



Great Lakes Maritime Task Force
13th Annual Informational Briefing for the Great Lakes Delegation
April 2, 2008
Washington, DC

REINVESTING IN THE GREAT LAKES = REINVESTING IN AMERICAN JOBS

Daniel J. Cornillie
Manager, Marine & Raw Material Logistics
ArcelorMittal USA – Indiana Harbor

Thank you. It is an honor to be able to speak to you today about the vital role of Great Lakes shipping in America's economy and the jobs of the future, and what we must do today to secure that future.

First, let me say a little about my company. ArcelorMittal USA is America's largest integrated steel company, with 21,000 employees producing 27,000,000 tons of steel (2006 figures) annually. That is approximately one-quarter of all American steel production. The actual number of jobs associated with this production is a multiple of these 21,000 direct employees, who are among the over 100,000 employees in the American steel industry. There are tens of thousands of jobs in mining, transportation, and steel processing associated with the transformation of minerals in the ground and recycled steel into the primary engineered material for American manufacturing. These manufacturing jobs, with benefits and pay

well above the averages for service sector jobs, are the ones American communities have been fighting to lure and keep.

More than half of ArcelorMittal USA's jobs are in facilities immediately adjacent to the Great Lakes. This is not a coincidence. The Great Lakes link the iron ore and stone from the north with the coal to the south. These are steelmaking's primary inputs. It requires approximately 26 million tons per year of Lake-delivered raw materials to sustain ArcelorMittal's production and jobs in just its U.S. Lakes mills. That is approximately 3,000 tons of material per hour, 24/7. Without Great Lakes shipping to deliver these materials, these mills would not be here. In fact, as you look at the rationalization of the American steel industry, the likelihood of a primary steel mill being shut down is proportional to its distance from the Lakes.

Steel production and distribution is very transportation-intensive, and in my career I have dealt with and managed the rail and truck as well as marine modes. However, in the current and future environment of energy conservation and reducing greenhouse gas emissions the marine mode stands apart. Lake ships move cargo using only 1/3rd to 1/5th of a horsepower per ton. (If this ratio held true on the highway, you could move a semi with a lawnmower engine.) For rail it's about 1 to 1. For trucks it is in the range from 12 to 20 horsepower per

ton. Greenhouse gas emissions are in proportion to the fuel consumed. Lake ships win the green ribbon.

Further, both highways and rail face major congestion problems now that will only get worse with increasing traffic. The “highways” of the Great Lakes have the capacity for handling a multiple of their current traffic at a fraction of the fuel consumption. It’s appalling, then, that we are wasting the advantage of these natural highways by deferring the maintenance, especially dredging, of their ports and connecting channels.

I work at ArcelorMittal Indiana Harbor, the largest steel producing complex in North America. We rely on Lakes shipping to deliver or ship over 14 million tons per year. Despite the fact that we have been paying into the Harbor Maintenance Trust Fund for the past 20 years, Indiana Harbor has not been dredged in that entire period (in fact, not since the early 70’s). Twenty years ago our time-chartered M/V JOSEPH L. BLOCK, for example, was carrying summertime loads of approximately 41,000 NT. Last summer, on the same runs, she carried less than 35,000. She has to make 6 trips to deliver what she did in 5. This math is being repeated across the U.S.-Flag Lakes fleet that delivered over 100 million tons last year. The constraint is the draft available, and the culprit is deferred dredging in the context of low Lake levels. With the current fleet at full

utilization, this is forcing cargo to other modes of transportation at a multiple of fuel consumption.

The vessels that deliver iron ore and stone up the twisting Cuyahoga River that is the lifeline of our Cleveland Works are faring no better. They are consistently losing two feet of loaded draft to the dredging crisis. The 2,600 NT of raw materials this leaves behind each trip would have supported over four hours of production for the 1,600 employees at the mill.

Delays due to under-funding have built a backlog of dredging and other maintenance across the Lakes system that wastes capacity and fuel with every cargo, yet that Harbor Maintenance Trust Fund has accumulated a surplus of over \$4 billion. Scaled in terms of expenditures on another mode, the annual expenditure to (literally) dig out of the Lakes-wide backlog would be less than half that recently spent on reconfiguring one freeway intersection south of Chicago.

The current erosion of the value of the dollar provides an opportunity for American manufacturers and the American workforce by decreasing the competitiveness of imports and raising that of our exports. But it also provides a warning. What will the future look like if we let our manufacturing job base wither due to lack of infrastructure investment? Our trading partners across the

Pacific are racing past us in this regard. Continued decline in the dollar based on a chronic balance of payments deficit will make it very difficult and expensive for us to compete in the world market for resources. All of us are getting lessons on that at the pump.

Let me close by cycling back to those tens of thousands of jobs dependent on Lakes shipping. After years of industry rationalization, the average age of employees in these mills is in the 50's. Over the next ten years this workforce will retire, opening jobs for today's youth. This turnover has already started to a significant extent, and will accelerate – if we reinvest in the Lakes transportation system that enabled this job creation in the first place.

Our trading partners are investing billions in the infrastructure necessary to increase their exports, in effect importing American jobs. We ask your help to reinvest in the Great Lakes to retain quality jobs for the future in America's heartland.

Thank you.