



# The International Propeller Club of the United States

Bringing the Maritime Community Together

## January 2020

### Message from the President



**Niels Aalund**

What's Next for the International Propeller Club?

Over the last six months leaders of the International Propeller Club as well as leaders from Ports, both domestic and internationally, have been working on a three-year strategic plan along with a leadership consultant to guide us through this process.

A Strategic Planning Committee was put together by Adm. Joel Whitehead as chair to look at how to improve the value of membership to members and the industry. Look at ways in which the Ports and National can work together to serve each other and to ensure sustainable growth for everyone.

The primary goals of the committee in putting together this strategic plan was to:

- Clearly establish the scope, purpose and essential value of IPCUS as a relevant, impactful organization for the maritime industry.
- Confirm/re-evaluate the primary constituents IPCUS serves (e.g., different industry segments, Club Ports, etc.).

- Develop a vision for the future of IPCUS and a set of long-term goals that will guide how the Club should evolve in such areas as Member Services, Influence and Industry Relations, Member Growth and Engagement, and Organization Development

In order to achieve these goals, the committee looked way beyond just the members of the committee. Research was conducted to help with the decision-making process:

- External Environment - Trends in the maritime industry, IPCUS' competitive associations and trends impacting the success of member-based associations
- Stakeholder Perspective- Surveys were conducted with Board Members, Committee Members, and Port Leaders.
- Internal Environment – Dashboards were created for membership history, program participation, IPCUS financial health, staff capacity and leadership development

In October an all-day In-person meeting at the annual convention in NOLA with 30 members representing the Board, Port Leaders, Past Presidents, staff, long-term members as well as newer members of the organization. Both domestic and international members were represented. We looked at our value to members, outreach and influence in the industry and organizational development and sustainability. The committee then attended three webinars to look at the goals and

breakdown the goals for what would be achievable in 2020 towards reaching these goals in 2022. The strategic plan will be presented to the Board at their February meeting. Once the plan is approved the work shall begin. In order to achieve our goals, we hope that you will consider volunteering some of your time to help build a stronger relationship for the International Propeller Club and its Port's within your communities and the industry. We look forward to sharing with you each month the progress we are making in these areas. Please do not hesitate to contact me or the staff at headquarters if you have any questions.

Respectfully,  
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## Executive Vice President's Corner

The purpose of this column is to highlight the purpose and objective of the IPCUS.

The bylaws of the International Propeller Club states that 2 of the objectives of the organization are:

- a. To promote, and support the merchant marine and allied industries in all countries in which Propeller Club Ports are located;
- b. To meet the requirements of national and international security and economic welfare;

The maritime policy column in this edition of the newsletter will go into detail regarding the types of governmental programs that have been created to help accomplish these goals.

The segments of the maritime industry represented in a local club vary based upon the industry in that area. The Nashville Club may be more focused on the contributions of the inland waterway system to the economic welfare of the U.S. while the Wilmington, NC Club may be more interested in national security due to the fact that their area is a major load center for the Department of Defense (DoD).

To accomplish the goals stated in the bylaws, you club should include activities that (1) educate your members regarding the local maritime activities that need to be supported and (2) let government officials know that the International Propeller Club will support these activities.

This can be achieved in many interesting ways:

- Plan tours of the various types of facilities in your area so that you members are up-to-date on issues facing these port operations. A club member that works in the container side of the industry may not be aware of the issues that an oil or bunkering terminal may have. Tours are also a great way to attract new members.
- Invite Federal, State, and local officials and port directors to speak at your business meetings. Make sure that your members have an opportunity to share with these officials the position of the International Propeller Club on maritime policy issues and learn from them what your Club can do to support their maritime programs.
- In case you missed it – this is an election year in the United States. Most people running for office will be glad to meet with and discuss their future plans with their constituents. So also invite them to your casual events – such as a shrimp boil or crab feast! They will enjoy meeting your club members in a more casual setting and hearing about initiatives to promote the maritime industry that the International Propeller Club is supporting.

## Bylaws Changes for recent graduates

At the IPCUS Board of Directors meeting in October, the Board agreed to amend the bylaws to exempt recent graduates of State or Federal maritime academies or any other individual who

graduated within the past year that was a member of a Student Club from having to pay the \$45 fee to the IPCUS.

This was done to help encourage these recent graduates to join a local club.

While this does not require local clubs to exempt these recent graduates from the local club portion of the dues, IPCUS encourages local clubs to provide a similar exemption for their first year of membership.

## 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: Governmental financial support for vessel operations.

Governments around the world enact policies to promote the registration of vessels in their country.

The U.S. Department of Defense depends upon the U.S.-flag merchant marine to provide strategic sealift capabilities in support of DoD operations. During Operations Enduring Freedom and Iraqi Freedom, U.S.-flag commercial vessels transported 63% of all military cargoes that were transported to Iraq and Afghanistan.

The country in which a vessel is registered is known as the “flag-state” of the vessel. When an owner is making the decision regarding which country to flag a vessel there are 3 cost factors that they typically consider:

- Capital cost (the cost to build the ship)
- Tax costs (typically the corporate taxes that will be paid on the earnings derived from the vessel).
- Operating costs (the cost to employ personnel, insurance, etc.)

The international shipping market is generally a free market with little or no economic regulation.

Therefore, vessel owners attempt to have the lowest cost in order to offer the most competitive rates. European countries and the United States have higher a higher cost of living than in many countries. Corporations based in these countries normally pay a higher tax rate than in underdeveloped countries. Mariners from developed countries are usually paid more than mariners from other countries due to the higher cost of living in their home country.

To make the financial decision to flag a ship in their country more attractive, many European countries and the United States offer financial incentives to decrease the cost differential between the cost of registering a ship in their country and the cost of registering the vessel in a so called “flag of convenience” country. The European Union has established financial limits on these promotional policies so that they will not disrupt the marketplace. This column will explain these maritime policies as they affect each of the 3 cost areas identified above.

### Capital cost:

In general, vessel owners are free to purchase a ship built in any country they choose for the international trade. Therefore, they usually pick the country with the lowest price ship.

**European Union:** No restrictions on purchasing foreign-built ships for the international trade.

**United States:** The U.S. has allowed vessel owners to purchase foreign-built ships for the international trade since 1912. However, in 1936, Congress enacted the Construction Differential Subsidy (CDS) program to compensate vessel owners for the higher cost of building a ship in the United States if they chose to build one here. The CDS program was eliminated by President Ronald Reagan in 1981. Since that time, virtually all U.S.-flag vessels built for the foreign trade have been built in foreign shipyards.

### **Tax cost:**

Most underdeveloped countries have a very low – or non-existent corporate tax rate for vessels registered in their country. To help make registering vessels in developed countries more financially attractive, some countries have enacted so called “tonnage taxes” as a way of decreasing the tax liability for owners of vessels registered in their country.

The mechanism for a tonnage tax is relatively simple: There is a formula that states that the income that is subject to taxation is based upon the tonnage of the vessel – not based on the revenues and profit made from the vessel operations. For example, the owner of a container ship that is 55,000 net tons may have a computed taxable income from that ship of \$25,000 to which the corporate tax rate for that country is then applied.

**European Union:** The EU has allowed member countries to enact “tonnage tax” systems. The EU does review these tax rates and has approved them for countries such as Greece, .... (See this link for additional information regarding EU approved tonnage taxes.

**United States:** In 2004 the United States Congress enacted a “tonnage tax” system for U.S.-flag vessels engaged in international trade. The tonnage rates were modeled after the tonnage tax system used in Great Britain.

### **Operating costs:**

**Europe:** In Europe, some countries, such as Great Britain and Norway do not require all of the ships personnel to be citizens of their country. In addition, some countries do not tax the income of mariners engaged on international voyages. Therefore, the owners can have a lower pay-scale that reflects that tax-break. European shipowners flag less than 60% of their tonnage in European countries. In January 2020, the European Commission approved 5 programs to support maritime shipping in Cyprus, Denmark, Estonia, Poland, and Sweden. These programs were

comprise of tonnage tax programs and tax reductions for seafarers.

**United States:** There are approximately 80 U.S.-flag vessels engaged in international commerce.

In 1995 Congress enacted the Maritime Security Program (MSP) to pay U.S.-flag vessel owners for making their ships available to transport military supplies and personnel when needed. Most of the 60 ships in this program are containerships and Roll On/Roll Off ships. Congress recently reauthorized this program for a 10-year period. Vessel owners are currently paid \$5 million per ship annually and this will increase to \$5.3 million per ship per year in 2022. The \$300 million that is appropriated for this program helps to pay for the increased operating costs of U.S.-flag vessels compared to their foreign-flag competition.

In addition, the United States cargo-preference program requires a percentage of cargoes bought with Federal funds to be transported on U.S.-flag ships. For military cargoes the requirement is 100% of the cargoes and for non-military cargoes the requirement is 50% of the cargoes must be transported on U.S.-flag vessels.

Regarding the taxation of U.S. mariners income, the United States does not exempt any of the income of mariners from U.S. taxation. In contrast, most other U.S.-citizens that work overseas do not have to pay U.S. income tax on their first \$107,000 of income.

The IPCUS supports governmental measures designed to promote transportation of goods and passengers on ships registered in countries in which the vessels are owned.

For further information see:

[EC approval of maritime support schemes](#)

[Maritime Security Program](#)

## Leadership Announcements

Clubs have been providing headquarters with the name of their President for the coming year. Announcements so far include:

Thomas Watson – Baltimore

Gerhard Tiedemann – Bilbao

Mohamed Margaoui – Casablanca

Tom Wynne – Cleveland

Jason Odgers – Charleston

Bob Paulison – Corpus Christi

Eddie Janek – Galveston

Michael Nation – New Orleans

Marc Marling – Norfolk

Pedro Coca – Valencia

## Around the Ports

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

### Headquarters

The IPCUS has announced that the annual Salute to Congress will be held on April 29, 2020 at the Army Navy Country Club in Arlington, Virginia. So begin your planning to attend this premier event of the Club.

### New Orleans



The Propeller Club Port NOLA's annual Maritime Person of the Year Gala was held on January 29th honoring Ms. Brandy D. Christian, President & CEO Port of New Orleans and CEO, New Orleans Public Belt Railroad.

### Norfolk



On December 10, 2019, The Propeller Club Port of Norfolk announced the **Propeller Club Norfolk Judy Barrett Fund** at the organization's annual meeting.

Named in honor of the club's long-time officer and board member, Judy Barrett, the fund will support the Nauticus Foundation's Sail Nauticus program. Sail Nauticus serves as a community sailing center and school for a diverse group of need-based students from Hampton Roads.

### Portsmouth



On January 16<sup>th</sup> the Portsmouth Club had a sold out meeting at which Kevin Galeaz gave a lecture on the loss and enduring legacy of the USS THRESHER in 1963.

## Mobile

On January 16 the Mobile Club had their initial luncheon of the year at which IPCUS President Niels Aalund was the guest speaker. Niels is also the Senior Vice-President of the West Gulf Coast Maritime Association (WGMA).

## Charleston

On January 23 the Charleston Club had their 2020 kickoff event at which Kenneth Riley, President of ILA Local 1422 was the guest speaker and shared his insights about the Port of Charleston for the coming year.

## New York and New Jersey



On January 8<sup>th</sup>, the New York and New Jersey Club had a luncheon meeting at which U.S. Coast Guard Captain Jason Tama spoke. Captain Tama is the Sector Commander for New York and the Captain of the Port.

## Piraeus



The Piraeus Club celebrated the New Year in the Greek tradition, with the cutting of the traditional Greek New Year cake at the Grande Bretagne Hotel on Monday 20th January 2020.

Mr Andreas A. Potamianos, was presented with a Recognition Award for his ongoing service and outstanding contribution to the Propeller Club over the years.

As in previous years, the Propeller Club announced its support through scholarships, as well as through donations to philanthropic foundations in Greece, this year with a 50% increase in comparison to 2019.

## Tampa



The Propeller Club-Port of Tampa was proud to salute the men and women of the U.S. Coast Guard during their 29th annual dinner in January. Admiral Karl Schultz, Commandant of the U. S. Coast Guard was their keynote speaker.

## Women's Propeller Club



The Women's Propeller Club paid a tribute to their Past National President, Judy Magna. Judy had a dance trio that performed in the USO during World War II and travelled all around the world. While being a cruise director on a passenger ship, she met her husband Russ, a graduate of the U.S. Merchant Marine Academy. Judy never says a bad word about anyone and has been the President of the National and Port of New York chapter of the Women's Propeller Club.

The photo (above) is of Candy Nigretto and Judy Magna at the Convention in Norfolk.

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

