



SMT ANNOUNCES EQUINOX CLASS OF NEWBUILD VESSELS

Allister Paterson
President & CEO

An exciting turning point in SMT's evolution was reached recently with the announcement that our Owners, Upper Lakes Shipping and Algoma Central Corporation, as well as one of our largest customers, the Canadian Wheat Board, had placed firm orders for a total of seven new Lakes Class vessels for our fleet, four new gearless bulkers and three new self-unloaders.

This is truly exciting news and a big vote of confidence in SMT and our marketplace, coming on the heels of the Owners'

acquisition of five other vessels; the recently delivered Algobay, the M/V Canadian Mariner which is to be delivered in mid-2011, as well as three used full ocean, ice classed gearless vessels; the Algoma Discovery, the Algoma Spirit and the Algoma Guardian which arrived in 2010.

All seven of the recently announced new vessels will be built at the Nantong Mingde Shipyard in China. The first is scheduled to enter SMT service in early to mid- 2013, with

ALGOMA TO ACQUIRE UPPER LAKES INTERESTS IN SMT

On February 25, 2011 Algoma Central Corporation announced that it had entered into a definitive agreement to acquire from Upper Lakes Group Inc. its partnership interest in Seaway Marine Transport and related entities along with the vessels and assets owned by Upper Lakes and used by SMT in its dry-bulk freight business.

Under the terms of the transaction, Algoma will acquire 11 vessels currently owned by Upper Lakes, consisting of four gearless and seven self-unloading bulk freighters. Algoma will also acquire Upper Lakes' interest in two gearless and two self-unloading bulk freighters that are now owned jointly by Algoma and Upper Lakes as well as their interest in a jointly owned self-unloader currently under construction at



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subsequent units arriving every 2 to 3 months thereafter.

The two units ordered by The Canadian Wheat Board are both gearless bulkers. The Canadian Wheat Board and SMT have entered into an agreement whereby SMT will operate and manage these vessels on behalf of the Canadian Wheat Board.

While the number of new ships to be built is significant, a very exciting part of the order is the design and performance features of the new vessel series, which we have branded as the Equinox Class. Equinox Class Bulkers and Self-Unloaders were designed by

a dedicated team of experts, led by Algoma Central and Upper Lakes, along with the leading Finnish ship design firm Deltamarin.

These Equinox Class vessels have been designed with an eye to every possible aspect in efficiency, safety and environmental performance. Compared to the vessels that they will replace, Equinox Class ships will be bigger and faster, moving about 20% more cargo each year while at the same time using less fuel. This will directly translate into improved air emissions performance, with emissions per tonne km of cargo carried expected to drop by an average of 40% compared to the

existing fleet. Upgraded machinery throughout the vessel will also allow for sizeable improvements in water management, with each ship provisioned for future air and water treatment system upgrades as technology matures.

We invite you to learn more about the Equinox Class vessels on our website, www.seawaymarinetransport.com

We are investing heavily in our business to be in a position to continue to better serve our customers' businesses. ■



Concept Image of the new Equinox class of vessels.

Chengxi Shipyard in China, which is expected to arrive in Canada in July, 2011. The purchase price of the transaction is \$85 million subject to customary closing adjustments and conditions including receipt of all required regulatory approvals.

"We are extremely pleased to have been able to reach this historic agreement with our longstanding partner, Upper Lakes and to welcome the shipboard personnel of the acquired vessels to the Algoma family," said Greg Wight, President and Chief Executive Officer of Algoma. "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 in domestic dry-bulk transportation and maintain Canadian jobs in this essential sector."

On December 21, 2010, Algoma announced the signing of an agreement for the purchase of four new maximum St. Lawrence Seaway-sized dry-bulk lake freighters from Nantong Mingde Shipyard in China ("NMD"). The order includes one gearless bulk freighter and three self-unloading vessels. As a result of the transaction described above, Algoma will acquire a second gearless bulk freighter currently on order by Upper Lakes from NMD. This gearless bulk carrier purchase brings to five the total number of "Equinox Class" lakers ordered by Algoma from NMD. In addition, the Canadian Wheat Board has also ordered two new Equinox Class gearless bulk carriers. The new Equinox Class vessels are expected to arrive in 2013 - 2014.

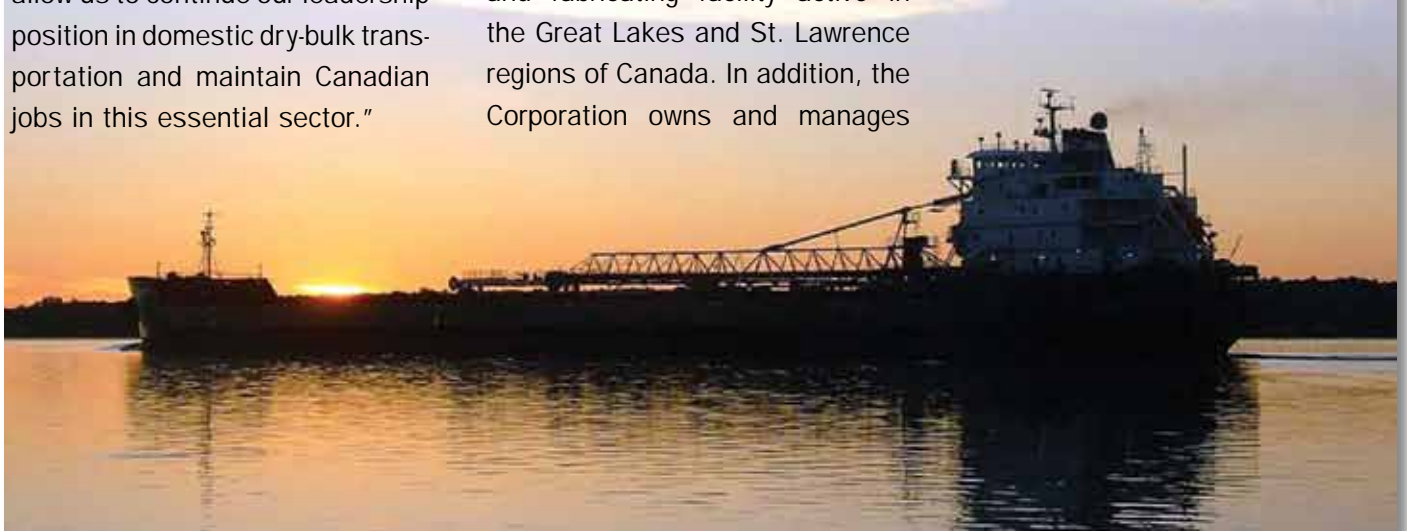
In addition to the dry-bulk vessels used by SMT, Algoma also owns seven domestic product tankers and has interests in ocean dry-bulk and product tanker vessels operating in international markets. Algoma owns Fraser Marine and Industrial, a diversified ship repair and fabricating facility active in the Great Lakes and St. Lawrence regions of Canada. In addition, the Corporation owns and manages

commercial real estate properties in Sault Ste. Marie, St. Catharines and Waterloo, Ontario.

After the transaction, Upper Lakes will retain its interests in ship repair and dry-docking facilities, grain elevators and related businesses and commercial real-estate.

Allister Paterson, SMT President and CEO welcomed the change commenting that at this important juncture in the history of Canadian marine transportation it will be important to be able to move forward with a single vision for the business.

SMT was formed in 2004 but its roots extend back to its predecessors, Seaway Bulk Carriers, formed by Algoma and Upper Lakes in 1990 and Seaway Selfunloaders, formed by the partners in 1994. The SMT partnership operates and manages the Canadian-flag gearless and self-unloading bulk freighters owned by Algoma and ULG that serve the Great Lakes - St. Lawrence Waterway. Today, SMT operates a diversified fleet of dry-bulk cargo vessels in this area.



CANADIAN MARINER UPDATE

*Bernie Johnson
Vice President Marine Projects
Upper Lakes Group Inc.*

Following the arrival of the new M.V. Algobay in the spring of 2010, the delivery of the new Canadian Mariner will be the second coastal vessel added to the SMT fleet in as many years. Arrival of these ships will fulfill a critical component of SMT's broad customer and product service offering.

An exciting and anticipated addition to the fleet, the Canadian Mariner will arrive incorporating

many of the ideas, concepts and technologies developed for the new Equinox Class vessels. It will come with a modern two-stroke engine which is sized and matched with the advanced propeller, rudder and stern concepts researched and developed for the Equinox Class. A fully integrated instrumentation alarm and control system will assist with power management, and provide for improved reliability, energy efficiency and safety in the

machinery spaces. Along with a steering gear that allows for 70 degree turning of the rudder from either side of centre, and a 1200 kW bow thruster, the ship will be well equipped to manoeuvre in tight quarters. Enhancements to the bridge navigation system will provide for greater vessel and crew safety. Improvements in crew habitability will make the vessel a more comfortable workplace for all.





All this adds up to a customer offering that will include leading edge efficiency and environmental benefits. At full draft, the Canadian Mariner will be capable of carrying 37,000 metric tonnes of cargo. Full away speeds will be 15-20% faster than those of our existing vessels, while at the same time burning less fuel per trip. Reduced fuel consumption translates directly into fewer pollutants emitted via

engine exhaust gases. Space has also been provisioned in the design to accommodate the addition of environmental equipment once it is developed and commercialized, to further address ballast water and air emissions concerns.

The new Canadian Mariner continues on schedule to be delivered to the SMT fleet in July of this year. It is currently floating alongside the outfit quay

at Chengxi Shipyard in China. All major equipment is in place and being aligned, chocked, assembled and connected. The vessel is scheduled to begin sea trials on or about April 21, after which it will embark on its maiden voyage to reach and serve the customers of the Great Lakes and East Coast of Canada. ■



LAKERS SOLD FOR SCRAP



Special to **CURRENT**
By Skip Gillham

Four former lakers from the SMT fleet have been sold for scrap. A fifth vessel, a barge made from the former WINDOC has also been sold. The latter, while owned by SMT, never saw service for the company.

18, 2010. It arrived overseas at the port of Aliaga on October 17, 2010, after which breaking up the hull for recycling was soon underway.

The second vessel to head across the Atlantic was CANADIAN

and launched at Sunderland, England, on October 17, 1963. This vessel began as the deep sea freighter CARLTON.

The CARLTON was sold to the Burnett Steamship Company and, in 1975, operated briefly for Federal Commerce & Navigation as FEDEAL WEAR before being resold to Leitch Transports, part of Upper Lakes Shipping, later that spring. Re-registered at Toronto as the ST. LAWRENCE PROSPECTOR, the ship combined Great Lakes and ocean trading.

In 1978-1979, the old forebody was removed and scrapped and a new one added. This resulted in a Seaway-sized laker of 222.50 metres long and with a new name of the CANADIAN PROSPECTOR. It too continued in SMT service to the end of 2009 and left Montreal under tow on October 1, 2010.



Agawa Canyon

The first of the ships to reach the scrapyard was the AGAWA CANYON. This self-unloader was Hull 195 from the Collingwood shipyard and began service on November 20, 1970. It spent 40 years of active trading around the Great Lakes and St. Lawrence carrying a wide variety of cargoes for company customers. Iron ore, coal, stone, road salt, wheat, slag, potash and alfalfa pellets were among as many cargoes, the AGAWA CANYON was known to make over 100 trips a year.

The AGAWA CANYON tied up at Montreal late in 2009 and remained idle until departing under tow for Turkey on September

PROSPECTOR. This was a gearless bulk carrier and dated from 1964. It had been built by Short Bros.



M/V Algoisle



The ALGOISLE was the third retired laker to depart Montreal under tow. It left on October 5 and arrived safely at Aliaga on November 11, 2010. Back in 1963, as the SILVER ISLE, this was the first major Great Lakes freighter to be built with the pilothouse and accommodation area located aft. Within a decade this had become the norm.

The SILVER ISLE was part of the Mohawk Navigation fleet until 1981 and then Pioneer Shipping until 1994. It was operated under charter to Scott Misener Steamships beginning in 1969 and then later to Great Lakes Bulk Carriers. The ship was renamed the ALGOISLE when purchased by the Algoma Central Corporation in 1994. In later years it saw only intermittent service. It was the oldest Seaway-sized bulk carrier in the fleet when retired in December 2009. The ALGOISLE is shown outbound in the St. Lawrence on October 5, 2010.

The final voyage for the CANADIAN LEADER was much shorter. This ship departed Hamilton under tow on November 6, 2010, and arrived

at Port Colborne the next day.

The CANADIAN LEADER was built at Collingwood as FEUX-FOLLETS and launched on June 16, 1967. It was the last laker built with steam power, operating in the Papachristidis fleet until 1972.

Sold to Upper Lakes Shipping and renamed the CANADIAN LEADER, it had an active career in the ore and grain trades, with occasional loads of coal and sugar. It was idle at Hamilton when it was sold to International Marine Salvage and three tugs took the vessel to the scrap berth in the outer harbour at Port Colborne.

The same trio of tugs returned to Toronto for the forebody of the former WINDOC which has been idle since 2001. It was acquired by SMT in 2006 with thoughts of converting the hull to become a bulk cargo barge but changing business conditions did not warrant the investment.

The WINDOC had been built at Hamburg, West Germany, in 1959 and sailed deep sea until being rebuilt for Great Lakes service as the STEELCLIFFE HALL in 1977. It joined the Paterson fleet as the WINDOC in 1988 and operated for them until August 11, 2001. That day, Bridge 11 of the Welland Canal was lowered prematurely, striking the top of the pilothouse of the vessel and causing a serious fire. The former WINDOC was moved around in the intervening years and was towed out of Toronto on November 8 arriving at Port Colborne the following morning. SMT salutes these proud ships and the crews that sailed them during their successful lives with their owners and with Seaway Marine Transport. ■



M/V Canadian Leader

SMT Winter Operations

While most of us are home sitting by the fire on these frigid winter nights, or snuggled up in our warm beds, work continues for many of SMT's dedicated crew members in the harshest of conditions.

SMT operated 6 vessels during the month of January and some continued to operate into February.

The Canadian Enterprise was kept busy moving salt for Morton Salt from Windsor, Ontario to Lake Michigan, while the Canadian Progress and Algomarine shuttled salt from Sifto Salt's Mine in Goderich, Ontario to various ports around the upper lakes.



Fleet Mates Canadian Enterprise and Canadian Progress deliver salt to Chicago.

Algobay upbound approaching the Quebec City Bridge.



The Algobay shuttled iron ore from St Lawrence River ore ports to Arcelor Mittal Canada's Contrecoeur facility in January and into early February.

The addition of the three ACC Salties to the SMT Fleet, with their coastal capability (Algoma Discovery, Algoma Spirit and Algoma Guardian), allowed us to participate in AK Steel's winter iron ore movement from IOC's facility in Sept Iles to Baltimore this winter. The 37,000 tons each of our vessels delivers per voyage to the CSX facility at Curtis Bay gets reloaded onto trains and its moved to AK Steel's Middletown, Ohio facility. ▀

Algoma Guardian off Nova Scotia enroute Baltimore.



Algoma Guardian at CSX Terminal in Curtis Bay, Baltimore.



'Ground Hog Day in Chicago' – Algomarine with a load of Sifto Salt.

Fleet Maintenance on Schedule for Winter 2011

John Greenway
Vice President Operations



The M/V Canadian Olympic and Canadian Progress sit quietly in the serene snow covered Port Colborne Harbour. Inside the vessels' holds and engine rooms, activity abounds with maintenance and survey work underway with ship's crews and contractors.

Despite the extreme winter conditions of cold temperatures and heavy snow accumulation, ships' crews and repair contractors are busy and on schedule with planned maintenance, repairs and project work. Once again, the SMT fleet is wintering in various ports from Thunder Bay to Montreal, with a positive economic impact on these ports and regions in terms of skilled labour employment and supplies and services related to SMT's winter maintenance program.

Dry docking survey work along with "life extension" repairs are underway on the M/V John B. Aird at the Seaway Marine & Industrial dry dock in Port Weller. Work on bulkhead renewals, internal steel and routine inspections and survey

requirements to meet Transport Canada and Class requirements are underway. The S/S Canadian Provider and M/V Canadian Navigator are undergoing similar dry docking survey work at

Lakehead Marine & Industrial in Thunder Bay.

Upgrade and renewal projects focused around SMT's environmental commitment continue again this winter. Oily water management improvements are under way on the M/V Algosoo. Expanded use of biodegradable stern tube fluids on all oil cooled/lubricated systems is also planned. SMT's commitment to environmental sustainability and overall fleet improvement remain a high priority in addition to commitments to onboard safety.

Most of the onboard machinery maintenance and overhauls are completed by the Chief Engineer with his engineering officers and crew. Steel repairs and maintenance renewals are completed primarily by Frasers Marine & Industrial and the dry-docks.



Maintenance repairs to hatch covers to ensure watertight integrity requires skilled welders and co-operative weather conditions. Hatch cover maintenance on the M/V Algosoo is in full gear.



Sections of steel plate renewals on the starboard hull of the M/V Algosoo are under way with Fraser's Marine & Industrial in Hamilton during the winter lay up.

Machinery support is provided by Allied Marine & Industrial and while electrical contract work is undertaken primarily by Canal Marine & Industrial. These service experts are vital in the support of SMT's maintenance and repair initiatives.

Larger steel repair projects and maintenance are planned or underway on the S/S Montrealsais, M/V Algowood, Peter R. Cresswell, Capt. Henry Jackman, Algomarine, Canadian Transport and Canadian Olympic. Other work is as diverse as winch and accommodation upgrades on the M/V Algobay purifier upgrades on the M/V Algolake, sandblasting and coating of cargo hold areas on the Canadian Transport and Canadian Enterprise and self-unloading maintenance on all self-unloaders.

Winter is also an extremely busy time for SMT's operational managers. They are constantly "on the road" overseeing repairs, managing work to planned budgets

and working with repair contractors and regulatory authorities to ensure effective and efficient winter work for the SMT fleet.

The 2011 navigation season is not far away. In fact, the M/V Canadian Enterprise, Algomarine, Algobay and Canadian Progress have remained in operation during January and into February serving our customer's needs in the delivery of salt and iron ore. They will join their fleet mates for a period of "rest" and planned maintenance prior to returning to their role of moving millions of tonnes of critical cargoes for our customers 2011 needs in a safe and reliable manner. ▀



The M/V Canadian Enterprise and Canadian Progress have continued winter operations in the above two photos. Ice conditions are now significant but with the skills of our Masters and crews, and assistance by U. S. and Canadian ice breakers and commercial tugs, navigation continues to meet our customers needs.

Environmental Regulatory Updates

Mira Hube
Director Environmental Services

As always, there has been a lot of activity on the environmental front of late, particularly in the areas of ballast water and air emissions. The following highlights provide a brief update on these two issues.

Ballast Water

The U.S. Coast Guard's that of final ballast water rule, which will impact all SMT vessels, is expected to be published in April of this year. While this will provide some certainty on what the Coast Guard expects, Transport Canada and the U.S. Environmental Protection Agency are also in the process of amending their ballast water legislation to include discharge standards. It remains imperative that these agencies, as well as the U.S. states bordering the lakes, co-ordinate their approaches and agree on one common standard. The State of New York recently granted extensions to their 2012 compliance date for ballast water treatment systems, but continues to impose a discharge standard more stringent than the International Maritime Organization (IMO). This continues to create concern and uncertainty.

Ballast water legislation needs to recognize the unique considerations of existing vessels operating in the fresh water of the Great Lakes and their relative risk related to the issue of invasive species. Serious issues remain with availability of freshwater

type approved ballast water treatment systems, the feasibility of retrofitting systems on older vessels and the ability to verify treatment efficacy.

This issue was part of the discussion at the most recent meeting of the Great Lakes Ballast Water Collaborative, a bi-national group of regulators, industry representatives and aquatic invasive species (AIS) research scientists, in Toronto on January 19th. The focus of this meeting was to discuss regulatory status and continue work on expanding understanding of feasible options for AIS control in the Great Lakes. Also discussed was an AIS Transfer Risk Assessment study which aims to better understand the risk of AIS transfer by the Great Lakes trade and to develop meaningful, effective and feasible measures to address those risks.

Air Emissions

In 2010 the IMO approved a North American Emission Control Area (ECA) to come into effect in August 2012. For ships operating in the ECA, progressively more stringent limits on the allowable level of sulphur in fuel (or on SOx emissions if using abatement equipment) and NOx emissions will be phased in from 2012 to 2020. The ECA does not technically include internal waters such as the Great Lakes, therefore Canada and the U.S. must implement the rules for these

waters. The U.S. EPA has already done so, essentially mimicking the IMO rules but with some exemptions. Canada is expected to introduce proposed legislation this year. Canada's approach may be somewhat different from that of the U.S., but given its 2010 ratification of international rules on air emissions, new regulations are expected to reflect the IMO's position. While the regulatory details over the next few years will be numerous and complex, one thing is certain – pollutant emissions from ships operating in North American waters, including in the lakes, will be greatly reduced in 2020 compared to those of today.

On the issue of climate change, the IMO is working on finalizing measures aimed at reducing greenhouse gases (GHGs) from global shipping. A package of technical and operational reduction measures is expected to become mandatory sometime in 2011. In addition, since it is expected that these measures alone will not be sufficient to reduce the amount of GHG emissions from international shipping in view of world trade growth projections, market-based mechanisms such as emissions trading and fuel taxes are also being considered by the IMO. There will be more to come on GHGs as 2011 progresses. ■

SMT's Environmental Program Achieves ISO 14001 Certification

SMT is pleased to announce successful certification of our environmental management system (EMS) to the ISO 14001 international EMS standard. Certification was granted on October 15, 2010 by the Lloyds Register Quality Assurance group following successful audits of the office and five vessels. Environmental management processes at SMT are now fully integrated into our overall Quality/Safety/Environmental Management System (Q/S/EMS) and provide the structure to further minimize our environmental impacts and advance continual improvement in our environmental performance. The EMS also captures our Green Marine initiatives.

So what does this really mean for SMT operations and how will it help us to improve? To illustrate where we are going, we first need to look at some of the activities that we undertook as part of the EMS implementation:

- All environmental aspects associated with our operations, such as the use of energy, the generation of air emissions, wastes and wastewaters, and the potential for oil spills, were identified and evaluated to ensure that controls are in place to manage and improve them, especially those identified as 'significant'.
- A new Environmental Procedures Manual was developed for

use on board the ships. Improvements to this manual are already planned, including developing additional checklists and visuals to streamline instructions and facilitate understanding of what are sometimes very complex regulatory requirements.

- Our maintenance, monitoring, inspection and auditing processes were evaluated and improved where necessary, to lead to better efficiencies and outcomes in these areas.
- We implemented several improvement objectives, with the principle ones being to:
 - Conserve Energy – Examples of tasks being undertaken in this program include a review of feasible energy conservation measures and trialling of selected measures in 2011 and the installation of state-of-the-art fuel monitoring systems and plans for ship-board energy audits; all in an effort to reduce fuel use and the associated generation of air pollutants and greenhouse gases.
 - Reduce Waste Generation – Included under this objective is the recycling program implemented on all ships in 2009/10. Source reduction initiatives are being targeted for 2011.

– Upgrade/Innovate – On-going equipment improvements are captured under this program, including new oily water separators and marine sanitation devices on several ships in the fleet.

- Expanded training and communication on environmental issues was initiated and plans for providing improved and enhanced training in 2011 developed.
- Processes were put in place to make our contractors and suppliers aware of our environmental goals and to ensure that their actions support these efforts.

Continual improvement is one of the hallmarks of any well run organization. The above examples give some idea as to the efforts underway as we work every day to not only maintain compliance and prevent pollution, but to improve our environmental performance. Certification of the SMT EMS to ISO 14001 was not the end of the process, but rather lays the groundwork, and together with fleet renewal and our on-going safety and quality programs, provides the roadmap for SMT on our journey to excellence.

For any questions or information on the above, contact Mira Hube, SMT Director, Environmental Services and ISO 14001 Environmental Management Representative at 905-988-4081 or mhube@seawaymarinetransport.com.

SMT Independent Customer Satisfaction Survey Results

In 2010 Seaway Marine Transport conducted an independent Customer Satisfaction Survey. The main objectives of this survey were to measure customer satisfaction with SMT, compare the results against our last survey that was conducted in 2008 and to identify and prioritize specific improvement initiatives to better meet our customers needs.

The results of the 2010 survey results indicated that our customers and industry partners continue to have a high level of satisfaction with SMT in all three main interface areas (Sales & Vessel Traffic, Cargo Operations and Administration). However, some areas considered to be key drivers of customer satisfaction were identified as areas where SMT could improve. We have reviewed these recommendations, along with an improvement implementation plan, with our shore side staff. We will be doing the same with our Masters and Chief Engineers at our up-coming 2011 winter meetings.

There were also a few recommendations made by survey respondents that warrant feedback to our customers and other industry partners.

Cargo Operations

Recommendation:

Modify loading /unloading plans and vessel mooring configurations on request.

SMT Response:

The objective and goal of our SMT vessel crews has always been to co-operate with our customers and dock personnel and, whenever possible, to accommodate requests for changes in loading and unloading plans and vessel mooring configurations. However, our ships and their officers must take into account stress factors on the vessels created by cargo distribution. If they cannot comply with a request, the Captain or Mate should explain the reasoning to the customer or dock personnel and whenever possible, offer alternate arrangements that work for both parties. SMT will also ensure our shore side staff is available to you or your personnel to provide any further information on variations to loading or mooring arrangements to ensure a full understanding by all parties.

Recommendation:

Provide consistent loading and unloading procedures.

SMT Response:

SMT does try to standardize as much of the vessel loading and unloading procedures as possible. However, the SMT fleet has several different vessel types in terms of design and construction which result in different cargo loading configurations. Weather conditions and water levels often require variations in loading, unloading

and docking procedures as well. SMT's fleet renewal plan includes a standard vessel design which will allow for more standardization of loading and unloading procedures with similar vessel types.

Sales & Vessel Traffic

Recommendation:

Ensure contract terms and conditions are fair.

SMT Response:

Many of our contract's legal terms are long established and result from careful application of maritime law and insurance liabilities. Insurance P&I Clubs show very little tolerance to changes in these terms because they define the responsibilities of the parties and their liabilities against established precedent and law.

With regard to commercial terms, we do strive to negotiate terms and conditions that are fair for both sides as we rely heavily on repeat business.

Administration

Recommendation:

Settle Demurrage/Despatch in a timely and effective manner to each party's satisfaction.

SMT Response:

We couldn't agree more! Demurrage and Despatch needs to be calculated and settled as soon as possible after the completion of a voyage. To make this happen, SMT needs to

obtain Port logs from the vessels as soon as possible following the completion of a discharge. SMT has invested in improved satellite communication technology so our vessels can transmit log information electronically and we no longer have to wait for the paper logs from the vessels to arrive to prepare laytime statements. It is important that SMT provide the laytime statements to our customers as soon as possible after the completion of a voyage and we will continue to try to make improvements in this area. However, it is also important that our customers understand the Demurrage and Despatch terms and conditions contained in the Contract of Affreightment and that they review our calculations promptly after receiving our laytime statements.

Company

Recommendation:

Have an ongoing vessel maintenance program and reinvestment strategy.

SMT Response:

SMT has a very comprehensive preventative maintenance program and a multi-year winter layup plan and dry-docking schedule for each of our vessels. Going forward, we need to do a better job of communicating details of our major annual repair projects to our customers to ensure their understanding of both our commitment to a reliable fleet with good maintenance practices and the associated costs to achieve this. SMT has a sound reinvestment

strategy for fleet renewal and both of SMT's owners, Algoma Central Corporation and Upper Lakes Shipping, have committed their support for this strategy. In 2010, SMT took re-delivery of the Coastal Class M/V Algobay with her new 740 foot forebody and new engines. In 2011, SMT will take delivery of the M/V Canadian Mariner, an entirely new Coastal Class 740', 38,000 tonne self-unloader. In 2010, SMT also retired three older gearless bulkers and replaced them with newer maximum seaway sized saltie/bulkers that were purchased by Algoma Central in 2008.

In the fall of 2010, the Federal Government of Canada agreed to waive the duty on the importation of foreign built vessels. This paved the way for the further major reinvestment in SMT's fleet as announced in the "Lead Article" on Page 1.

Recommendation:

Need competitive freight rates.

SMT Response:

We understand the competitive environment in which our customers operate and we will continue to do our best to provide our customers with the most competitive freight package possible. SMT is the largest marine transportation provider on the Great Lakes and also one of the oldest, with roots dating back to the late 1800's. We attribute our success to the retention of highly qualified staff, sound business management and to a

loyal and diversified customer base. Sound business management includes charging compensatory freight rates that are sufficient to support the fleet renewal necessary to sustain our business over the long term, to the benefit of both our customers and owners. In exchange, we provide our customers with sustainable, efficient, proactive environmentally friendly, safe and reliable transportation service. ■

SMT would like to take this opportunity to thank all those who participated in this survey and for your valued business. Please don't hesitate to contact us should you have any further comments or questions regarding SMT's service.

Dennis McPhee

Vice President Sales & Vessel Traffic

Tel: 905-988-2608

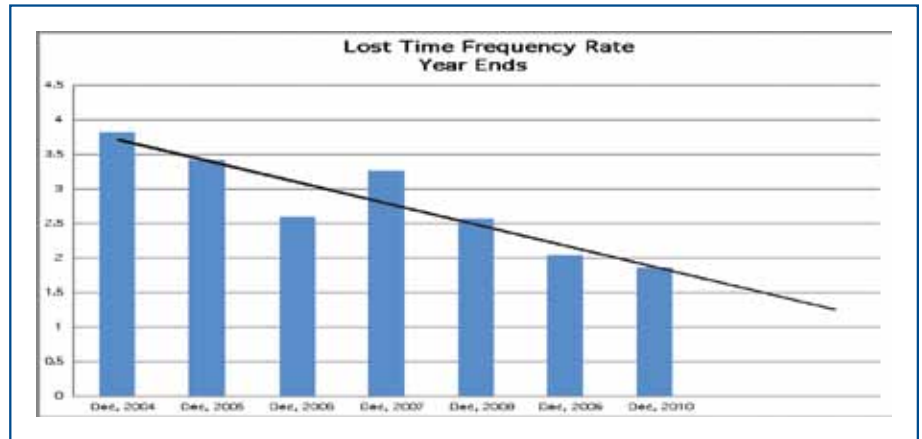
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Charting a Course for Safety Culture Change at SMT

Martin Neuenhagen
Manager Health & Safety

Much like turning a large ship at sea, changing the course of a company's safety culture takes time. In 2004 when Seaway Marine Transport's vessel operations management was created by Algoma Central Corporation and Upper Lakes Group, we wanted to continue our Owner's tradition of being at the cutting edge of the marine transportation industry. Part of leading the pack is ensuring that we operate in an environment that is safe for both our crews and our customers when they are onboard or interfacing with our vessels.

To assist us in changing course Seaway Marine Transport enlisted the help of Det Norske Veritas (DNV) into undertake a study to gauge the perception of our crews' attitudes and thoughts towards safety, and to examine our internal procedures and managements attitudes towards safety. The information gleaned from this project has been invaluable in helping SMT chart a new course towards an improved safety culture which will empower our crews to speak up with their safety ideas, thoughts and concerns. Although the seas along this course are not always smooth, it is through the professionalism of our crews and the genuine concern they have for the safety of each other that we are able to make the gains we have.



Since 2004 SMT has realized a continuous improvement in our safety performance. Our key Lost Time Frequency Rate indicator has shown steady improvement, with SMT finishing with our best annual safety performance at the end of 2010.

SMT has also been active in promoting safety for the marine industry as a whole by playing a significant role as the industry chair during Transport Canada and Human Resources and Development Canada consultations on the new Maritime Occupational Health and Safety Regulations. SMT also participates in the Canadian Marine Advisory Council and is currently actively involved in the redraft of the Life Saving and Equipment Regulations and Fire Detection and Extinguishing Regulations, amongst many others.

It is through our dedication to the safety of our crews that we intend to raise the bar for safety at SMT, and for the maritime industry

as a whole, allowing us to truly say that we are industry leaders in safety.

Recognizing Excellence in Safety, Seaway Marine Transport would like to salute the following vessels for their dedication to crew safety as evidenced by achieving consecutive operating seasons with no lost time accidents through to the end of the 2011 season.

- **Canadian Transfer, 2 seasons with no lost time accidents**
- **Algomarine, 2 seasons with no lost time accidents**
- **Algorail, 3 seasons with no lost time accidents**
- **Algontario, 3 seasons with no lost time accidents**
- **Quebecois, 4 seasons with no lost time accidents**
- **Tim S. Dool, 5 seasons with no lost time accidents**
- **Captain Henry Jackman, 8 seasons with no lost time accidents**

Information Technology Update

John Brenton
Director, Information Systems

MySMT - A new source for port and dock information

As we prepare the SMT fleet for a new sailing season, Deck Officers seeking port and dock information will be using a new in-house developed reference tool. The **MySMT** application was developed in-house with open source MediaWiki software. It is a browser-based application that categorizes information in a central location and is available to everyone connected to the SMT computer network.

Finding relevant operational information is straight forward using **MySMT**. All port and dock information is maintained in the SMT office under the authority of Captain Tom Anderson, Director-Operations. Facts are compiled from a number of sources and organized on a template page. Pictures, maps, associated internet links and text are added where applicable. Once the entire page is reviewed for correctness, it is

saved and published to the database, making the updated information immediately available. The inclusive database for each port and dock contains details for port and dock risks, navigational and mooring information, notices, regulations and restrictions, government agency reporting requirements, weather and ice, water level and tides, tug usage, port and dock services, dock-specific procedures and shore cargo handling information. Historical draft information is provided that is current to the most recent ship visit to that dock as provided by the SMT voyage information system database.

Over 500 descriptive pages have been written to-date, providing details for each port and dock facility visited by SMT vessels. Although port and dock information is the first official use of the **MySMT** platform, we are currently working with all departments to expand **MySMT** content so other corporate information can be securely



accessible to those who need it, from a single source.

Making the most of satellite communications on the SMT fleet

The use of VSAT satellite technology on SMT ships has been an overall success. It has opened up avenues of communication that would not have been practical or financially viable with older technologies. The satellite communications link itself is incredibly complex, and yet very reliable given the distance a voice or data signal must travel. From the ship, up to the satellite in geostationary orbit above the Earth, and down to the teleport ground station where it is connected by a dedicated land-based network into the SMT computer network, is a journey of approximately





72,000 kilometers. Signal availability and reliability are the responsibility of the satellite provider. SMT is responsible for its bandwidth use, capacities and controls to deal with network traffic congestion, and to permit fair use of the shared resource by each ship. In addition to meeting communication needs for today, SMT is also anticipating a future where a modern fleet of “digitally connected” ships can provide an Internet-facing connection to allow remote access and monitoring of shipboard mechanical systems and automated data collection from onboard sensors will provide real-time data measurements on fuel and engine performance back to shore reporting systems. While satellite communications is currently supported primarily for business data and voice communications, extending Internet for crew access remains a commitment and a high priority to improve quality of life onboard. To accommodate this growing need for bandwidth, we are planning some key improvements for the new sailing season. As a first step during the winter layup, onboard satellite modems will be replaced with the

latest models that provide improved bandwidth efficiencies and greater resistance rain-fade for improved voice quality. The network capacity will be reviewed, as well as improving network controls for traffic shaping and routing. There will be more news to come on this front.

Lawson software upgrade

Lawson ERP software was installed in 2007 to manage SMT’s financial business functions. Now, three years later, the Accounting and IT Departments have completed the first major software upgrade, replacing the older software (Lawson 8) with the latest Lawson 9 release. As well as introducing some new features, it was necessary to advance to Lawson 9 in order to continue technical support from the software vendor. Lawson 9 also provides a significant lift in the underlying technology. It serves as a foundation for Lawson’s new Java-based “Landmark” technology and promises a 90% reduction in lines of programming code. This should lead to simpler, more up-to-date and reliable products in the future.

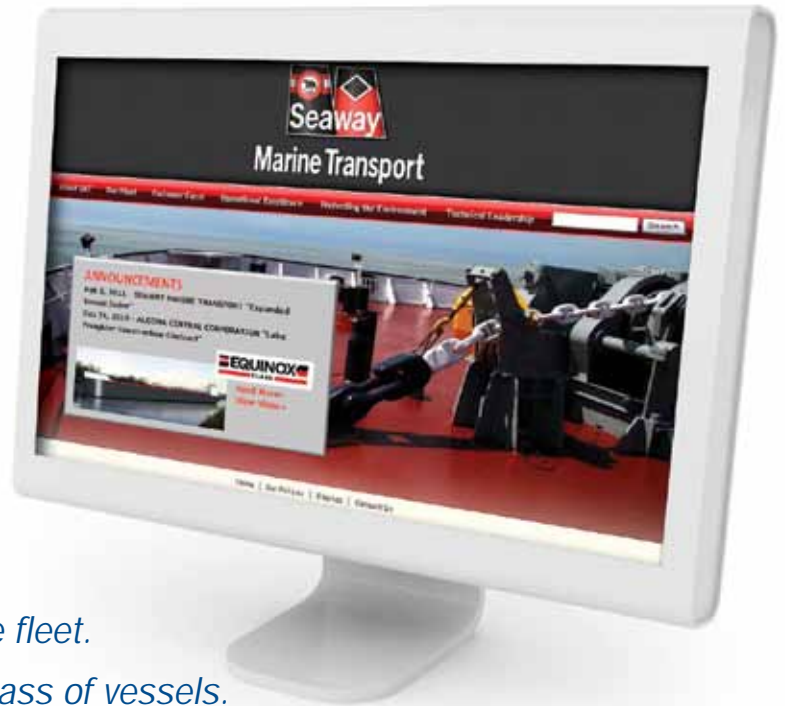
Planning for the Lawson upgrade began nearly two years ago as we lined up resources, assigned tasks, determined schedules, measured hardware requirements and prepared the overall project cost estimate. Once the hardware platform was prepared, the actual upgrade project took six months of dedicated team involvement, from mid-year to the New Year’s cutover to the new system. As we progressed through the project plan, discipline and commitment to meeting key milestone dates was evident. The entire project team participated in rigorous data validation and application testing of the Lawson financial modules and the interfaces with other SMT systems. A successful project not only means the software upgrade was implemented to production, but that we did not exceed our budget. Keeping costs under control in this project was high priority for the team. The SMT Accounting and IT personnel took on more tasks and used fewer outside contracted resources and as a result this project came in under budget. Congratulations to everyone who participated in the Lawson upgrade. ■

NEW WEBSITE GOES LIVE

SMT's upgraded website is now live at www.seawaymarinetransport.com, the site features:

- Detailed specs on each ship within the fleet.
- An introduction to the new EQUINOX class of vessels.
- Information on SMT's environmental footprint initiatives.
- An upgraded photo library of the SMT fleet in various trades.

If you have ideas or suggestions for new material for the website, please let us know at webmaster@seawaymarinetransport.com ▀



The Fifth Annual
CURRENT
Photo Contest



1st PLACE

Carl Berry



2nd PLACE

Mariusz Ceglarek



3rd PLACE

Trevor D'Souza

2010 PHOTO WINNERS

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Please have winners contact Rhea Lattimer, lattimer@seawaymarinetransport.com
to collect their prizes and thank you to all participants for all the great photos
that were entered into the contest this year.

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