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VOL. 114 - No. 53
MARCH 19, 2010

IN THIS ISSUE

UPCOMING CONGRESSIONAL HEARINGS, ETC.

Executive Session, Senate Committee on Commerce, Science and Transportation
 Mar 24, 2010 10:00AM, Russell Senate Office Building - 253
 Nomination of Vice Admiral Robert J. Papp, Jr., to be Commandant of the U.S. Coast Guard

House Subcommittee on Coast Guard and Maritime Transportation
 March 25, 2010, 2:00PM, 2167 Rayburn House Office Building
 State of United States' Merchant Fleet in Foreign Commerce.

THE JONES ACT IS STILL THE LAW, AND MORE RELEVANT TO JOBS THAN EVER BEFORE - *Op-Ed by Ken Wells, President, Offshore Marine Service Association* .. PAGE 1

ITF TO LAUNCH 'TIME TO BEAT PIRACY' CAMPAIGN PAGE 2

DEMAND FOR U.S. STEEL STRENGTHENING, EXPORTS UP IN JANUARY PAGE 3

MAERSK ADDS THIRD U.S.-FLAG TANKER PAGE 3

FLORIDA GOVERNOR URGES STATE LEGISLATORS TO PASS TWO PORT BILLS PAGE 3

VICE PRESIDENT BIDEN ANNOUNCES 10,000 RECOVERY ACT TRANSPORTATION PROJECTS NOW UNDER WAY PAGE 4

SOCP MEETING -- "SAFETY IN THE MARITIME INDUSTRY" APRIL 22-23 PAGE 5

MOBILE MARINER™ LAUNCHES MARINE WEATHER FORECAST AND TIDES BLACKBERRY® APP PAGE 6

Maritime Agenda Items May be E-mailed to: info@cibpubs.com



MARITIME AGENDA

October 12-14 - Houston, TX - 21st Breakbulk USA Transportation Conference & Exhibition - Contact: www.joc.com/bba.

ITEMS IN RED INDICATE NEW OR MODIFIED LISTING

Congressional Information Bureau, Inc.

March 22-23 - Washington, D.C. - AAPA Spring Conference - Contact: 703-684-5700 - www.aapa-ports.org.

April 6-7 - Linthicum Heights, MD - 2010 Marine Highways Logistics Conference - Conference Center at the Maritime Center - Contact: www.joc.com/bba.

April 11-14 - San Antonio, TX - 36th NCBFAA Annual Conference - Contact: 1-202-466-0222.

April 22-23 - SOCP Annual Meeting, Houston, TX - Contact: www.socp.us.

April 27 - Bethesda, MD - Propeller Club's Salute to Congress - Congressional Country Club - Contact: 703-691-2777.

May 4-6 - Charleston, SC - Harbors, Navigation and Environment Seminar and GreenPort Americas 2010 - AAPA - Contact: 703-684-5700 - www.aapa-ports.org.

May 13 - Washington, DC - First Ever Congressional "Sail in" - U.S. Maritime Coalition - Contact: <http://www.maritimeindustrysailin.com>

June 2-6 - Vancouver, BC Canada - Cruise Lines International Association's Cruise3Sixty 2010 Conference & Trade Show - Contact: www.cruising.org.

THE JONES ACT IS STILL THE LAW, AND MORE RELEVANT TO JOBS THAN EVER BEFORE

Op-Ed by Ken Wells, President, Offshore Marine Service Association

Our maritime cabotage laws are among the oldest in the nation, so why is the Department of Homeland Security (DHS) acting like they've never heard of them before?

The most famous of our cabotage laws, the Jones Act, says simply that merchandise, no matter what its value, can only be transported between U.S. points on a vessel that flies the U.S. flag. That means it is built here, owned by Americans and crewed by Americans. Sounds simple enough. Yet every day foreign vessels carry cargo from U.S. ports to offshore facilities for installation.

Last summer, the Customs and Border Protection Agency, a part of DHS, appeared ready to address this very issue when it proposed returning to the original intent of the Jones Act and to dramatically limit the ability of foreign vessels carrying cargo between our shores and our offshore energy sites.

But opponents of the law argued hard to keep from having to use American-crewed, American vessels and ever since last summer, that proposal had been stalled at DHS. Just recently DHS said it would move forward with the proposal but needed to use a formal – and much longer rulemaking process to do so. Instead of addressing the problem now, this process may delay a solution for months. Some rulemaking processes have dragged on for years.

Why would the Administration need to take even one more day to study a law that keeps Americans working? The issue is really on the front burner right now because it is so closely related to our future offshore energy plans.

The Administration will likely soon announce a plan to expand and explore America's offshore energy resources, whether through the opening of new areas for oil and gas leasing or alternative sources like wind power and wave generation. In order to make this possible, American maritime companies already working offshore are ready to commit to building new, state-of-the-art, multi-million dollar vessels for the coming energy expansion. But they need a commitment from Washington that our country is willing to properly interpret and enforce the laws which protect our domestic maritime trade.

We have watched with alarm as more and more offshore energy work is being done by foreign vessels; vessels which limit their spending in U.S. ports, which aren't built in America, generally don't hire Americans to work aboard, and which are often not subject to the same kinds of rigorous security requirements as the U.S. vessels. Recently the IRS put together a task force to investigate why so many foreign boats working in our offshore energy sector weren't even paying taxes on profits earned while in America.

What are the stakes for our industry, local and state economies, as well as the national bottom-line? A recent study commissioned by the Offshore Marine Service Association indicates that U.S. vessels involved in offshore energy, the shipyards that build them and the companies that assist them create over 100,000 American jobs on the water and shore-side, producing over \$18 billion in business sales activities and \$4.6 billion in household earnings per year. That is money that is generated back into our U.S. economy.

But if we are going to continue to see that positive impact on our nation's economy we must ensure that the offshore work is performed on U.S.-flag vessels that are built in America, and owned and crewed by Americans.

Exploring our offshore oil, gas and wind resources can provide relief to our nation's energy challenges and sustain and create new jobs for American mariners if we hold true to the Jones Act now and for the future. President Obama said, "Jobs must be our number one focus in 2010," during his State of the Union address at the end of January.

We support that. We need his agencies to support it as well.

Ken Wells leads the Offshore Marine Service Association (OMSA), which represents more than 250 member companies, including about 100 firms that own and operate marine service vessels. These sophisticated vessels, some 1,200 in number, connect America with its offshore energy resources, providing every pipe, wrench, computer, barrel of fuel, and gallon of drinking water to rigs and platforms, as well as transporting tens of thousands of workers to and from the facilities. In addition to its members that own and operate vessels, OMSA's associate members include shipyards, surveyors, vessel equipment manufacturers and distributors, even financial institutions, attorneys, and accountants. www.offshoremarine.org

ITF TO LAUNCH 'TIME TO BEAT PIRACY' CAMPAIGN

Union representatives meeting in Berlin have voted to launch a new campaign to persuade all governments to commit the resources necessary to end the increasing problem of Somalia-based piracy.

Seafarers' delegates at ITF meetings in Germany authorized the Federation to build a campaign that is hoped to deliver half a million signatures to governments by World Maritime Day, September 23rd. The campaign will call on them to close the circle on protection of ships, and for those states now ducking their responsibilities to stand up and follow the example of those which are actively involved in combating the threat.

The petition will call on nations to:

- Dedicate significant resources and work to find real solutions to the growing piracy problem.
- Take immediate steps to secure the release and safe return of kidnapped seafarers to their families.
- Work within the international community to secure a stable and peaceful future for Somalia and its people.

Speaking from Berlin, ITF Maritime Coordinator Steve Cotton said: "This decision has empowered us to build a worldwide campaign to put pressure on all governments to close the gap in their anti-piracy efforts. At the end of last year we warned that a point had been reached where the affected area had become too dangerous to enter, except in exceptional circumstances. We also highlighted the scandalous negligence of countries making billions from ships they are doing nothing to protect. There has been no improvement since then."

He continued: "The reality is that seafarers are risking their lives transporting the world's goods through areas that are daily growing more dangerous. That situation is not going to change without dramatic efforts to address the problems of Somalia and its people and grasp the nettle of confronting and prosecuting piracy."

The Berlin meeting also agreed to support the inclusion, where appropriate, of armed military personnel on ships in addition to the commitment by flag states of naval vessels. The ITF remains firmly opposed to the arming of seafarers. It is also gravely concerned by attempts to prevent the payment of ransoms and considers that it is the duty of shipowners and flag states to take all necessary measures to swiftly reunite seafarers with their families when they are held hostage. The ITF also stated that it is unforgivable that the major flag of convenience states have done little more to fight piracy than sign pieces of paper. They have taken no other concrete action, nor have they used their flag state jurisdiction to enable the prosecution of any pirates.

DEMAND FOR U.S. STEEL STRENGTHENING, EXPORTS UP IN JANUARY

Exports of U.S.-produced steel totaled 951,000 tons in January, an increase of 2.4 percent compared to December. Steel exports were up 39.7 percent compared to January a year earlier, according to the latest report from the American Institute for International Steel.

“The improvement in exports in January in comparison with both December and January 2009 stems primarily from improved demand and market conditions in Canada and Mexico,” said David Phelps, president, AIIS.

Exports to Canada increased 74.3 percent year-over-year to 576,370 net tons in January 2010. Exports to Mexico totaled 193,210 net tons, gaining 14.6 percent compared with January 2009 even though they fell 9 percent from December.

Year-over-year increases to Asia also boosted the total, Phelps said, as exports to India jumped 93.5 percent to 13,084 net tons and shipments to Vietnam surged 439.3 percent to 3,376 net tons in January 2010. Exports to most other Asian countries, including China, declined compared with January 2009.

“We are encouraged that as we start 2010, North American demand appears to be strengthening and we wait to see how trends to other international markets, particularly in the developing world, develop in months to come,” said Phelps.

MAERSK ADDS THIRD U.S.-FLAG TANKER

Maersk Line Ltd. said it will add a third U.S.-flag tanker to its fleet.

The U.S.-flag arm of the A.P. Moller - Maersk Group said it will reflag the 2009-built Samho Moonstone, which will be renamed Bro Hawaii when reflagging process is completed in mid-April.

The 5,664-deadweight-ton ship will operate in Asia spot markets targeting U.S. preference cargoes. Tuesday, Maersk Line Ltd. won a nine-month time charter of Bro Hawaii to support U.S. Defense Department requirements in the region. MLL will supplement U.S. preference cargoes with work for its affiliated companies, Maersk Tankers and Broström, to serve commercial customers in Asia.

FLORIDA GOVERNOR URGES STATE LEGISLATORS TO PASS TWO PORT BILLS

Florida Gov. Charlie Crist is urging the Florida state legislature to pass two bills that he said would boost Florida ports.

Crist said he was joining with state Sen. Jeremy Ring and Rep. Lake Ray to promote two proposals:

- House Bill 963, which he said would help Florida more effectively compete with other states vying to attract port-related businesses.

- House Bill 1169, which he said would generate investments in new and expanding port projects through insurance premium credits.

Crist said HB963 provides flexibility to the Florida Seaport Transportation and Economic Development Council (FSTED) and the Florida Department of Transportation (FDOT) to ensure seaport development dollars appropriated by the legislature are allocated to economic development projects that create jobs and revenue. The bill also requires FSTED to submit a list of production-ready projects within the next five years to FDOT for consideration to be included in FDOT's annual legislative budget request.

HB1169, the Florida Ports Investment Act, would increase the state's port infrastructure by providing an incentive for insurance companies to invest in port activities in Florida, which will generate investments in new and expanding port projects, he said. The legislation provides insurance premium tax credits in exchange for cash invested by insurance companies. The goal is to create a \$500 million investment pool that can be invested in on-port and off-port projects.

Both bills would be effective July 1.

VICE PRESIDENT BIDEN ANNOUNCES 10,000 RECOVERY ACT TRANSPORTATION PROJECTS NOW UNDER WAY

*As Spring Construction Season Begins, Active Transportation Projects Totaling \$29.8 Billion are Creating Jobs
Across the Country*

Vice President Joe Biden today announced that 10,000 transportation projects are now under way in all 50 states and the District of Columbia thanks to the American Recovery and Reinvestment Act (ARRA). Projects are considered under way when a contractor has been hired, the project has received official notice to proceed, and work has begun. This milestone comes just over a year after the Recovery Act was signed into law and as the spring construction season is getting into full swing.

The Vice President made the announcement as part of a visit to North Carolina - the state where the 10,000th project, the Sanford Bypass, will break ground. The contractor, DHG Infrastructure, says they are hiring more than 45 employees to work on the project. The \$26 million project, which was accelerated by the Recovery Act, will redirect commercial truck traffic away from the heart of the city of Sanford, relieving congestion and maintenance problems, and increasing access for businesses to relocate and expand in the area.

"The 10,000 transportation projects under way are already helping put us on the road to economic recovery, but there is even more to come," said Vice President Biden. "This spring, Recovery Act projects will pick up the pace across the country, providing even more jobs improving America's roads, highways and bridges."

In just one year, the Recovery Act has improved more than 33,000 miles of pavement across the United States; helped purchase nearly 12,000 buses, vans and rail vehicles; helped construct or renovate more than 850 transit facilities and provided more than \$620 million in preventive maintenance. This helped save and create jobs, and maintained and enhanced the nation's transportation network. In addition to the 10,000 projects already under way, construction activity is expected to ramp up even further in the next few months as temperatures warm and new projects break ground.

"Every new Recovery Act project means workers back on the job, paying their rent or mortgage, putting food on the table for their families," said U.S. Transportation Secretary Ray LaHood. "These 10,000 projects are strengthening our economy and creating jobs right now, and there are more projects still to come this spring."

During the first week of March, the U.S. Department of Transportation successfully met an aggressive deadline to “obligate” – or commit funds to specific projects – 100 percent of their Recovery Act highway and transit formula dollars. That important milestone means that for every Recovery Act project, contracts can be bid, workers can be hired and construction can begin on projects that create jobs and drive economic growth.

In addition to the Sanford Bypass Project, some other major Recovery Act-funded projects under construction include:

I-4/Selmon Expressway in Tampa. Because of \$105 million in Recovery Act funds, construction began earlier this month on the \$653 million I-4/Selmon Expressway Crosstown Connector in Tampa. **The project will provide direct access for the more than 12,000 commercial trucks that travel through downtown to and from the Port of Tampa every day.**

DART Orange Line in Dallas. Recovery Act funds totaling \$61.2 million are helping Dallas Area Rapid Transit construct the 14-mile Orange Line, which will eventually link Downtown Dallas and the Dallas/Fort Worth International Airport.

Nelsonville Bypass in Southeast Ohio. Ohio is constructing a new, 8.5 mile, four-lane highway to divert freight traffic from U.S. 33, which bottlenecks in the town of Nelsonville. Recovery Act funds totaling \$138 million are helping fund this final upgrade of the U.S. 33 corridor in southeast Ohio that will take traffic off local roads, which carry 1,700 trucks a day on one of the busiest truck routes in the state.

Merritt Parkway, near Fairfield, Conn. Recovery Act funds in the amount of \$67 million are improving safety for the estimated 60,000 daily drivers who use the Merritt Parkway by widening shoulders and installing or updating guard rails along 9.3 miles of one of the East Coast’s most congested commuter routes.

South Westnedge Avenue Interchange on I-94 near Kalamazoo, Mich. Last fall, the Recovery Act fully funded this \$47.7 million project to reconstruct the interchange and ease traffic congestion along this key Midwest corridor that serves an estimated 87,000 drivers daily. One additional lane will be added in each direction to widen the road from four lanes to six, allowing cars and trucks to move through Kalamazoo more safely and easily.

SOCP MEETING – "SAFETY IN THE MARITIME INDUSTRY" APRIL 22-23

The Ship Operations Cooperative Program (SOCP) invites maritime industry representatives to attend and take part in its Spring 2010 meeting to be held April 22-23 at the Hilton Houston North in Houston, Texas.

Senior representatives from Federal and State governments and the commercial industry will present a comprehensive discussion on Safety in the maritime industry. A broad range of topics will be discussed, including safety training initiatives, safety inspections, safety audits, safety assessments, safety reporting system, safety data standards and safety bench marking.

The agenda also provides for updates and discussions on projects under SOCP’s education, training, security, safety and environmental working groups.

Agenda details and information regarding logistics can be viewed at www.socp.us. All attendees should register for the event on the Upcoming Events link. All industry representatives are welcome to attend.

There is a joint dinner of the SOCP and National Safety Council (NSC) on April 21, 2010. An invitation has been extended to a Maritime Administration representative to address this dinner gathering.

Event sponsorship and/or exhibit opportunities are also available. Please contact Ram Nagendran via email at ramnagendran@socp.us or by calling (240) 605-7429 to complete arrangements to become a sponsor or exhibitor.

SOCP is an industry-government partnership that was formed in 1993 to share resources in the development and evaluation of technologies to advance shipboard safety, training, reliability and productivity for its members in an effort to improve the competitiveness of the U.S. maritime industry.

MOBILE MARINER™ LAUNCHES MARINE WEATHER FORECAST AND TIDES BLACKBERRY® APP

Mobile Mariner, LLC announces the official launch of the Mobile Mariner™ app for the BlackBerry® smartphone.

The specialized app provides essential information to anyone who lives, works or plays on the water, including boaters, fishermen, sailors, kayakers, surfers, etc.

The app includes the marine weather forecast from the National Oceanic and Atmospheric Administration (NOAA) National Weather Service, as well as tide information and live weather conditions, for the coastal United States including the Great Lakes.

It displays a five-day weather forecast for all coastal NOAA weather zones throughout the U.S., and allows subscribers to continuously monitor up to 10 different weather zones.

The app also provides predicted and observed tide information, in text and graph format, for all NOAA primary tide stations. Tide information is provided based on current location and also allows for continuous monitoring of up to 10 different tide stations.

In addition, Mobile Mariner includes current weather conditions such as wind speed, wind heading, wind gusts, air and water temperature, and barometric pressure from the tide stations, where available. The data is updated every six minutes and the last 24 hours of data is available in graph format.

A monthly subscription to Mobile Mariner is available for purchase at www.mobilemariner.com. A seven-day free trial is available.



PROFESSIONAL MARINER

Issue Date: Issue #132 February 2010,

Foreign-flag operators in the Gulf of Mexico target of stepped up U.S. tax enforcement
Rich Miller

The Internal Revenue Service (IRS) is stepping up enforcement on foreign vessels working in the oil and gas industry on the Outer Continental Shelf (OCS) after determining that "a significant number" aren't complying with U.S. tax regulations.

Three categories of foreign taxpayers are identified in a directive to IRS field workers that was posted Oct. 30, 2009, on the agency's Web site: contractors who perform services on the OCS in the Gulf of Mexico, such as seismographic testing, drilling, repair and salvage work; vessel operators who transport supplies and personnel between U.S. ports and locations on the OCS; and owners or operators of foreign-registered vessels that "bareboat" or time charter to people engaged in activities related to offshore exploration.

"In recent years, an increased number of foreign vessels have applied to enter and work in the OCS," wrote Keith M. Jones, industry director of Natural Resources and Construction for the IRS. "Our analysis indicates that a significant number of foreign vessels permitted to work in the OCS do not comply with U.S. filing requirements."

William Pfeil, a technical adviser for marine shipping in the IRS's Large and Mid-size Business Division, said the directive involves corporate income taxes, employment taxes and individual withholding taxes. While Pfeil said he couldn't comment on how many foreign vessels were involved or how much revenue might have been lost, "We suspect the noncompliance has been going on for many, many years." When asked to be more specific, he replied, "More than five years."

Pfeil said the IRS has formed an issue management team to work with foreign companies that have not filed or have not filed properly.

"We're looking for voluntary compliance," he said. "We have had responses of various degrees,

saying that one, we didn't know we had a filing requirement; two, we didn't realize we were subject to tax; three, we need a period of 60 days to evaluate our situation to determine if in fact we have a tax exposure; four, we're not sure. ... Many of them have gone out and engaged tax representatives to assist them in their determination."

Pfeil said the IRS has been granting 60-day extensions when they are requested.

"When they respond to us, we have done that," he said. "We are looking at them to come in and make it right, and we're going to work with them."

Ken Wells, president of the Offshore Marine Service Association (OMSA), said U.S. mariners stand to benefit from the IRS action. OMSA represents the owners and operators of U.S.-flagged offshore service vessels, along with the American shipyards and businesses that support the industry.

"First, lax compliance by foreign vessels has allowed them to underbid U.S. boats, costing American crews work," he said. "If you level the playing field, it means more work for U.S. vessels and their U.S. crews. Beyond that, if the foreign owners have not been taking out withholdings for foreign seafarers, that is a big issue. Look at it this way: U.S. mariners are already at a disadvantage because foreign labor can be brought in below U.S. wages. If the vessel owners have not had to take out withholding taxes on top of that, it only increases the disadvantage to Americans."

Foreign operators can file for exemptions from U.S. taxes under bilateral income tax treaties, but Pfeil said such claims are often invalid.

"Where the issue generally comes about is the international exemption of ships when they're engaged in transportation activity," he said. "I define transportation as movement of, say, cargo from London, England, to New York by a vessel. That vessel is engaged in providing international transportation, just like an airline would if it traveled internationally. But if you have a seismic research vessel working on the continental shelf, they're not engaged in international transportation — they're engaged in business profits on the continental shelf. We believe that many taxpayers, if they file, are claiming an exemption that they're not entitled to."

While the IRS action is not linked to a recent review of foreign vessel activity in the Gulf of Mexico by U.S. Customs and Border Protection, Wells said both endeavors send a powerful message.

"We see two branches of the (Obama) administration getting tough on lax compliance by foreign vessels," he said. "The IRS is going at it from a tax standpoint and Customs and Border Protection is considering a proposal that would restore the original intent of the Jones Act for boats that work

Print Article

in offshore installation projects. The combined effect is the administration saying that we are not going to sit by and watch foreign vessels take away jobs from Americans and cheat on their taxes."

Rich Miller