



Good afternoon ladies and gentlemen. I would like to thank the Sarnia-Lambton Chamber of Commerce for providing me this opportunity to speak to you regarding the Future for Great Lakes Shipping.

For more than 200 years, ships have quietly gone about their business on the Great Lakes — out of sight and out of mind for most Canadians.

In some ways, being an invisible force, so to speak, is a positive thing. Our ships remain under the radar because they are not causing traffic jams on the highway or contributing to the ever increasing noise pollution in our daily lives. Our vessels also remain under the radar because they have an impeccable safety record.

The downside of going quietly about your business, however, is that the majority of Canadians do not realize just how economically important and technologically innovative Great Lakes-Seaway shipping has become. They do not realize the role that marine shipping can play to preserve our environment for the future. And they do not know that our industry has entered an exciting period of renewal and opportunity.

The Future of Great Lakes-Seaway Shipping



- **\$1 billion investment**
(Algoma = \$500m)
- **Expanding global trade**
- **Green Advantage**

International and Canadian shipowners — including Algoma — are investing close to \$1 billion in technologically and environmentally advanced vessels that will begin arriving to trade on the Great Lakes-St. Lawrence Waterway in the next few months.

That's on top of many millions that has already been spent by our industry on new and retrofitted vessels that have been delivered over the past few years. Global economic growth is shifting to emerging markets in Asia, South America, the Middle East and Africa and our Canadian government is responding with a campaign to diversify its international trading relationships. Commercial marine shipping — including the Great Lakes industry — will be essential to the success of this strategy.

And finally, people are more conscious than ever about protecting our planet for future generations. As the most environmentally-friendly way to transport goods, our industry sees this as an opportunity to shift more cargo to ships. As the title of this presentation states: The future really is green for Great Lakes Seaway shipping.

Great Lakes-Seaway Shipping



As everyone in this room will know, the City of Sarnia is in ongoing discussions with Transport Canada on the divestiture of the Sarnia Harbour. With that in mind, the future prospects of our industry is a particularly important story to share here today.

But first, a bit of Great Lakes-Seaway shipping 101.



Canada is a maritime nation — surrounded by three oceans. And its fourth coast is the 3700-kilometre inland navigation system known as the Great Lakes-St. Lawrence Waterway. This marine super highway supports the activities of 100 ports and commercial docks in the United States and Canada.

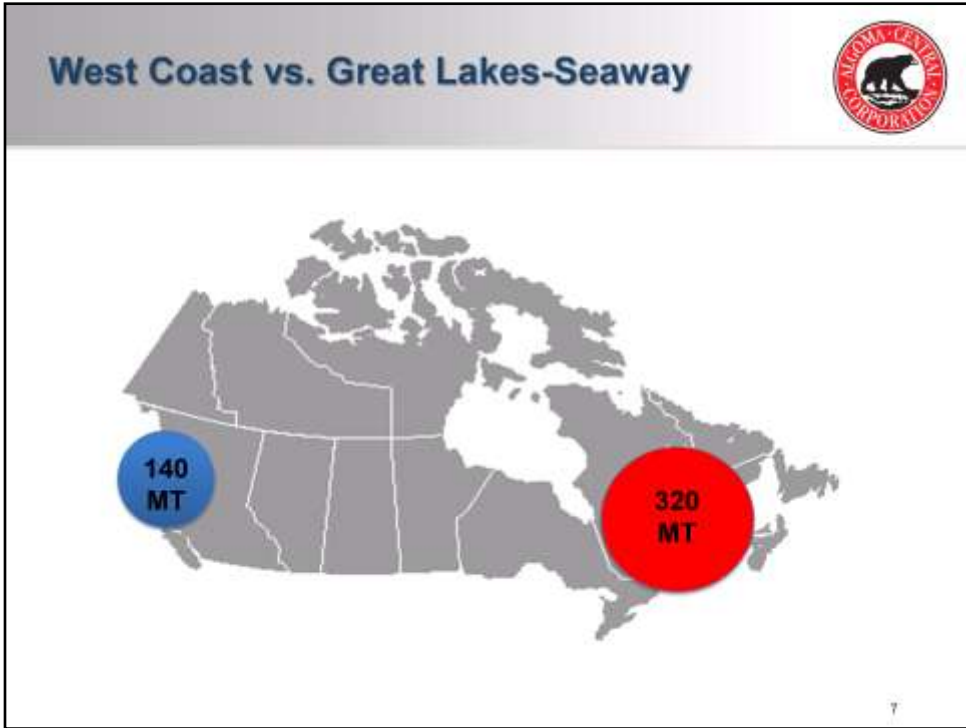


And it is a crucial transportation network for commerce moving between North America and more than 59 overseas markets, as well as commerce moving within North America itself.



Great Lakes ships deliver raw materials and finished goods that major industries and thousands of workers in our towns and cities depend upon.

From the bread and sugar on our supermarket shelves, to the gas in our vehicles and the steel in our buildings and appliances, a ship more than likely has played a role in bringing these goods to your doorstep.



Within the Great Lakes Seaway System, more than 320 million tons of cargo is handled each year by American and Canadian ports. Just to put this level of traffic in perspective, 140 million tons of cargo is handled through Canada's Pacific Gateway ports.

Economic Impact of GLSLS System



- **227,000 Jobs**
- **\$34.6 Billion Economic Contribution**
- **\$14.5 Billion Wages and Salaries**
- **\$4.7 Billion in Taxes**

In CDN \$

An economic impact study released last October revealed that cargo shipping on the Great Lakes Seaway System generates \$35 billion in economic activity annually and supports some 227,000 jobs in Canada and the U.S. \$9.6 billion dollars of that total economic activity – and 64,000 of those jobs – are here in Ontario.

At a time when job creation in Canada is modest at best, our industry is hiring hundreds of workers. Aging demographics along with our new ships coming in means that we are aggressively seeking out new candidates for careers in well-paying positions that would rival any shore-based high-tech job. In fact, right now Algoma Central has a cadet training on one our ships who is 37 years old and a former computer technician. After being made redundant a number of times in the computer industry, he is re-training at Georgian College to be a marine engineer. And he is doing this because he wants to work with state-of-the-art equipment and have the ability to advance in a stable career for many years to come.

Algoma Central Corporation



- HQ in St. Catharines, ON
- **33** Great Lakes-Seaway Ships
- **1900** Employees
- **\$150 million** in Annual Wages and Benefits
- **\$300 million** in Goods and Services

Algoma Central Corporation is the largest shipping company operating on the Great Lakes-St. Lawrence Waterway. It was incorporated in 1899 and has owned and operated vessels continuously from 1900. Algoma, which is based in St. Catharines, now owns and operates 33 Canadian flag vessels that transport both dry-bulk commodities and petroleum products throughout the Great Lakes-St. Lawrence Seaway.

We have almost 1,900 employees in Canada who for the most part, live and work in close proximity to the navigation system. On an annual basis these employees earn almost \$150 million in wages and benefits.

In addition, Algoma spends over \$300 million per year for goods and services to keep its 33 vessels operating. Again, the majority of these expenditures are made to suppliers located along the waterway.



In Sarnia, the region's major petroleum producing plants, fabrication plants and South Western farmers count on marine transportation to move their products to Canadian cities and international destinations. Tankers, bulk carriers, self unloaders, foreign vessels and tug / barges visit this harbour up to 800 times a year.

Over 200 of those annual vessel visits are Algoma Central tankers, self-unloaders and bulkers carrying petroleum products, grain, fertilizers and aggregates in and out of Sarnia.

Ship repair is also a major Sarnia industry providing many thousands of man-hours of work annually. Winter layup and major repair and refits carried out by our subsidiary Algoma Ship Repair along with other local companies typically result in between \$10-\$15 million dollars in direct and indirect spending in the community. And of course, the Central and Arctic Regional Headquarters of the Canadian Coast Guard is also located in Sarnia.

These are all impressive economic benefits both nationally and locally, but like every industry, we want to continue to grow. So what is the future potential of Great Lakes shipping?

GLSLS Opportunities – New FTAs



Well-Positioned to benefit from upcoming E.U., South American and North African FTAs



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As we all know, boosting trade is a national priority. The Canadian government has made it clear that Canada needs to expand and diversify its trade relationships. Since 2009, Canada has signed or brought into force six free trade agreements and federal officials are currently negotiating 14 more.

Increased production and trading activity with emerging markets in parts of Asia, Latin America, Africa and the Middle East will favour trade connections to North America's East Coast, including routes that transit the Panama and Suez Canals. The Great Lakes-St. Lawrence Waterway navigation system is perfectly positioned to connect the North American heartland with these fast-growing industrial and consumer economies.

Beyond geography, the shipping industry has other competitive advantages.

GLSLS Opportunities – Efficiency



To move 30,000 tonnes of cargo it takes ...



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A U.S. government study found that Great Lakes marine shipping saves companies roughly \$3.5 billion a year in transportation costs, compared to the next least costly land-based alternative. That's because one Seaway-size vessel can carry up to 30,000 metric tons of cargo per voyage – the equivalent of 300 rail cars or almost 1,000 semi-trailer trucks. That economy of scale translates into cost savings for Canadian industries and consumers.

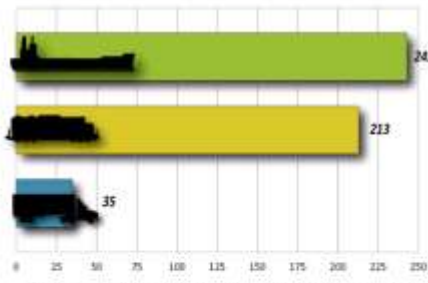
As a result of these benefits, exports via the Great Lakes-Seaway system are growing in a number of areas. Low-sulphur coal is travelling from the U.S. states of Montana and Wyoming to be used in power generation in Germany. As well, shipments of iron ore through the Seaway to the Port of Quebec for export more than doubled to 2.5 million tonnes in 2011. Some of this tonnage headed to China for the first time. These cargoes are predominantly being carried by Canadian domestic vessels to Quebec ports, where they are then loaded on ocean vessels for the next leg of their journey.

GLSLS Opportunities – Green Advantage



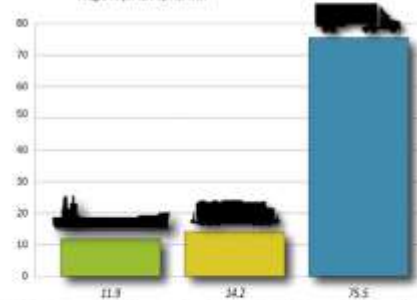
Superior Fuel Efficiency = Lowest Greenhouse Gases

Figure 1 Distance one metric ton of cargo travels
Kilometers on 1 liter of fuel



Source: The Environmental and Social Impacts of Marine Transport in the Great Lakes St. Lawrence Seaway Region, 2017

Figure 2 GHG Emissions
Kilograms per tonne/kilometer



Source: The Environmental and Social Impacts of Marine Transport in the Great Lakes St. Lawrence Seaway Region, 2017

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We also believe that marine transportation's green credentials will increasingly be an advantage for moving goods between Great Lakes ports.

Marine transportation leads the way in sustainable development. Due to their enormous carrying capacity, the average Great Lakes ship is 7 times more fuel-efficient than trucks. According to a new study by transportation consultants Research and Traffic Group that will be released soon, this fuel efficiency means that ships produce the lowest percentage of greenhouse gases per tonne-kilometre compared to land-based modes of transport.

As an industry, we realize that all transportation modes are improving their environmental footprint. And we recognize that we too must continuously raise the bar.

GLSLS Opportunities – Green Advantage



GREEN MARINE / ALLIANCE VERTE



- North American environmental improvement program
- Concrete actions beyond regulatory requirements
- Results independently verified
- Individual company results released publicly
- Endorsed by Govts, NGOs

Great Lakes-Seaway ports, terminals and carriers are taking concrete actions to improve their environmental performance as part of the marine industry's Green Marine program. This bi-national program aims to continually improve participants' performance in nine key environmental areas such as air emissions, invasive species, and cargo residue to name a few.



The greatest evolution for our industry in terms of becoming greener and more efficient, however, will be the new ships that will start arriving in the coming months.

Algoma Central Corporation and its customer, the Canadian Wheat Board, has committed almost \$500 million to build new state-of-the-art vessels.

Two of these ships are already trading on the Lakes. And Algoma Central has ordered 8 new Equinox vessels, two of which will be built for the Canadian Wheat Board.

Our project team working with Deltamarin, a leading vessel design firm has developed an innovative new vessel design. The result is that this new series of vessels, called the Equinox Class, will carry more cargo, at higher speeds and with improved fuel efficiency; resulting in significantly reduced emissions per tonne-kilometre of cargo moved. And by significant, I am talking about a 45% reduction in greenhouse gases. Algoma has also ordered exhaust gas scrubbing systems for the eight new Equinox vessels that will reduce sulfur oxide emissions — which contribute to smog and acid rain — by as much as 97 per cent.

This new vessel order, which I am very confident is only the beginning of our domestic fleet renewal process, will bring with it increased efficiencies and improved environmental performance which not only better serves our customers but also better serves the needs of all who rely upon our shared Great Lakes-St. Lawrence Waterway.

In a minute, I will give you a preview of what the Equinox vessels will look like.

But first, I want to touch upon the challenges the industry must still overcome to reach its full potential. Although we have made considerable progress in reaching uniform environmental standards across the bi-national Great Lakes-Seaway System, there are still some regulations that have created an inequitable trading position between American and Canadian shipowners — who compete to ship goods between U.S. and Canadian ports.

New national regulations proposed by the Environment Protection Agency in the United States will require ships to install ballast water treatment equipment as an added protection to prevent the introduction of new invasive species. The EPA, however, has exempted the American-flag Great Lakes domestic fleet from these regulations on the basis that they do not pose a high risk of introducing new species as they do not travel outside the Great Lakes-Seaway system. The EPA also recognizes that ballast water treatment systems are not currently scientifically proven to operate effectively in the Great Lakes and that more time is needed to come up with an appropriate solution.

The problem is that same position has not been extended to Canadian Great Lakes vessels, that like their U.S. counterparts, only operate in domestic waters. This has created an unlevel playing field for the Canadian domestic fleet that we hope the EPA will rectify before they finalize these regulations later this year.

Strangely, the EPA's proposed rules also do not match those recently issued by the U.S. Coast Guard, which has exempted both U.S. and Canadian fleets until appropriate technology becomes available. Ultimately, we need to have harmonized rules across all jurisdictions of the Great Lakes-Seaway that are practical, economical and protective.

I would now like to move back to our Equinox Class story and share a short video with you. The Equinox New Era video can be viewed at www.algonet.com

Great Lakes-Seaway Shipping



- Cost Efficient
- Environmentally Smart
- Innovative
- New Business
- Fleet Renewal

As I mentioned before, the Great Lakes marine industry has entered a period of renewal and transformation. We are working together to build new business opportunities that will lead to more jobs and wealth for Great Lakes communities such as yours.

We are working together to come up with innovative solutions that make sense for the unique environmental challenges presented by doing business on the Great Lakes.

And, we are investing in new ships and new technologies.

This is an exciting time for the marine industry and we encourage you to be part of our story.

Thank you for your time today.



Thank You Q & A

