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October 30, 2015

Chairmen Casperson, Horn, and Schmidt:

On behalf of Cliffs Natural Resources, I write today in support of Senate Resolution 105 (Schmidt), encouraging the President, Congress, and U.S. Office of Management and Budget to take action towards supporting investment in the Soo Locks at Sault Ste. Marie, Michigan.

Cliffs Natural Resources is the largest producer of iron ore in North America. Our iron ore pellets serve as a critical raw material needed to make steel in the integrated blast furnace. Ultimately, this steel is used to manufacture automobiles, appliances, and a host of other products. Cliffs' iron ore mining and processing operations are located in Michigan's Upper Peninsula and Minnesota's Iron Range. Collectively, Cliffs' U.S. iron ore operations employ approximately 3,000 individuals, including nearly 1,300 workers in Michigan's Upper Peninsula.

Cliffs Natural Resources supports investment in the Soo Locks because of the critical role that the Great Lakes Navigation System plays in maintaining an economically competitive North American iron ore and steel industry. By way of background, iron mining facilities in the U.S. are more capital and energy-intensive than operations abroad. This is because of significant processing that is required to transform low-grade iron ore resources available in the U.S. to a value-added pellet that can be used in the blast furnace. By comparison, iron ore mined in Brazil and Australia can largely be extracted from the ground and shipped with little processing at a significantly lower cost.

However, even considering these factors, the domestic iron and steel industry has in part remained economically competitive as a result of the advantages realized by lake transport. Thus, Cliffs' business depends on the reliability of the Soo Locks. To provide a sense of scale, Cliffs shipped approximately 27 million tons of iron ore on the Great Lakes in 2014. Of this total, over 80% of the pellets were shipped through the Soo Locks. Should the locks fail, Cliffs' customers with facilities in Michigan, Indiana, Ohio, Kentucky, and Canada would be left without the critical raw material they require to ensure continued operation of their blast furnaces. There is inadequate rail capacity to accommodate the tonnages that currently flow through the Soo Locks and, in many instances, integrated steel mills lack adequate configurations to support delivery of pellets via rail.

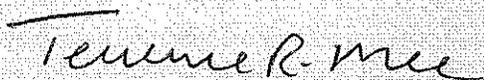
Currently, there are two locks at the Soo capable of accommodating large bulk carriers, the MacArthur Lock and the Poe Lock. The MacArthur Lock, constructed in 1943, is only able to transit vessels less than 800 ft. x 80 ft. The larger Poe Lock, constructed in 1896 and last rehabilitated in 1968, is the sole lock asset at the Soo that is capable of transiting the larger 1,000-foot bulk carriers. Upwards of 70% of Great Lakes shipping capacity is attributable to the 1,000-foot vessels. Moreover, approximately one-third of Cliffs' pellets which were transported through the Soo Locks were loaded on carriers that could only pass through the Poe Lock.

Given the outsize role that 1,000-footers play in the movement of commodities on the Great Lakes, the Poe Lock represents a single point of failure for Great Lakes maritime transportation and by extension, United States iron ore and steel production, and a host of manufacturing sectors that rely on domestically-sourced steel products. The Soo Locks project under evaluation by the U.S. federal government calls for construction of a second Poe-sized lock at the Soo. Given the billions of dollars in commerce that depend on the continued operation of one lock that is almost 50 years old, Cliffs has joined the chorus of other vessel operators, steel producers, and manufacturers calling on the federal government to advance this project to add critical redundancy at the Soo Locks.

Given the tremendous value of the Soo Locks when it comes to supporting the nation's iron ore mines, steel mills and the entire downstream manufacturing economy, we believe the U.S. Federal government should immediately proceed with plans to initiate construction of a second Poe-sized lock at the Soo. We commend the Michigan Senate for raising awareness on this critical issue and urge members of the Committee to proceed swiftly toward passage of this resolution.

Thank you for your consideration of SR 105.

Very truly yours,



Terrence Mee  
Executive Vice President - Global Commercial

cc. Senator Steven Bieda  
Senator Jack Brandenburg  
Senator Judy Emmons  
Senator Curtis Hertel  
Senator Mike Kowall  
Senator Hoon – Yung Hopgood  
Senator Peter MacGregor  
Senator Jim Marleu  
Senator Mike Nofs  
David Nyberg, Office of Governor Snyder  
Senator Phil Pavlov  
Senator Jim Stamas  
Senator Rebekah Warren