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Great Lakes shipping takes on water

By Jim Carroll
Staff writer

Low water levels, high fuel prices and an avalanche of foreign steel imports have combined to create problems for the Great Lakes shipping industry.

"It's a triple whammy," said Glen Nekvasil, vice president of communications for the Lake Carriers' Association, a trade group representing companies that run the lake freighters.

Year-to-date shipping tonnage on the Great Lakes was down about 8.7 percent between May 31, 2000, and May 31, 2001, going from 27.3 million tons to 24.9 million tons.

Much of that drop can be attributed to fewer shipments of iron ore — the lake freighters' most lucrative cargo, the mainstay of the industry and the key raw material for making steel. Shipments of iron ore are down 11.9 percent from 2000, going from 13.4 million tons at the end of May 2000 to 11.7 million tons at the end of May 2001.

Also down are the number of U.S. ships hauling cargo on the Great Lakes.

"As of July 1, we had 55 U.S. flag vessels on the Lakes, which is the lowest number in about 20 years, and that is almost entirely due to all this foreign steel being dumped in this country," Nekvasil said. "If every boat we have was running we would have 69 ships out."

Foreign steel imports, he said, have decimated the domestic iron ore trade.

Russia, China and other countries have been accused by American steel producers of "dumping" steel — selling it for less than American companies can produce it — in the U.S. market for nearly two years, causing American firms to cut production.

For every ton of steel that's not produced, 2 tons of raw materials are not transported, Nekvasil said.

Iron ore accounts for about half of the cargo shipped by U.S. lake carriers.

"Iron ore and the other raw materials needed for steel production are the backbone of domestic Great Lakes shipping," said Daniel L. Smith, president of the Great Lakes Maritime Task Force, a coalition of labor and management interests founded in 1992 to promote domestic and international waterborne

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commerce on the Great Lakes. "This avalanche of dumped foreign steel has kept at least two U.S. flag lakers inactive this year, and at least temporarily forced three others to lay-up shortly after fitting out this spring. It is intolerable such efficient hulls are idle because of unfair trade."

Smith's comments came in a statement the organization issued last week to hail the decision of the George W. Bush Administration to initiate an investigation into allegations that foreign steel is being dumped into the United States.

Making matters worse is that the ships that are on the Great Lakes are having to run at less than capacity because of lower water levels.

Water levels in the lakes were high from the 1960s through most of the 1990s, said Adam Fox, a scientist with the U.S. Army Corps of Engineer's Detroit District.

Then in 1998, the water levels dropped, and freighters had to lighten their loads to keep from scraping bottom, particularly in the more shallow connecting points between the lakes — like the Detroit River, which connects Lake Erie to Lake St. Claire and, ultimately, to Lake Huron.

"It has been the fastest drop in recorded history," Nekvasil said.

The big ships — the 1,000-foot freighters — can carry almost 70,000 tons, but in 2000 had to lighten their carrying capacity to an average 61,500 tons.

When ships have to lighten their loads, they lose profit, said Sandy Smith, president of Erie Sand and Gravel.

"All of the costs are still there. You have to buy fuel, buy groceries and pay the crew, it's just that you carry less material," he said.

And that means they make less money.

Port officials at Duluth Seaway Port Authority in Minnesota reported that for the largest freighters, every inch of draft they lose can cost them up to 270 tons of cargo. Draft is how deep the ship can sit in the water.

Tonnage at the Port of Duluth on Lake Superior dropped from a total of 39.4 million tons in 1999 to 37.4 million tons in 2000. Ray Skelton, port environmental and government affairs director, said that drop was attributable to lower lake levels.

"The ship count was almost the same, but the tonnage was down," he said. In all, 1,107 ships visited the port in 2000 — 15 fewer than in 1999.

The final blow to lake shipping is the continued high cost of fuel.

Ship operators are still dealing with 2000's run-up in diesel prices that sent fuel costs from 60 cents a gallon to almost 80 cents a gallon, where they have remained.

A 1,000-foot vessel can burn up to 10,000 gallons of diesel fuel a day, and smaller ships can burn up to 6,000 gallons a day.



Erie is not considered a major port on the Great Lakes, but that doesn't make it immune to the woes of Great Lakes shipping.

The Port of Erie handles about 1 million tons a year, mostly sand and gravel.

"Rates have gone up for transportation of just about everything that moves by water," said Smith, explaining the impact of high fuel prices and low water levels. "Everything from iron ore pellets to make steel, to crushed stone for highway construction, for the coal that companies burn in power plants."

"It is not something that hits you tomorrow afternoon," Smith said, "but it has an overall effect."

And the new economics of lake shipping could mean heightened competition for Erie Sand and Gravel and its ship, the Richard Reiss, a 620-foot freighter that hauls sand and stone to the Port of Erie's Montfour Terminal and to other ports on the Great Lakes.

With less of a demand for iron ore, "all those ore boats have to go looking for work, and they start looking at the stone business, which is what we do," Sandy Smith said.

So far, the company has held its own.

However, it has had to adjust to Lake Erie's lower water level.

Lake Erie's water level is at 571.13 feet, which is about 9 inches below the long-term average, but it is about one foot better than the worst-case scenario that hydrologists were talking about in February.

In Erie, the lower water levels have not had any impact on the main terminal dock, Sandy Smith said. But workers have had to take cargo out and lighten the loads of some ships before they could get into the Parade Street dock.

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