

Testimony of  
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**Infrastructure Investment: Ensuring An Efficient Economic Recovery Package**

House Committee on Transportation and Infrastructure  
Room 2167 Rayburn House Office Building  
Washington, DC

January 22, 2009 • 10:00 a.m.

Thank you Mr. Chairman for the opportunity to appear before this hearing. I am Jim Weakley, President of Lake Carriers' Association, and 1st Vice President of Great Lakes Maritime Task Force. LCA represents 16 American companies that operate 63 U.S.-Flag vessels on the Great Lakes. In 2008, our members hauled more than 100 million tons of cargo.

GLMTF is a labor/management coalition that represents 81 companies and organizations that are involved in virtually every aspect of Great Lakes shipping. Obviously, investing in America's maritime transportation infrastructure is key to our collective futures.

More importantly, investing in America's maritime transportation infrastructure is key to America's future. Transportation is the conduit that keeps the economy moving. Waterborne commerce is an integral part of our transportation system. The domestic cargos hauled by U.S.-Flag vessels on the Lakes, Rivers and Coasts routinely top 1 billion tons a year. And of course, the vast majority of our imports and exports are moved by ships of all flags. Without an efficient system of ports and waterways, America's economy cannot survive.

Transportation by the various modes provides "connectivity" between centers of economic activity. Any planner can talk about the need to protect people, places, and equipment. They can also tell you about the need to defend the connections among those assets. Communication networks, supply lines, and transportation choke points are just as important as the locations forming the system. Without strong connections, everything is risked.

Great Lakes vessels move iron ore from Minnesota and Michigan to steel mills in Indiana, Ohio and other states. We do this along established supply routes that depend on our "Rock of Gibraltar," the locks at Sault Ste. Marie, MI. This choke point contains a single point of failure, the Poe lock, that allows vessels 1000 feet long and 105 feet wide to pass from Lake Superior to the Lower Lakes. Seventy percent of U.S.-Flag carrying capacity, along with the steel mills and power plants they supply, depend on that infrastructure. Our national security interests, both economic and military, depend on our ability to move our natural resources to our manufacturing centers of economic activity.

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During World War II, the United States considered the Soo Locks so important to the war effort that 10,000 troops were stationed there to protect them. We were fighting a two-front war. We did not keep 10,000 troops in Michigan's Upper Peninsula because we had soldiers to spare. Loss of the Soo Locks would have meant unconditional surrender to Hitler, Mussolini, and Hirohito, and our leaders knew it. Our national security has always depended on the reliability of our transportation infrastructure.

Efficient transportation results in an economic multiplier of infrastructure investment. Efficiency can be measured based on the ratio between inputs such as fuel, capital, and people, or time and outputs, such as tons moved, distance traveled, or speed. Improvements in transportation efficiency, whether they are for single or multiple transits on a single trade route, or the entire system benefit producers and consumers many times over.

Waterborne commerce is the most efficient way to move vast amounts of cargo. On the Great Lakes, a vessel can carry a ton of iron ore from Minnesota to Ohio for about what you and I pay for a cheeseburger, fries, and soft drink at a fast food restaurant. This is critically important, for it takes about 1.5 tons of iron ore to make a ton of steel. Furthermore, on average, an automobile uses about 1 ton of steel, so if that first leg of the production chain – moving the iron ore that makes the steel - is not cost effective, everyone suffers.

Just how cost effective is shipping on the Great Lakes and St. Lawrence Seaway? A recent study by the U.S. Army Corps of Engineers has determined that waterborne commerce on the Lakes and Seaway saves its customers \$3.6 billion a year compared to the next most cost-effective transportation option. In this global economy, that is a savings that keeps industries and jobs in the United States. Moreover, it is also a tremendous incentive to expand operations in the Great Lakes basin. It is no accident that the Great Lakes region is America's industrial heartland. The combination of abundant raw materials, more than 100 ports, efficient transportation, and a world-class workforce has enabled the Great Lakes basin to weather previous economic storms.

It is also a hard fact that waterborne commerce is the most environmentally-friendly mode of transportation. Since there's less friction to propel a vessel through water versus pulling a train or truck across land, vessels use less fuel and produce fewer emissions. I am not being critical of the land-based modes here, but simply pointing out that as we seek to become a greener society, waterborne commerce offers tremendous advantages in reducing greenhouse gas emissions and lessening dependence on foreign oil.

There is no denying current economic times are tough. The limestone trade on the Great Lakes plummeted 75 percent this past December compared to a year ago. December iron ore shipments were down by more than 40 percent. At last count 20 of the nation's 29 blast furnaces were idle. There have been massive lay-offs and probably more to come.

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The Great Lakes fleet has taken blows too. On the first of this month, 26 U.S.-Flag lakers were in operation. That's a decrease of 35 vessels compared to a year ago. One LCA member has had to postpone a \$20-million-plus modernization of an idled vessel that when complete, would have added another 2.5 million tons of capacity to the Great Lakes system on an annual basis.

We appreciate that the Obama Administration and Congress are working day and night to develop an economic stimulus package that will put the American economy back on solid footing. From what I've said so far, it should be clear that transportation infrastructure investments have tremendous returns. Without reliable and efficient waterborne commerce, our National Security is at risk. Despite all the hi-tech weaponry our military now employs, we cannot defend our interests and our shores without steel. 80 percent of our nation's steelmaking capacity is based in the Great Lakes basin and receives most of its raw materials via the Great Lakes and Seaway.

When troops are stationed overseas, 95 percent of their arms and supplies are delivered by ships that load at coastal ports.

Maintaining and increasing the efficiency of our maritime transportation infrastructure will create jobs, both now and in the future. Port rehabilitation and expansion will generate tens of millions of man hours for construction workers. The industries that use those ports will then be able to retain jobs in slow economies and increase employment in boom times.

How should we prioritize the many projects vying for the billions of dollars to be spent on infrastructure investment? Our first priority should be national security and we should fund projects that protect tier one assets by reducing their vulnerability from attack or decay. Creating redundancy at choke points, maintaining fixed assets like locks, or restoring the availability of Coast Guard icebreakers and buoy tenders must also be a priority.

The second priority for projects is job creation. This is an economic stimulus bill and all the signs point to a long and deep recession. We need to fund projects that put lots of people back to work as soon as possible and keep them employed for at least three years. We must also place emphasis on jobs that create other jobs in the U.S. economy. For example, every job in the steel industry creates seven other jobs. Connectivity in job creation is as important as it is in planning.

Efficiency improvement is the next priority for economic stimulus funding because these projects pay a return on the investment each time the system is used and the benefits are spread across a broad spectrum of producers and consumers. These projects continue to pay dividends long after the initial phase of job creation and economic stimulus, literally for generations.

The ideal project will do all of the above and many will with varying degrees of benefit for each category. I'd like to give a few examples of projects worthy of funding.

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No other project is better suited to inclusion in an economic stimulus package than construction of a second Poe-sized lock at Sault Ste. Marie, Michigan. Our “Rock of Gibraltar” needs the protection provided by redundancy and reliability. The national security aspects of this project are just as important today as in World War II. The immediate impact - job creation – will be tremendous. Building the replacement lock, it will replace two small, antiquated locks built during World War I, will demand 1.5 million man hours. Most of the jobs will come from the surrounding area, one of the most economically challenged areas in the nation. It will require 1.1 million tons of limestone and 25,000 tons of steel. One economist compared it to operating a small automobile plant for ten years.

Equally important, the project is fully designed and ready to go, in other words, “shovel-ready.” It would also meet the requirements outlined in the House Appropriations Committee draft for the “American Recovery and Reinvestment Act of 2009” that the project has previously been funded, as this project has received appropriations from the Corps’ construction account for each of the fiscal years 2002 through 2008. It is also authorized, at Federal expense, in the Water Resources Development Act of 2007. No need to find a local sponsor. If \$125 million of the \$490 million needed to build the lock is appropriate by mid February, I believe the Corps can begin signing contracts and obligating money by April and putting people back to work making steel and inventorying supplies. Physical construction on the project will begin by this July.

That’s the immediate impact. For the long haul, the lock will ensure the continued free flow of raw materials on the Great Lakes. The Soo Locks typically handle more than 80 million tons of cargo each year. Iron ore mined in Minnesota and Michigan is the largest single commodity. Clean-burning low-sulfur coal mined in Montana, Wyoming, and Colorado is next. The Soo Locks also allow for the export of prairie states’ grain overseas. This single project has national security, job creation and transportation efficiency aspects. Originally authorized in 1986, with \$20 million spent since then, the replacement lock is ready and able to answer the call.

The two U.S. locks in the St. Lawrence Seaway are in need of major rehabilitation. A perpetual asset, one which does not have a designed life-span, must be maintained and recapitalized during its operation. Failure to do so risks catastrophic failure as the asset decays. These locks haven’t been funded appropriately since they were built in the 1950s. They must be upgraded and properly maintained before they reach the point of no return.

Last year, the U.S. Seaway Corporation proposed a 10-year, \$165 million Asset Renewal Program for the waterway’s locks, channels, and other operational assets. Of that total, \$45 million could be spent over the next two years and should be included in the stimulus package.

As our nation’s other coastal ports reach capacity, the Seaway represents untapped potential to relieve congestion and keep cargo moving efficiently and in an environmentally-friendly manner. These locks form the connection to world markets for the Great Lakes region now and could play an increasing role in our national transportation solution.

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The best opportunity to increase the efficiency of the Great Lakes Marine Highway via the Economic Stimulus Bill is to adequately resource the U.S. Coast Guard icebreaking mission. Cargo movement during the ice season is vital to our economy staying in gear during winter. In many years, cargo movement from mid-December to mid-April will total 20 million tons, or 15 percent of the annual total, but the Lakes fleet cannot operate in heavy ice without adequate U.S. Coast Guard icebreakers.

Let me make clear no one likes winter operations. It's hard on the crews and hard on the ships. But for our customers to remain competitive, they have to minimize stockpiling of raw materials. So the iron ore trade starts in early March and continues until the end of January, sometimes even into February. The same is true for coal, cement, and salt.

The current measure for success used by the USCG is three miles per hour during the ice season. This is the equivalent of ten miles per hour for truck and automobile traffic for the months of December, January, February, March, and April. Ask yourself, how satisfying it is to drive your normal commute at ten miles per hour instead of fifty? The next time you are on a treadmill, set it for three miles per hour and ask yourself if that is the speed at which commerce should move. The Coast Guard does not have the appropriate amount and type of icebreakers on the Great Lakes to reliably and safely meet the reasonable demands of commerce. For more than six years, LCA and Great Lakes members of Congress have been asking the USCG to transfer an additional resource to the Great Lakes. Last July, before the Coast Guard subcommittee, I testified about the lack of icebreaking and noted that my members suffered more than \$1.3 million in damages from ice-related incidents. So far this ice season (December and January), four of the eight USCG icebreakers were in a scheduled or unscheduled maintenance period, including the *Mackinaw* (the newest, in service since 2006), which was unavailable for an extended scheduled maintenance period and for a brief unscheduled one. At one point four of them were not available at the same time for maintenance reasons, and for most of December and January three of the five have been unavailable for maintenance reasons.

If the Great Lakes icebreaking mission were appropriately resourced, the performance standard could be doubled and commercial traffic could move at six miles per hour in the winter. There are several ways to do accomplish this goal. One would be to transfer icebreaking resources to the Great Lakes from areas where those attributes are not as critical. This option would have no impact on job creation, but would still have an economic benefit by improving the efficiency of the system. The second option would be to upgrade the existing vessels and improve their reliability by completing major overhauls and life extending upgrades to hull, engineering, and vessel habitability. This would create jobs at shipyards; however, I don't believe the Coast Guard could execute this program quickly. During this program, there may even be a reduction in icebreaking services depending on the time and timing of the program. I am not sure how many jobs this option would create and how long those jobs would last. I don't know how long it would take to do the design work and execute a contract; however, it would be significantly longer than the third option, which is to build a new icebreaker for Great Lakes service.

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Some who favor this option have called for a new hull design; others have called for a twin to the new *Mackinaw* that replaced the first *Mackinaw* in 2006. I believe a second *Mackinaw* is the best option from both a job creation perspective and an efficiency improvement perspective. Since the *Mackinaw* is a proven design there is little lead time needed to move on the project. Within thirty days of appropriating the \$150 million needed for the project, 50 of the 150 currently laid-off shipyard workers would be back on the job in Wisconsin and Northern Michigan. They would remain on the job for three years, as would many of their suppliers. The addition of this vessel would enable the Coast Guard to increase the performance standard from three miles per hour to six, literally doubling the speed of commerce for five months a year.

I must also note that first *Mackinaw* was built in 1944, and its construction was approved specifically because the movement of cargo on the Great Lakes was deemed essential to winning the war. The benefits of this option have national security, job creation, and transportation efficiency implications. This is an ideal economic stimulus infrastructure investment.

In conclusion, I urge you to carefully weigh the benefits of investing in our Great Lakes/Seaway infrastructure. The investments I've discussed are needed to save our todays, protect our tomorrows, and secure our long-term future. We need a second Poe-sized lock. We need another heavy icebreaker on the Lakes. Our regional and national economies depend on our ability to efficiently and reliably move raw materials and finished goods. This is about National Security. This is about Transportation Efficiency and Economic Security for us and those who follow. And where do those start? With a job!

Thank you for the opportunity to address this hearing. I will do my best to answer any questions you might have.