



The International Propeller Club of the United States

Bringing the Maritime Community Together

December 2019

Message from the New President



Niels Aalund

As the new President of the International Propeller Club of the United States (IPCUS), I plan on building on the solid foundation laid

by our previous president, Joel Whitehead. The IPCUS has experienced a significant decline in membership over the past 20 years. Joel initiated the development of a Strategic Plan for the Club that will lay the groundwork for growth and increased effectiveness of our organization in promoting all segments of maritime transportation industry.

Whenever I visit local Propeller Clubs, I am welcomed with congeniality and friendship. I enjoy learning what the Clubs are doing to give back to their community. To me, "It's about the people". As a membership-based organization, we can never lose sight of the people in our Club and what they do to promote the maritime industry.

There are many trade associations that promote each of the segments of the maritime industry – whether it be the inland industry, liner industry, ports, shippers, and intermediaries. What sets IPCUS apart is that we are a grassroots organization

composed of individuals that work in or are affiliated in some way with the maritime industry.

We have 6,000 members that can promote our industry. I believe that the IPCUS Strategic Plan will show us how to better promote the industry and a timeline for accomplishing various goals and benchmarks.

It is an exciting time in the maritime industry. Ships are getting bigger and cargo volumes continue to increase. However, this growth is putting strains on our maritime transportation system. Channels need to be dredged deeper and wider. Throughput on container terminals need to increase to accommodate the growing volume of cargo. This may mean that rail and highway connections need to be improved.

The IPCUS needs to be involved in all of these issues at a local, national, and international level.

Each of our local clubs has the pulse of the maritime community at your fingertips and have the experts in your club that can help your organization be a voice to bring the disparate parties together to help resolve conflict and grow our maritime transportation system.

The International office will try to provide you with the information from a national and international perspective that will help you succeed in promoting the maritime industry in your local area.

I look forward to working with you in the next two years to build the International Propeller Club and promote the maritime industry. My door is always open and your feedback and input is appreciated. So please feel free to contact me at any time.

Respectfully,
Niels Aalund
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Executive Vice President's Corner

The purpose of this column is to highlight the purpose and objective of the IPCUS. Each newsletter will discuss a different component of these goals as stated in our bylaws – and how these objectives should be implemented under our Strategic Plan (see President's Message)

The bylaws of the International Propeller Club of the United States provide the foundation for our organization. Article 2 states the purpose of the Club as being:

“a not-for profit organization, whose membership is representative of every aspect of the maritime industry. It is dedicated to the enhancement and well-being of all interests of the maritime community on a national and international basis. It promotes private sector enterprises in ownership and operation of waterborne and intermodal transportation systems, including associated and support industries.”

We welcome all segments of the maritime industry including mariners, vessel owners, shippers, transportation intermediaries, shipyards, terminal operators, freight logistics companies, passenger vessel operators, towing vessel operators, fishing vessel owners, and ports.

The IPCUS goal is to promote policies and practices that will benefit the transportation of goods and

passengers by water. This includes issues such as infrastructure investment and dredging, vessel investment, and maritime education and training. Facts about the maritime industry:

- Liner shipping transports over \$4 trillion in goods globally each year.
- In 2018, ports handled over 785 million TEUs.
- About 90% of the world trade is carried by ship.
- In 2018, over 28.5 million people took a cruise.
- In 2017, cruise lines and their passengers were responsible for spending over \$28 billion in North America alone.

Historically, the IPCUS and our local clubs have had a close relationship with government leaders to help them understand the importance of investments in the maritime transportation system to their locality and country. As a grassroots organization, it is the mission of our clubs to play a significant roll educating the public and government about the maritime industry and what is required to improve this industry over the next decades.



IPCUS Convention – Major Success

The IPCUS Convention from October 14-17 was a major success. A preconvention meeting was held to continue the development of our Strategic Plan. (see President's message). This all-day workshop

was open to participants at the convention and allowed a wide-range of issues to be examined.

The Convention was highlighted by two keynote speakers, Admiral Karl Schultz, the Commandant of the U.S. Coast Guard, and Rear Admiral Mark Buzby (USN-ret), the Administrator of the U.S. Maritime Administration. In addition, panels lead the discussion of several topics facing the industry over the next decade including IMO-2020 fuels, trade dynamics (including tariffs), future workplace requirements, and the development of autonomous vessels.

Thanks to the sponsorship of various Clubs, there were 12 students from the State and Federal maritime academies that had the opportunity to listen to industry experts and network regarding their future plans for employment in the industry.

Integral to the Convention was the election of officers for IPCUS. This included Niels Aauland (President), Steve Tyndal (First Vice President), and Philippe de Gauw (Second Vice President). See our web page for a complete listing and contact information for [current IPCUS leaders](#).

Next year's IPCUS Convention is in Piraeus, Greece. The exact date in September/October will be announced shortly. So start planning now to attend an informative and enjoyable convention!

Photos of the Convention are available at our Facebook page:

<https://www.facebook.com/IntlPropellerClubUS/>

Social Media Promotions

During the month of October, the IPCUS began running an advertisement on Facebook to see if it would help increase our visibility – and most importantly – help recruit new members. In a typical month we get 2-3 membership referrals to pass on to local clubs. In October, we received more than a dozen. While it is difficult to know if

the increase was the result of our FB ads – we are going to continue with these ads and expand it to linkedin ads. Please let us know if you get any feedback or find that members are finding your club through these advertisements.

Maritime Policy Education

To effectively promote the maritime industry, individuals need a basic working knowledge about maritime policy. This column will focus on one particular issue: cabotage laws.

Cabotage: 101

Cabotage laws reserve the transportation of people and goods to companies of the countries in which they are operating. For example, In the aviation world, a German air carrier cannot pick up passengers in New York and fly them to Los Angeles. Over 91 countries have cabotage laws that they apply to maritime transportation in their country. This includes the European Union and countries such as Russia, China, and the United States.

However, in these 91 countries there is variation regarding the types of vessels, cargoes, and passengers to which their cabotage laws apply. For example, in Brazil a foreign vessel may only engage in their cabotage trade if it is chartered by a Brazilian company. In China, a foreign vessel (including a Chinese vessel chartered to a foreign company) may not operate a shipping business between Chinese ports.

The United States cabotage system has its origins in the 3rd law passed by the very first Congress in 1789. At that time, all ships entering a port had to pay a tariff or duty to the country in which the port was located. This 1789 law established a significantly lower tariff rate for U.S.-flag vessels than the rate for foreign-flag vessels engaged in the U.S. cabotage (coastwise) trade. This continued until the enactment of the Navigation Act of 1817,

which restricted the U.S. coastwise trade to U.S.-flag vessels. The U.S. cabotage laws have been amended over the decades such as to clarify how they apply to corporations (75% of the stock must be owned by U.S. citizens) and to the transportation of passengers (in 1886). The Merchant Marine Act of 1920, commonly referred to as the “Jones Act” made many changes to maritime law including expanding the coastwise laws to Alaska and clarifying that the coastwise laws can be waived for national security purposes (an outcome of World War I). However, the fundamental principles have remained unchanged in over 200 years: That to transport “merchandise” between 2 points in the U.S. the vessel must be:

- U.S.-flag
- owned by U.S. citizens
- built in a U.S. -shipyard; and
- 75% of the mariners onboard must be U.S. citizens.

U.S. Customs and Border Protection is the Federal agency responsible for interpreting what constitutes a coastwise movement. This principally focuses on:

- What is merchandise?
- What is a point in the United States? (When a vessel drops anchor in the U.S. 200-mile Exclusive Economic Zone it is then a “point in the United States”).

Today, there are over 50, 000 vessels engaged in the U.S. cabotage trade that have been built in U.S. shipyards. This includes more than:

- 5,800 towing vessels
- 31,000 barges
- 730 ferries
- 1,200 offshore supply vessels
- 2,700 commercial fishing vessels

There are organizations that are opposed the U.S. cabotage laws such as the CATO Institute (a Libertarian Think Tank). However, these

organizations fail to understand the importance of cabotage laws to the United States. These include:

National security: The U.S. Navy states that the repeal of the Jones Act would “hamper [America’s] ability to meet strategic sealift requirements and maintain and modernize our naval forces. The U.S. military ships 95% of their supplies by water.

Economic security: Over 42,000 mariners are employed on these vessels and this cabotage trade supports 650,000 sustained jobs in the United States and \$150 billion in annual economic output. In 2017 over 578 million tons of cargo were shipped on the U.S. inland waterway system and over 160 million tons were moved on the Great Lakes.

Impact on U.S. companies and banks: U.S. companies have invested billions of dollars in the U.S. maritime industry based on the law at the time they made their investment decisions. Similarly, U.S. banks have financed U.S.-flag vessels based on those same laws. Repeal of the Jones Act would result in the bankruptcy of most (if not all) of these companies and the devaluation of the mortgages on these vessels held by the bank. The Maritime Administration has issued over \$1 billion in loan guarantees for vessels in the U.S. cabotage trades – which may go into default and force the U.S. taxpayer to pay-off these mortgages.

In summary, cabotage laws (reserving the transportation or passengers between 2 points in a country to ships or aircraft registered in that country) is a common practice in over 91 countries. Elimination of those laws can result in significant economic dislocation and compromise the national security of that country.

For more information regarding cabotage laws you may want to look at a publication in 2018:

[Cabotage Laws of the World](#) by the International Transportation Workers’ Federation.

[American Maritime Partnership](#)

Around the Ports

(Let us know what about your Club's activities!)

New York and New Jersey

On November 17th the Club held it's 5th annual Jazz Brunch on the Hudson River at which midshipmen at the U.S. Merchant Marine Academy from the classes of 2020 and 2023 shared their stories at the academy and discussed the future of the maritime industry. The Club also promoted an event titled "**Offshore Wind on New York State's Horizon: A Discussion on Maximizing Potential and Addressing Barriers**"

Port Manatee



On November 20th, the Club had a dinner at which State Representatives Will Robinson and Tommy Gregory spoke with Club members about maritime policy issues in Florida.

Portsmouth



On November 21, the Club held a dinner at which Clair Bloom (USN Ret.) shared the history of the USS Constitution (Old Ironsides) and her experiences at the 2nd in command of that ship from 1996-1998. The USS Constitution is the oldest commissioned naval war ship afloat.

Northern California

On December 3, the Club collaborated on a conference titled "Strategies for Storms, Flooding and Sea Level Defense". Speakers from the California ports were joined by representatives of California and Federal agencies to discuss their plans for addressing storms, flooding and rising sea levels.

Charleston

On October 21, the Club hosted the annual "State of the Port Address" by James I. Newsome, III, the President and CEO of the South Carolina Ports Authority and an address by Governor Henry McMaster of South Carolina.

Algeciras

Algeciras



In December, several Club members were members of an international trade mission to South Korea to promote their port and met with the Korean Shipowners Association and other maritime interests.

Paducah

The Paducah Club donated \$2,000 to fund uniforms for new U.S. Navy Sea Cadets that the students (ages 10-17) needed to pass their annual inspection. This national youth leadership program is sponsored by the Navy League of the United States.

Detroit



On October 8th the Club held a dinner at which Mr. Al Zerilli, with the US Border Patrol, gave a talk titled “Current US Board Patrol Issues Highlighting Marine Travel Between Canada and the United States.

Student Port at Northeast Maritime Institute

In November, the Student Port planned a meeting with the Narragansett Bay Port of IPCUS focusing on maritime workforce shortages. An enjoyable dinner and an evening of mentoring and discussion of future opportunities for these students was had by all.

Student Port at Old Dominion University



In October, the Student Port participated in the Norfolk Propeller Club’s Biannual Oyster Roast. The students enjoyed the opportunity to network, fundraise, and “eat some really great food.”

Piraeus



On November 25, the Annual Thanksgiving dinner, hosted by the International Propeller Club of the United States, Port of Piraeus, and the American-Hellenic Chamber of Commerce took place at the Grande Bretagne Hotel.

The dinner was an opportunity for almost 400 members, guests, family and friends of the two institutions to come together and enjoy a traditional

dinner in a truly festive atmosphere. A special thanks was extended to the Ambassador of the United States, the Honorable Mr. Geoffrey R. Pyatt “for his valuable contribution to the Propeller Club and in bringing the people of Greece and the USA closer together.”

Everyone was invited to share around their table one thing for which they feel true gratitude. Club President Costis Frangoulis said “Feeling gratitude and not expressing it, is like wrapping a present and not giving it”, quoting William Arthur Ward.

Happy Holidays!

John Cullather, Executive Vice President
Cheryl Rothbart, Associate Executive Director