the vessels and assets owned by ULG and its affiliates and used by SMT in its Great Lakes-St. Lawrence Waterway dry-bulk freight business.

Under the terms of the transaction, Algoma acquired 11 vessels currently owned by ULG, consisting of four gearless and seven self-unloading bulk freighters. Algoma also acquired ULG’s interest in two gearless and two self-unloading bulk freighters that are now owned jointly by Algoma and ULG as well.

“This is an historic day for Algoma Central Corporation,” said Greg Wight, President and CEO of Algoma. “With this acquisition we will enhance our focus on our domestic dry-bulk marine transportation segment and the very important task of fleet renewal based on the recent acquisition of new Equinox Class vessels. We welcome the shipboard personnel of the vessels acquired from Upper Lakes and the SMT personnel to Algoma as we look to the future with great excitement.”



Attention Great Lakes Teachers

The Western Upper Peninsula Center for Science, Mathematics and Environmental Education offers a wide variety of programs focused on enhancing the teaching and learning of science and mathematics in the 19 school district counties of Michigan's Upper Peninsula. The Center's teacher professional development programs help teachers to implement state and national standards and to actively engage their students in learning.

If you would like additional information regarding the following events, please contact, Joan Chadde at (906) 487-3341 or jchadde@mtu.edu.

June 20–24

Great Lakes Maritime Teacher Institute (Door County, WI)

Explore the historical, economical and environmental aspects of shipping on the Great Lakes. Participants will tour port facilities and the Neville Public Museum in Green Bay, the Wisconsin Maritime Museum and *S.S. Badger* in Manitowoc, several lighthouses in Door County, and an active shipyard in Sturgeon Bay. Investigate invasive species, monitor water quality, take a guided excursion of Sturgeon Bay ship canal, delve into maritime history and learn about maritime careers. Participants will gain new knowledge, skills, and resources that can be integrated into social studies, science, language arts, and math classes. Cost: \$495 registration includes 2 graduate credits, meals and 4 nights lodging at Bridgeport Resort. To register, please visit <http://wupcenter.mtu.edu>

June 27–July 1

Using Navigation to Teach Mathematics (Houghton, MI)

Explore innovative ways to teach geometry, measurement, and algebra through the practice of marine navigation. Teachers will learn navigation techniques via daily hands-on experiences aboard Michigan Tech's Research Vessel, *Agassiz*, and become proficient in solving navigation problems using mathematics, charts, and electronic instruments. Cost: \$300 registration off-campus includes 2 credits, navigation textbook, two charts and instruments or \$540 on-campus includes 4 nights (Monday–Thursday) lodging. To register, please visit <http://wupcenter.mtu.edu>.

June 27–July 1

Forest Ecology and Resources Teacher Institute (Houghton, MI)

Through lecture, hands-on data collection, classroom activities, and field trips, participants will gain new knowledge and skills that can be integrated into their science, social studies, and math curricula. Topics will include tree identification, forest measurements, forest health and insect pests, wildlife, water quality monitoring, and carbon sequestration. Explore ways to engage students in forest stewardship and innovative school-community service-learning partnerships. Cost: \$485 off-campus includes lunches, three graduate credits, and many useful classroom resources; or \$725 on-campus includes 4 nights and meals. To register, please visit <http://wupcenter.mtu.edu>

Saint Lawrence Seaway Development Corporation Participated in Cruise Shipping Convention

For the tenth consecutive year, The Great Lakes Cruising Coalition, the Saint Lawrence Seaway Development Corporation (SLSDC) and the Canadian Ports of Toronto and Thunder Bay participated in the annual Seatrade Cruise Shipping Convention and Exhibition in Miami, Florida in early March.

Over the past decade, the SLSDC has provided maximum awareness for ship owners/operators and tour agents seeking information about the Great Lakes



St. Lawrence Seaway System. This was also the 27th year that Seatrade has hosted North America's preeminent conference for cruising industry

professionals, bringing under one roof hundreds of executives, operations staff, travel agents, suppliers, ship owners/operators, shipbuilders, tour operators and itinerary planners to Miami. The spotlight continues to focus on every aspect of the marine passenger industry: marketing, new technologies and equipment, human resource management, and destination planning and development.

Personnel News

Honorable Pat Quinn, has been elected as the Co-Chair of the Council of Great Lakes Governors and Chair of the Great Lakes Governor's Compact Council.



Richard Hughes, Jr.

Richard Hughes, Jr.
 President of the International Longshoremen's Association (ILA AFL-CIO) is stepping down at the end of his term later this summer. Mr. Hughes' steady leadership is credited with steering the organization through a period of deep economic recession in the shipping industry and improving the Association's standing within the organized labor community.

Mr. Harold Daggett will take over as the new President in July. Mr Daggett is currently the Executive Vice President of the ILA and President of the union's 1,500 member maintenance and repair local in New Jersey.

Charles Ilenda has been appointed Vice President for Ceres Terminals Incorporated. Mr. Ilenda was recently the Port Manager of the Ceres Duluth operation. He was been with Ceres Terminals Incorporated for 40 years, joining Ceres in Duluth as part of the company's expansion of its first operation in Chicago.

Upcoming Events

May

May 17-19

Breakbulk Europe Transportation Conference and Exhibition

Antwerp, Belgium

Contact: http://breakbulkevents.com/index.php?section=cbreakbulk_europe2011

May 19

Erie Shippers Conference

Erie, Pennsylvania

Contact: <http://www.erieinlandport.com/rsvp/2nd-annual-shippers-conference>

May 22-25

Windpower 2011 Conference and Exhibition
 Anaheim, California

Contact: <http://www.windpowerexpo.org>

May 25-26

GreenTech 2011

Chicago, Illinois

Contact: <http://www.green-marine.org/annual-conference/home>