

**STATEMENT OF JAMES WEAKLEY, PRESIDENT,  
LAKE CARRIERS' ASSOCIATION, BEFORE THE  
NATURAL RESOURCES COMMITTEE FORUM  
10:00 a.m. June 24, 2022**

**“Impacts of Increased Diesel Fuel Prices on U.S.-Flag Lakers”**

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 43 U.S.-flag vessels exclusively on the Great Lakes called “lakers.” They 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 between 80 and 90 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. Our vessels and the cargoes they carry are the pilot light for North American manufacturing. They keep the region’s \$6 trillion dollar economy burning brightly. According to the U.S. Army Corps of Engineers, the Great Lakes Navigation System provides an annual transportation rate savings of over \$3.6 billion. Transportation is the grease that keeps the economy moving.

Marine transportation is the most efficient, socially responsible, and environmentally friendly form of transportation. On the Great Lakes our vessels can move one ton of cargo over 600 miles while consuming a single gallon of fuel. What makes us so energy efficient? Physics. It takes less energy to move cargo through the water than it does over land. Our horsepower-to-ton of cargo ratio is about 0.25, which compares to rail’s ratio of 1.0 and trucking’s ratio of 12 – 20. If trucking could duplicate our efficiency, they could use 5 horsepower lawnmower engines.

We also use large self-unloading vessels, which are more efficient than smaller conventional hulls. One of our thousand-foot long ships, the size of an aircraft carrier along the waterline, can carry 70,000 net tons of cargo. To carry the same amount, it would take 47 river barges, 700 rail cars or 2,800 trucks.

Primarily, low value, heavy bulk products are moved through the Great Lakes Navigation System. I often point out that the ratio of cargo value to cargo weight will determine its mode of transportation. You can move high value computer chips by air, you can’t move low value limestone by air. That is why iron ore moves by water for as much of the trip as possible. Lakers move the raw materials that are the foundation of our region’s manufacturing, construction, and power generation. Our national manufacturing supply chain is made possible by the products moved on lakers. In December of 2013, Esquire Magazine said our thousand-foot ships “may be the most important vessels in the entire U.S. fleet.”

The two biggest variable costs our members incur are labor and fuel. Given that our vessel crew sizes are set by both Coast Guard requirements and other factors, there is not much

that can be done regarding labor costs. Similarly, there is not much that laker operators can do about fuel costs or consumption. We are already travelling at relatively low speed, approximately 15 miles per hour. Comparing the current “rack” price of diesel with the rack price in June of 2019, it is up 147%. Assuming that all of our vessels burned only diesel fuel, that additional \$2.80 a gallon, using the 5-year average annual fleet-wide fuel consumption of 82.5 million tons would result in an additional fuel bill of \$231.2 million dollars a year to LCA’s members.

I should point out that just as there are limits to how much of the additional costs can be passed on to our customers, there are limits to how much they can pass on to their customers. At some point, the consumer ends up picking up much of the tab. The cost companies absorb leaves less money to pay their labor force, maintain equipment, invest in future capital expenditures, and return a profit to shareholders. In many ways, increased energy costs are like a tax on the economy. However, instead of providing money that the government can redistribute or use for services, this added burden is simply an economic sea anchor.

I mentioned that transportation is the grease that keeps the economy moving. Increased fuel costs are like adding sand to the grease. It creates friction that makes the entire system less efficient. Higher value cargoes are more capable of absorbing increased transportation costs resulting from increased fuel costs. When the cost of transporting cargo exceeds the value of moving the cargo, the system grinds to a halt. The only way to avoid this doomsday scenario is to pass on the costs you can and absorb what you can’t.

The impact on the U.S. economy does not stop with higher transportation costs. As our customer’s costs increase, the costs of their products, and goods made from their products, also increase. American consumers end up paying more for not only the gasoline they put in their cars, but also for the cars and appliances they buy. And, they get nothing in improved services or products in return. That’s why inflation is such a significant economic problem. The cost of diesel, directly or indirectly, impacts the delivered costs of most products.

Thank you.