

## Welland Canal Opening March 22, 2011

Before I address more recent events that have impacted Algoma Central Corporation in particular and the marine industry in general, I would like to talk about the vessel idling behind us in Lock 3, its history and this location - all of which have great significance for our Company and me personally.

I would first like to speak about the Motor Vessel, Peter R. Cresswell. This year marks the 30<sup>th</sup> operating season for this magnificent vessel which was built for Algoma in the former Collingwood Shipyard. The vessel, originally named the *Algowest*, was delivered as a 730 foot gearless bulk carrier in 1982.

The *Algowest* was built to service a new long-term contract that was signed with the Canadian Wheat Board for the carriage of grain from Thunder Bay to the St. Lawrence River transfer elevators. I remember this project vividly because the vessel construction contract with Collingwood Shipyard and the freight contract with the Wheat Board were two of the first projects I worked on after joining Algoma in 1980.

Things have now come full circle for a couple of reasons.

Firstly, both the *Algowest*, since re-named the *Peter R. Cresswell*, and I are in our third decade of service with Algoma Central Corporation. This vessel is one of the workhorses of our fleet and, like me, is getting a little grey around the edges.

Secondly, we recently announced that we have signed a new long-term contract with the Canadian Wheat Board and concurrently, the Wheat Board announced that they had ordered two new gearless bulk carriers as part of our recently announced seven vessel order. These two Canadian Wheat Board vessels will be operated by Algoma as part of our pooled bulker fleet.

It is fitting that this vessel is part of today's ceremony in light of these recent announcements.

In 1998 the *Algowest*, after a successful career as a bulk carrier, was converted to a self-unloader at Port Weller Dry-docks which is located just down the canal at Lock 1. This conversion was the fourth and final bulk carrier that we converted at Port Weller over a ten year period.

To complete the history lesson, the *Algowest* was re-named the *Peter R. Cresswell* in 2001, also just down the road outside of Lock 1.

This re-naming was in honour and in recognition of Peter Cresswell who had recently retired as Chief Executive Officer after a distinguished 38 year career with Algoma. Peter was the visionary and driving force behind transforming Algoma from a Northern Ontario company owning a small railway and a few vessels to what we are today, the largest owner and operator of Canadian flag vessels on the Great Lakes - St. Lawrence Waterway.

In addition, Peter Cresswell was my mentor for over 20 years, as he hired me 31 years ago as a recent CA graduate to take on the role of Marine Division Controller in the Sault Ste. Marie office.

I also referred to the significance of this location in my opening remarks.

It was on October 1, 2010, right here at Lock 3 that Minister Flaherty announced that the 25% import duty was being removed. In my opinion, this announcement is the most significant event to impact the Canadian Marine Industry in many, many years. One could probably go back as far as 1959 to the Opening of the St. Lawrence Seaway in order to come up with a comparable impact.

I had the pleasure and honour of standing with our local MP, Rick Dykstra while Minister Flaherty made this historic announcement and I was able, on behalf of Algoma and the industry, to thank Minister Flaherty. I would like to read to you a short excerpt from my remarks that day.

“Minister Flaherty, we applaud your vision to see beyond the short term tax effect of this change. We have long said that removing this disincentive to invest in the Canadian maritime fleet would be the best infrastructure investment that Canada can make. Mr. Minister I am here to tell you that we are ready, willing and able to act. Your announcement today will help to ensure that the customers and industries along the Great Lakes - St. Lawrence Waterway will be served by the most efficient and environmentally friendly mode of transportation – that being Water Transportation – well into the future.”

Unknown to most in the audience that day was that I was able to say with confidence that Algoma was “ready, willing and able to act” because we had already signed contracts with a shipyard for a significant order of new Lakers.

These contracts were, at the time of this announcement, only conditional on obtaining Algoma Board of Director’s approval. And the only thing holding up this approval was a duty removal announcement.

It took a while to finalize the paperwork with the Shipyard but on December 21<sup>st</sup> we announced we had ordered four new maximum Seaway-sized lake freighters – one bulker and three self-unloaders from Nantong Mingde Shipyard in China. This was followed on February 8, 2011 by an announcement that our, then partner, had ordered one additional bulker and the Canadian Wheat Board had ordered

two, bringing the total vessel order to seven – four bulkers and three self-unloaders.

These seven vessels will be built to identical design specification except for the additional gear on the three self-unloaders. This series of vessels called the *Equinox Class* will be able to carry more cargo, at faster speeds with improved fuel efficiency compared to the vessels they will replace - which means a lower fuel cost and significantly lower emissions to the air.

I would like, at this time, to show a video that will go into more detail on the development and benefits of these *Equinox Class* vessels.

### [Equinox Class Video](#)

The team at Algoma is very excited and proud of this new vessel design. We feel these vessels will be “game changing” for our industry in terms of their performance and efficiency and we continue to work towards expanding the order size with the Shipyard.

Now, if all this was not enough to keep the Algoma staff out of mischief, we proceeded to take another significant step that was announced on February 25<sup>th</sup> – less than a month ago.

For those who just woke up from winter hibernation and are not aware – Algoma announced that we had entered into a definitive agreement to acquire from the Upper Lakes Group its partnership interest in Seaway Marine Transport along with its vessels used by SMT in its Great Lakes – St. Lawrence Waterway dry-bulk freight business.

I would like to take a moment and quote from the press release that we issued that day.

“We are extremely pleased to have been able to reach this historic agreement with our longstanding partner, Upper Lakes Group and to welcome the shipboard personnel of the acquired vessels to the Algoma family. Combined with the recent announcement of our significant investment in state of the art new *Equinox Class* lake freighters, the acquisition of the Upper Lakes fleet and the remaining interest in SMT will allow Algoma to enhance its focus on its domestic dry-bulk marine transportation segment and the very important task of fleet renewal. New *Equinox Class* vessels will provide much needed improvements in operating efficiency and environmental performance. Fleet renewal will allow us to continue our leadership position and maintain Canadian jobs in this essential sector.”

We expect this transaction to be completed before the end of March after which this combined fleet and business will operate under the “Algoma Central Corporation” banner.

We strongly believe we are entering a new era for the “Canadian Marine Transportation” industry.

We have a Federal government that has shown it believes in the importance of the industry by removing the 25% vessel import duty, a significant impediment to reinvestment. This was a long time coming and we are especially appreciative of the efforts of the Minister of Finance – Jim Flaherty, the Minister of Transport – Chuck Strahl and our local St. Catharines MP, Rick Dykstra.

We have a strong and committed customer base as evidenced by the recent long-term contractual arrangements that have been concluded and by the Canadian Wheat Board’s further investment in new vessel capacity.

Algoma and Canada Steamship Lines have both announced new vessel orders for their domestic fleets at a time when fleet renewal has become a critical issue for Canada’s marine transportation industry.

These orders are a clear signal that both companies believe in the long-term viability of this business.

In Algoma’s case, this is close to a \$400 million investment when the value of the new build orders and the Upper Lakes acquisition are combined. This level of commitment to this industry is unprecedented.

It is now up to all of us to work together to ensure we translate commitment and optimism into reality.

I am very proud to be here to explain Algoma’s recent activities. I am also very pleased to be here to convey on behalf of the Algoma family, our best wishes for a safe and productive 2011 navigation season, to the men and women that sail on the Peter R. Cresswell and all other ships that ply the Great Lakes - St. Lawrence Waterway.

Thank you.