

Greg Wight's Speaking Notes
Marine Club Dinner
January 20, 2012

Algoma Central Corporation has had an outstanding and game changing 2011.

- We began the year by announcing the start of our domestic dry-bulk fleet renewal program.
- This was followed by the announcement that we were acquiring Upper Lakes' interest in our joint domestic shipping operation.
- We then followed with an announcement that our fleet renewal order was increasing to eight vessels. Six to be owned by Algoma and two to be owned by the Canadian Wheat Board. The total investment in our six vessels will be 300 million dollars.

And in the last three years we have invested almost 200 million dollars in two new product tankers and two new coastal self-unloaders.

In summary, over this five-year period, Algoma will have acquired the Upper Lakes fleet and will have taken delivery of ten new vessels. This will be a total investment of more than 500 million dollars.

That is what I meant by game changing!

You might be wondering about the logic of this apparent spending spree when the North American economy is sputtering along in recovery mode.

To answer this question I will keep with the spirit of David Letterman and present to you;

Algoma Central Corporation's Top 10 Reasons for investing in Great Lakes – Seaway Shipping.

Number 10 – Timing is everything.

Boards of directors will react positively when investment opportunities are presented for the right reasons, at the right time.

This has been one of those times.

When I joined Algoma in 1980 as Marine Division Controller, we were nearing the end of our first fleet renewal program. During the 15 year period ending in 1983, Algoma added eleven new vessels to its fleet.

Fast forward 30 years. The average age of our fleet was approaching 40 years. We knew that in order to provide more efficient transportation with a reduced environmental footprint, we would have to develop and invest in a new generation of vessels.

Unfortunately, external factors prevented Algoma management from bringing a compelling fleet renewal strategy to our Board.

These external factors were;

- the strong U.S. dollar,
- world shipbuilding prices at all-time highs, and
- the punitive Canadian duty regime

The first two factors were becoming less of an issue through 2010. Finally when the Federal government announced the removal of the 25 percent duty on foreign-built vessels in October 2010, all the necessary pieces were now in place.

Since that time, Algoma, our partner the Canadian Wheat Board and our competitor, Canada Steamship Lines have placed orders for a total of 12 new vessels for the domestic dry-bulk trade.

Number 9 – You’ve got to spend money to save money.

With the 25 percent import duty eliminated, our fleet renewal program was now financially feasible.

One of the key factors leading to this result was the significant cost savings and efficiency gains to be achieved from the new vessel design.

Our new Equinox Class of vessels will be 45 percent more fuel efficient per cargo tonne kilometre than existing vessels in our fleet. This will translate into substantial savings on our annual fuel bill.

In addition, technological improvements will lower manning requirements and reduce long-term repairs and maintenance.

Number 8 - You’ve got to spend money to Make Money.

This old adage rings true even in the shipping industry. A significant driver for the investments we have made in the last few years has been about finding opportunities to grow our top line and bottom line at the same time.

For example, with the Upper Lakes acquisition and the resulting consolidation of our domestic dry-bulk and product tanker operations, we have been able to achieve both revenue growth and overhead synergies.

Number 7 - We have an Environmental Responsibility

Sustainability is one of the key tenants of our corporate strategy. It is factored into all business decisions including our investment decisions.

For example, Algoma is one of the founding partners of Green Marine. Green Marine is an industry-led program designed to encourage continuous improvement in environmental performance and reduce the impact of water transportation on our precious water, air and land resources.

2011 has been a landmark year for the program — with 40 new members, including ports, shipowners, shipbuilders and terminals from all over North America lining up to join.

The program was also internationally recognized with the 2011 “Green Shipping Initiative of the Year” at the Sustainable Shipping Awards held in London, England.

This expansion and award is a testament to the credibility and relevance of the Green Marine Environmental Program.

With Algoma’s investment in the new Equinox vessels our environmental performance will move to a whole new level. When we designed these vessels, we looked at how every aspect of our environmental footprint could be improved.

But rather than me talk about it, why don’t I let you see for yourself.

(You can view the Equinox video at www.algonet.com)

As an addendum to the video, I am pleased to announce that yesterday the Algoma Board approved a contract with Wartsila for the supply of scrubber units for Algoma’s Equinox Class vessels.

Now, back to the Top 10 reasons Why Algoma is investing in Great Lakes-Seaway shipping?

Number 6 - We had the Opportunity to improve Safety Performance.

The safety enhancements in the Equinox Class vessels, as you have just seen, are significant.

- We re-designed the bridge layout and will install low-light and thermal imaging cameras for improved visibility.
- We changed the location of mooring winches for improved operational control.
- We are installing a fully enclosed free fall life boat system to allow for safer evacuation.
- And the cargo holds are designed to minimize hang-ups and facilitate cleanup.

Number 5 - A modernized fleet provides a recruitment tool.

Our industry has serious recruitment challenges ahead.

Over 50 percent of the employees on our Canadian fleet will be at retirement age within the next ten years.

Clearly we need to attract and retain the next generation of sailors for our fleets. We offer well-paying, dynamic careers working in what can only be described as one of the most beautiful natural environments in the world.

The Great Lakes fleets have the most “family friendly” shore leave schedules available.

Our Equinox Class vessels with their advanced design and modern technology will be a terrific recruiting tool to build upon these benefits.

And improved living amenities will be very attractive to potential recruits and, just as important, the modern communications technology will facilitate improved interaction with their families.

Number 4 - It makes us look good.

No, seriously. The public, our employees and our customers have high expectations of our company and our industry. These expectations, especially in the areas of environmental and social responsibilities are increasing every year.

Transportation by water is already the most environmentally – friendly mode for transporting bulk commodities.

Did you know that one cargo in a maximum, Seaway-sized vessel removes over 1,000 trucks from our congested highways?

But, we need to do a better job of telling our story. And one of the ways that we are doing that now, is through Marine Delivers.

Marine Delivers is a bi-national industry collaboration created to pro-actively demonstrate the benefits of shipping on the Great Lakes - Seaway system.

As new vessels arrive over the next few years, shipowners will be working with the Marine Delivers communications team to ensure the world hears this good news story.

Number 3 - We need to be taken seriously by Regulators.

Great Lakes - Seaway shipping has many challenges ahead. Inconsistent and uncertain air emissions and ballast water treatment regulations are at the top of the list.

The industry is working with Canadian and American government agencies to ensure that the final regulations are both uniform and achievable.

In part due to these efforts, the Canadian government has taken up our industry's cause to challenge incoming ballast water regulations set by the State of New York that are unrealistic and simply unachievable.

But this is a two way street. We also have to demonstrate that we are serious about our environmental responsibilities.

The recent fleet renewal investments are clear indications that companies are investing in the future of the industry.

It is also clear that we are developing solutions to minimize our environmental impact on the wider community.

Number 2 - Investment attracts investment.

You might have read recently that the shipping industry has collaborated to produce an Economic Impact Study.

For the first time ever, we now have a comprehensive picture of the economic benefits of the entire bi-national Great Lakes - Seaway navigational system.

Marine commerce on the Great Lakes - Seaway System creates 227 thousand jobs in Canada and the U.S. and generates 35 billion dollars in economic activity.

Although these are impressive numbers we would like to see them increase. This would mean,

- new movements
- new customers
- and new investment into the system

What better message to send to future customers than we are building more efficient vessels that will add new capacity to this vital transportation system?

And this point, leads to Algoma Central Corporation's number one reason for investing over half a billion dollars in Great Lakes Seaway Shipping.

Number 1 - We believe in the future of Great Lakes - Seaway shipping.

The Great Lakes - St. Lawrence region is the industrial and agriculture heartland of both the United States and Canada.

The Great Lakes - St. Lawrence Waterway is the deep draft marine highway that interconnects markets within this region. It also connects this heartland to world markets.

This vital trade corridor saves companies 3.6 billion dollars per year in transportation costs compared to land-based alternatives.

Notwithstanding our challenges there are many reasons why Algoma is very bullish regarding the future of our industry.

First and foremost there is a strong and stable customer base located within the region. Many of these customers are in attendance tonight and I would like, on behalf of the industry, to thank you for your support.

As well, we now have a Federal government that has demonstrated it recognizes the value and contribution of water transportation to Canada and, more particularly, to the Great Lakes – St. Lawrence region.

Our government had the vision to appreciate the long-term benefits of duty removal. It has the political will to battle unachievable ballast water regulations proposed by other jurisdictions. And it's providing the financial support to the St. Lawrence Seaway for much needed infrastructure renewal.

The positive stakeholder collaboration on many significant initiatives such as duty removal, Green Marine, ballast water regulations and Marine Delivers is another sign of the strength of our industry.

It is imperative that all stakeholders continue to collaborate and speak with a unified voice in order to successfully meet the future challenges to our industry.

I am pleased that Algoma's Board of Directors has demonstrated they believe in the future of shipping on the Great Lakes – Seaway System.

I am also very pleased that the Algoma team is leading the way toward a renewed domestic fleet.

And, I am truly proud to be leading a company that is in the process of re-inventing itself in order to continue providing the most efficient, environmentally friendly mode of transportation available – that being water transportation, well into the future.

Thank you very much.