

Marine

News

JUNE 2011

WWW.MARINELINK.COM

The Leadership Edition



Stark



Calhoun



Witte



Eckstein



Jones



Crowley



Insights
Michael Hume,
W&O Supply
page 8



Offshore
Veolia Grows
its Business
page 42



Charting the Future

In the Annual Leadership Edition of *MarineNews* we bring you a line up of executives with insights on market conditions, legislation and business strategies for the coastal and inland waterways and salvage fields; an insiders view on trends that will define the workboat market for years to come.



What is your outlook for the market you serve in 2011/2012 and beyond?

CHARLES JONES, CHAIRMAN OF THE BOARD, AMHERSTMADISON

All our line boats are chartered to companies that own dry cargo barges and they are predominately in the coal trade. Despite adverse publicity we will continue to use substantial quantities of coal to produce electricity and for at least the next five years we look for a substantial export market of coal, both thermal and metallurgical, from the Gulf ports. In addition, we feel the aggregate trade will maintain itself for the same period because highway maintenance alone is so far behind schedule. We also feel that petroleum products and chemicals will maintain themselves.

JOHN ECKSTEIN, CHAIRMAN, PRESIDENT & CEO, MARQUETTE MARINE TRANSPORTATION

After our next new builds are delivered we will have over 800 barges, but our primary business is as a boat operator. I was excited about the prospects for a strong 2011 and even stronger 2012. U.S. farmers were planting a large crop and export demand was looking strong. This combined with a large coal export program and improving northbound and liquid demand pointed to high demand for horsepower. However, the current flooding is not only hurting current operations but could have lingering negative effects on demand as crop conditions deteriorate. I do feel that demand for horsepower will continue to be strong as the stress on the system will continue to negatively impact logistics. All in all, I am still bullish long term, especially for horsepower.

JOHN ARNOLD WITTE, JR., EXECUTIVE VICE PRESIDENT, DONJON

As a result of Donjon's business philosophy, "diversity of service," we are always hopeful when looking to the future. While Donjon's first area of concentration was exclusively marine salvage and related services, over the last 45 plus years Donjon has diversified into the areas of heavy lift, marine transportation, dredging, construction and support and, most recently, shipbuilding and repair through our acquisition of Donjon Shipbuilding and Repair located on Lake Erie in Erie, Penn. While one area of service may be slow, one or all of the other areas are likely not. As far as our outlook for 2011/2012, we see a positive upswing in the marine industry as a whole. This is evidenced by the recent increase in our heavy lift stevedoring, dredging, vessel and metals recycling and marine transportation services. Marine salvage, while a core Donjon business, is on the decline due to increased liabilities to vessel owner/operators as a result of legislation like the Oil Pollution Act of 1990. But, as long as vessels continue to transit the oceans, rivers and bays of our marine environment, marine salvage and related services will be needed.

JAMES STARK, EXECUTIVE DIRECTOR, GICA GICA works closely with its members and federal and state stakeholders on waterways matters, focused on keeping commerce moving throughout the five-state GIWW area. Although trend data for cargoes transported by the barge industry is still catching up to pre-recessional levels, I believe our industry remains solid. The GIWW plays a major role, behind only the Mississippi River and the Ohio River in

Leadership Edition

**Chairman of the Board,
AmherstMadison**

Charles Jones

“The river transportation industry is currently suffering from over regulation and in addition we are faced with the imposition of what is known as Sub-Chapter M certainly by the end of 2012. This, plus the emissions standards of the EPA which are currently in place and will be imposed on the grandfathered main propulsion engines in towboats will have a significant impact on our business. The brown water transportation industry in most cases is not profitable enough to do the hull work and purchase new engines to comply with these new standards.”



Photo courtesy Port of AmherstMadison

AmherstMadison's MV O. Nelson Jones

Reprinted with Permission from the June 2011 edition of Marine News - www.marinelink.com

terms of tonnage moved on the inland waterways — over 108 million tons annually. Clearly, shippers on inland waterways are always looking at efficiencies and costs as they move their commodities to production plants and products to market. The GIWW offers shippers an advantage in gaining those efficiencies. As fuel costs rise and over the road transportation becomes increasingly congested, barge transportation becomes more attractive and GICA member companies have the capacity and expertise meet customers' GIWW needs.

How is your company investing for the future?

JOHN ARNOLD WITTE, JR., EXECUTIVE VICE PRESIDENT, DONJON Donjon continues to reinvest in the equipment and personnel required to support our core businesses. We promote from within and use both the experience of our long-term employees plus appropriate outside training to keep the employee pipeline full. We have recently added a significant number of marine transportation related equipment which supports all aspects of our maritime activities. We also have begun construction of a new 4,000 cubic yard dump scow to increase our dredging capability at our recently acquired shipbuilding and repair facility. We added a 34,000-ton capacity self unloading articulated tug/barge unit to the fleet, scheduled to be ready for service in support of Great Lakes bulk transportation needs for the 2012 season. We are 50/50 partners in this vessel with Seacor Maritime.

JAMES STARK, EXECUTIVE DIRECTOR, GICA GICA members are investing in new boats and barges. This was especially true in 2010 when a dip in steel prices and tax incentives made recapitalization appealing. On the Gulf coast, towing companies have been regularly christening and placing new vessels into service. Additionally GICA members are working closely with USACE, USCG and NOAA as part of a Gulf Coast Inland Waterways Joint Hurricane Team to ensure waterways are opened as soon as possible after a storm's passing.

CHARLES JONES, CHAIRMAN OF THE BOARD, AMHERSTMADISON Our company is continuing to bring in younger personnel to maintain an effective organization for the future. We have been and continue to purchase newer, larger cranes and other related equipment for our construction business. In addition, we have purchased a number of new deck barges for our construction division which, in some cases, is a flight from poorly earning securities into fixed assets.

JOHN ECKSTEIN, CHAIRMAN, PRESIDENT & CEO, MARQUETTE MARINE TRANSPORTATION We just finished construction of 50 new barges and are building another 69 through the first quarter 2012. We took delivery of two new 2,000 hp vessels in the gulf and put into service our largest vessel to date, the 9000 hp Loree Eckstein. We also recently added a vessel to our offshore division.

Along with that, our steersman program will go from near zero participants five years ago to 25 by year end. This increased investment in pilots for the future is a necessity if we want to continue to operate at the high level of quality that has been paramount to our success.

What recent or pending legislation will have the most significant impact on your business?

RICK CALHOUN, CHAIRMAN, WATERWAYS COUNCIL, INC. As Chairman of Waterways Council, Inc., the number one legislative priority is to see the Inland Waterways Capital Development Plan (CDP) move forward as part of a Water Resources Development Act (WRDA). The CDP is a consensus-based plan that was developed over an 18-month period by the Inland Waterways Users Board, on which I serve, and by the U.S. Army Corps of Engineers to prioritize navigation projects on the inland system and define a way to efficiently fund them over the next two decades. This new plan would require the industry to increase the tax it currently pays into the Inland Waterways Trust Fund by 35 to 45%. While never an easy decision to raise taxes in an uncertain fiscal environment, the industry supports this as a way to fix the current broken, inefficient model for constructing navigation projects. If passed, the legislation will allow 25 projects to be built over 20 years versus just six over the same period under the current system.

JOHN ARNOLD WITTE, JR., EXECUTIVE VICE PRESIDENT, DONJON New and changing regulations by the federal, state and local governments cover such wide ranging issues as crew training, equipment maintenance, vessel inspections and office support/record keeping to name a few. In my view, the most important legislation recently passed is the final implementation of the Oil Pollution Act of 1990. As a result of the Exxon Valdez casualty in 1989, the federal government enacted OPA-90 to ensure that there are sufficient response assets to deal with any maritime casualty. With the protection of our environment a top priority, the final implementation of OPA-90 provides support, not subsidy, to the true professional U.S. marine salvage community. Among numerous emergency response requirements, OPA-90 requires that owners/operators of all tank vessels that transit U.S. waters have an agreement in place with a professional and experienced salvor in the event of a casualty. OPA-90 does not require that vessel owners/operators subsidize the marine salvage community, only that they must contract with a professional salvor in the event of a casualty rather than a "yellow pages" salvor who chooses to try to respond without the experience, equipment and personnel necessary to mitigate the problem. OPA-90 has provided the support necessary to allow professionally trained marine salvors to continue to be financially viable today and into the future.

CHARLES JONES, CHAIRMAN OF THE BOARD, AMHERSTMADISON The river transportation industry is currently suffering from over regulation and in addition we are faced with the imposition of

Leadership Edition



**Chairman, President & CEO,
Marquette Marine Transportation**

John Eckstein

"We just finished construction of 50 new barges and are building another 69 through the first quarter 2012. We took delivery of two new 2,000 hp vessels in the gulf and put into service our largest vessel to date, the 9000 hp Loree Eckstein."

Photos courtesy Marquette Transportation



Marquette Marine's MV Kay A Eckstein.

what is known as Sub-Chapter M certainly by the end of 2012. This, plus the emissions standards of the EPA which are currently in place and will be imposed on the grandfathered main propulsion engines in towboats will have a significant impact on our business. The brown water transportation industry in most cases is not profitable enough to do the hull work and purchase new engines to comply with these new standards.

What do you consider to be the biggest challenge to running a profitable inland waterways business today?

JOHN ECKSTEIN, CHAIRMAN, PRESIDENT & CEO, MARQUETTE MARINE TRANSPORTATION

There are many challenges facing inland operators today and it's hard for me to pick just one, so I will give you two: quality pilots and infrastructure. During my first 10 years at Marquette, we never had a problem crewing vessels, even in the wheelhouse. This caused the industry, including Marquette, to not create enough new pilots because it is very expensive to do so. Now, with some growth in the last decade combined with an aging pilot workforce, all companies have found it difficult to find enough quality wheelmen. As a result, we have expanded our steersman program, as I previously mentioned. Infrastructure is a no brainer. Most of the infrastructure on the inland waterway system has far outlived its useful life. Unless we spend some needed capital on it, this country will lose a valuable resource that helps keep us competitive in the world markets. Other countries are spending billions of dollars and can only dream of having a system such as ours. It's up to all of us to convince our elected officials of this point.

JAMES STARK, EXECUTIVE DIRECTOR, GICA GICA works closely with its members and federal and state stakeholders on waterways matters, focused on keeping commerce moving throughout the five-state GIWW area. Although trend data for cargoes transported by the barge industry is still catching up to pre-recessional levels, I believe our industry remains solid. The GIWW plays a major role, behind only the Mississippi River and the Ohio River in terms of tonnage moved on the inland waterways — over 108 million tons annually. Clearly, shippers on inland waterways are always looking at efficiencies and costs as they move their commodities to production plants and products to market. The GIWW offers shippers an advantage in gaining those efficiencies. As fuel costs rise and over the road transportation becomes increasingly congested, barge transportation becomes more attractive and GICA member companies have the capacity and expertise meet customers' GIWW needs.

The lack of a coherent infrastructure recapitalization plan for the inland waterways system remains the biggest challenge to running a profitable inland waterways business. If we can't count on dependable waterways structures, then delay costs rise and customers look elsewhere. What is troubling is that the fine work of the Inland Waterways Users Board (IWUB) and its consensus Inland Waterways Capital Development Plan has been rejected by

the current Administration and Congress doesn't seem to have the appetite to take on the issue through a comprehensive WRDA solution. The plan proposed by the IWUB included a fair, carefully crafted cost sharing plan, objective criteria for prioritizing projects and substantive recommendations for streamlining USACE project delivery processes. In addition to this recapitalization challenge, significant shortfalls in USACE operations and maintenance funding make operations on the GIWW more difficult. As a result, GICA is adding its voice to the many others in the industry advocating better funding for this critical transportation system.

RICK CALHOUN, CHAIRMAN, WATERWAYS COUNCIL, INC. As WCI Chairman, I would say the biggest ongoing challenge for our association is always to convince decision-makers in Congress about the critical importance of the nation's waterways and all that they provide to the nation in terms of exports, jobs, energy efficiency, traffic congestion relief and protection of the environment. We are a small industry compared to truck and rail, often out of sight, out of mind, yet just as important as we consider the intermodal world we operate in. The waterways provide the way forward for helping our nation to double its exports over the next two years, but we cannot accommodate that goal if our lock and dam infrastructure is at risk of catastrophic failure. The lock and dam system — just like other infrastructure in other modes — requires recapitalization and the Capital Development Plan will help our nation to maintain its competitive edge for getting our grain and other commodities to the world market more cheaply than other nations.

The Leaders

**RICK CALHOUN, CHAIRMAN,
WATERWAYS COUNCIL, INC.**

For the past two years Rick Calhoun has been Chairman of the Waterways Council, Inc., the national public policy organization which advocates for a modern and well-maintained national system of ports and inland waterways. Calhoun is Vice President of Cargill's North American Grain & Oilseed Business Unit in Minneapolis, Minn.

**JOHN ECKSTEIN, CHAIRMAN,
PRESIDENT & CEO,
MARQUETTE MARINE TRANSPORTATION**

John P. Eckstein serves as Marquette Transportation Company Holdings, LLC's Chairman of the Board of Directors, President and CEO. He joined the company in 1990. Marquette Transportation operates 116 tow and tug boats and approximately 800 barges through three primary segments: river, gulf-inland and offshore.

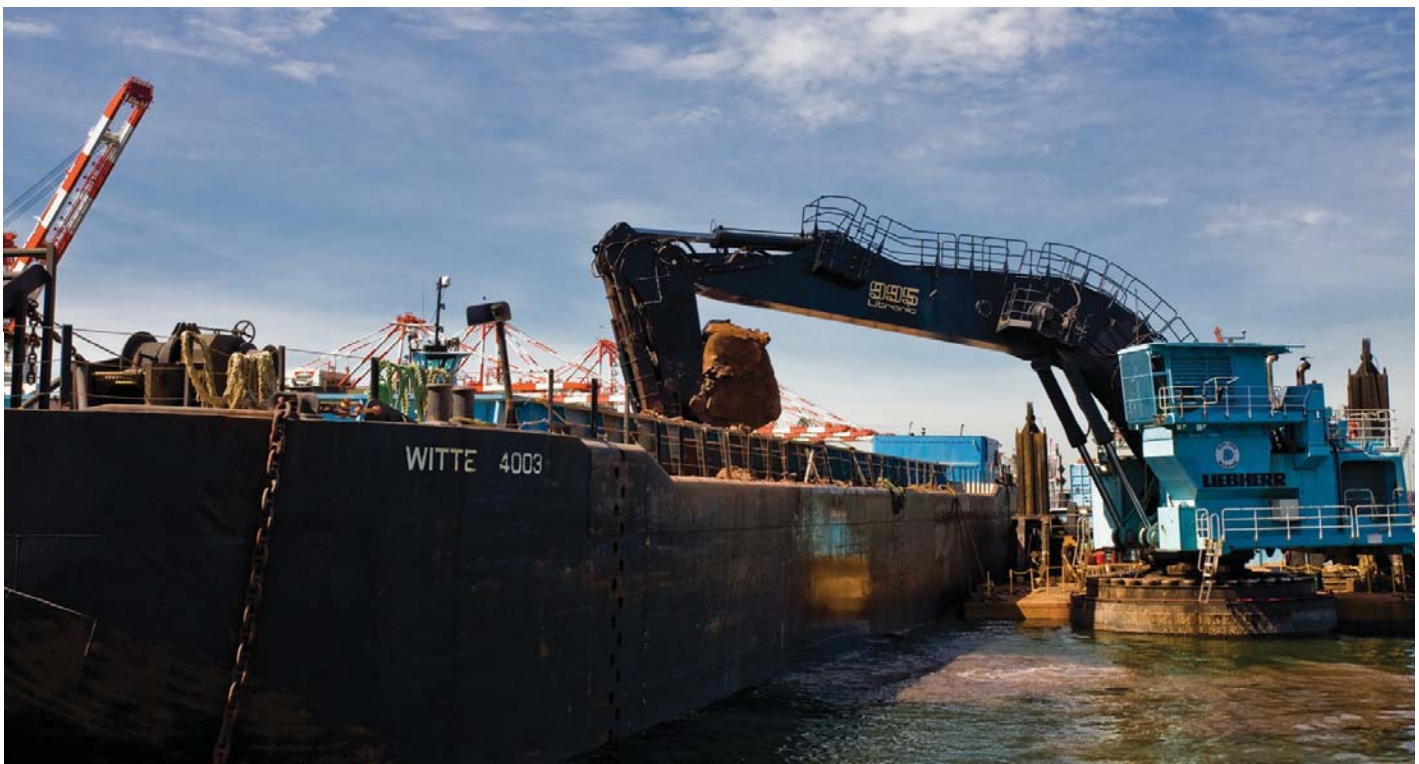
Leadership Edition



Executive Vice President, DonJon

John Arnold Witte, Jr.

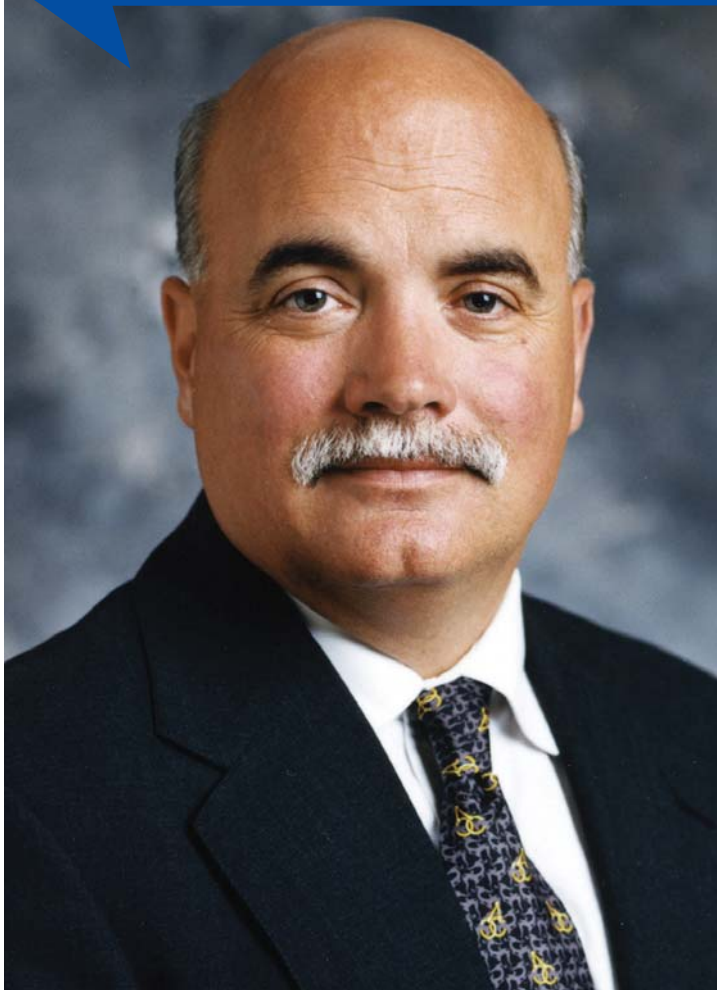
“Donjon continues to reinvest in the equipment and personnel required to support our core businesses. We promote from within and use both the experience of our long-term employees plus appropriate outside training to keep the employee pipeline full. We have recently added a significant number of marine transportation related equipment which supports all aspects of our maritime activities.”



Photos courtesy DonJon

DonJon dredging operations

Reprinted with Permission from the June 2011 edition of Marine News - www.marinelink.com



Chairman, Waterways Council, Inc.

Rick Calhoun

“As WCI Chairman, I would say the biggest ongoing challenge for our association is always to convince decision-makers in Congress about the critical importance of the nation's waterways and all that they provide to the nation in terms of exports, jobs, energy efficiency, traffic congestion relief and protection of the environment.”

**JOHN ARNOLD WITTE, JR.,
EXECUTIVE VICE PRESIDENT, DONJON**

John A. Witte, Jr. is Executive Vice President of Donjon Marine Co., Inc., provider of marine services including marine salvage, heavy lift, dredging and related emergency response services since 1982. Witte also served as President of the American Salvage Association (ASA) from 2007-2009.

CHARLES JONES, CHAIRMAN OF THE BOARD, AMHERSTMADISON

After serving in the Navy during World War II Charles Jones went back to work for a U.S. mining company that shipped coal by barges. From there he became part of the creation of a river transportation company that bought its first barge in 1948. AmherstMadison is a direct successor of a coal company Jones' grandfather started in 1893 in Red Star, W.Va. Today AmherstMadison operates 30 towboats, 11 floating cranes and 30 construction barges and related equipment.

**JAMES STARK,
EXECUTIVE DIRECTOR, GICA**

Before becoming the Executive Director for the Gulf Intracoastal Canal Association (GICA), James Stark served in the Coast Guard for 28 years and was the FEMA Assistant Administrator for Gulf Coast Recovery following Hurricanes Katrina and Rita. GICA is the trade association representing industry members involved in towboat and barge operations, shipping, shipyards and associated waterways industries which use the Gulf Intracoastal Waterway (GIWW) between Brownsville, Texas and St. Marks, Fla.



Executive Director, GICA

James Stark

“GICA works closely with its members and federal and state stakeholders on waterways matters, focused on keeping commerce moving throughout the five-state GIWW area. Although trend data for cargoes transported by the barge industry is still catching up to pre-recessional levels, I believe our industry remains solid.”



Photo courtesy USACE

The Gulf Intracoastal Waterway enters Galveston Bay from Bolivar Peninsula.