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News

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The Year in Review

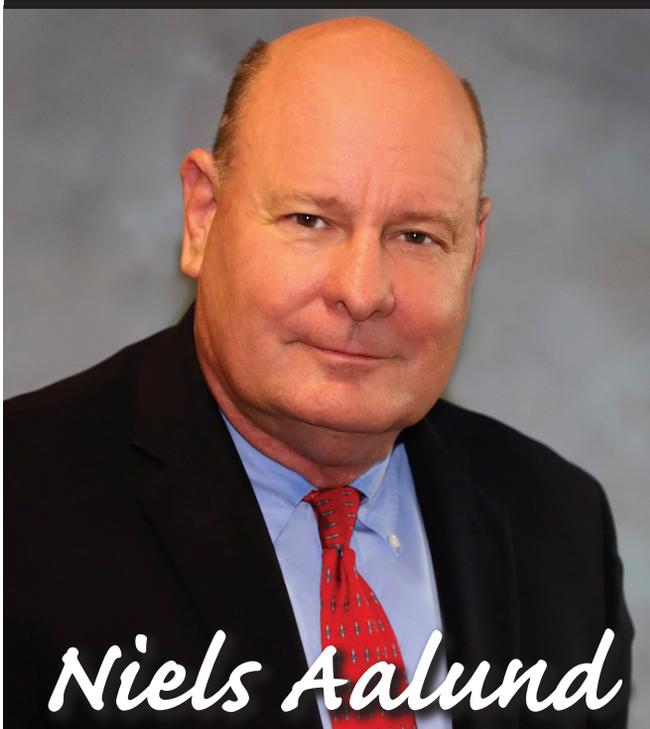
Ten Threads Defined the
Workboat Waterfront

Propulsion Regulations

EPA Taps the Brakes

Multi-Mission Fireboats

They come in all shapes & sizes



Niels Aalund

President,
**International Propeller
 Club**



Niels Aalund was elected President of the International Propeller Club at their 93rd International Convention and Conference. The prominent maritime industry stakeholder will serve a two-year term, commencing from October 17th. Aalund, a well-known maritime subject matter expert and executive, also serves as an Officer and as Senior Vice President of the West Gulf Maritime Association (WGMA). WGMA communicates and coordinates with various governmental entities throughout the West Gulf, providing a forum for discussions and exchange of information between member companies.

As WGMA's most visible and active advocate, Aalund provides maritime industry liaison every day, advocating on behalf of member companies with local, state and federal agencies. Throughout his career, Aalund has provided leadership for a variety of maritime related positions. He has extensive strategic planning experience in both operations and commercial maritime activities, including but not limited to management positions overseeing liner, break-bulk and stevedoring

groups. Those skills and attributes will serve him and his new constituents well, as he embarks on his latest professional journey.

Beyond his already impressive responsibilities, Aalund additionally serves on 14 regional and/or national committees and boards, including such groups as Director at Large, Houston Ship Channel Security District, Lone Star Harbor Safety Committee, Area Maritime Security Council (AMSC), South East Texas Waterways Advisory Committee (SETWAC), Corpus Christi Harbor Safety Committee (STWAC), National Association Maritime Organizations (NAMO), Propeller Club International Governing Board, North American Marine Environment Protection Association (NAMEPA), the University of Houston, College of Technology Dean Advisory Board, and he has been recognized as Distinguished Alumni, University of Houston – College of Technology.

A Houston native, Aalund is a graduate of the University of Houston. An active public speaker at industry programs, Aalund now leads The Propeller Club, a group originally conceived in 1922 and today, serves as an international business network dedicated to the promotion of the

maritime industry, commerce and global trade. *Listen in this month as Aalund sets the organization's course for the coming year, and beyond.*

Congratulations on your election as President of the Propeller Club. Tell us about the organization and its many missions.

The International Propeller Club of the United States (IPCUS) was started in 1927 to promote the maritime industry both on a national and international basis. We are a grass-roots organization whose members work in both the brown-water and blue-water sectors for vessel owners, shipyards, transportation intermediaries, ports, and virtually all segments of the maritime community.

As you take the helm at the Propeller Club, if you had to choose just one thing that you absolutely must accomplish in the next two years, then what would that be and why?

We have begun developing a strategic plan for the IPCUS that will lay out a vision and course for the clubs, both at the international level and the local level, for the next decade to meet the continuing needs of the maritime industry.

How does the Propeller Club accomplish its missions of advocacy? Tell us about how you, as the Propeller Club's most visible leader, can be most effective in your new role over the coming two years.

At the International Club level, we are developing strategic partnerships with other trade associations to advocate for the maritime industry. Because the Propeller Club is a grass roots organization, our members provide advocacy for the maritime industry at their local clubs by welcoming government and industry leaders to their events to discuss with them the international, national, and local needs of the industry.

Give us a sense of the Propeller Club's membership size, number of branches and national (and global) reach?

The Propeller Club has approximately 6,000 members world-wide. These members join local clubs. There are 41 in the United States and 30 around the globe. We

are growing each year and recently added clubs such as Brownsville, Anchorage, and Casablanca.

Inasmuch as the U.S.-flag merchant fleet today is largely brown water-centric – about 39,500 out of 40,000 hulls – what can the Propeller Club do to enhance this sector's viability?

Most people think of the brown-water fleet as the inland and close-offshore industry. This includes most of the towing vessel fleet and the offshore supply vessel fleet. The IPCUS has local clubs throughout our inland waterway and Gulf of Mexico regions – such as Evansville, Louisville, Paducah, Mobile, New Orleans, and Galveston. These Clubs advocate for the inland towing industry on a local and State basis. In addition, the International offices support efforts in Washington that are critical to this segment of our membership – such as locks and dams, dredging, and the Jones Act.

The Jones Act, of course, is always a hot potato, but its significance as it approaches its 100th anniversary, is particularly noteworthy. Every day, opponents (try to) chip away at the Act's fundamentals. So, where does the Propeller Club fit into that discussion, and how will you be involved in the debate?

The United States has had laws restricting entry into our coastwise trade for over 200 years.

At least 91 countries, covering 80% of the world's coastline, have cabotage laws to promote their domestic maritime industry including France, Greece, and the United States. The International Propeller Club and our local clubs in these countries support all of these initiatives. The Propeller Club will continue to advocate for the U.S. cabotage laws which are a critical component to the U.S. maritime industry and industrial base. America's domestic fleet, supported by the Jones Act, helps ensure U.S. sealift capability and helps provide the trained mariners needed to defend our nation. The Jones Act is consistently supported by defense leaders, including the U.S. Coast Guard and the U.S. Transportation Command, and is an integral part of our country's national defense apparatus.

The recent news about the Harbor Maintenance Tax and the mandate to fully utilize its receipts for

its intended purpose was a welcome milestone. Tell us about the Propeller Club's position on this important issue and where you got involved.

Shippers of goods imported through U.S. ports pay a user fee to fund the maintenance and deepening of U.S. ports. However, due to budgetary restrictions, Congress has been unable to appropriate all the funds collected by the Harbor Maintenance Tax to dredge our nation's harbors. There is currently over \$9.3 Billion in the Harbor Maintenance Trust Fund that has not been spent. Meanwhile, ships are getting larger and require deeper and wider channels to safely navigate. IPCUS supports H.R. 2440, the Full Utilization of the Harbor Maintenance Trust Fund Act, authored by Congressman Peter DeFazio (D-OR) that will allow \$34 Billion to be spent over the next decade to improve our nation's ports.

Give us a sense of the state of the domestic waterfront – shipbuilding, waterways, ports, operators, etc. – today, and where we need to make the most dramatic improvements.

Approximately 90% of the world's trade moves by water. The United States is the largest trading country in the world. Therefore, the demands on our maritime infrastructure keep growing. In the past decade, the carrying capacity of container ships has increased from approximately 6,000 TEUs to nearly 24,000 TEUs. Ports in the United States need to be deepened, terminal cranes increased in size, and intermodal connections improved to meet these demands. Without the strategic investments in the maritime transportation system the cargoes will not move, economies will stagnate, and cargo will clog our ports.



Credit: ABB

Domestic shipbuilding and ship repair industries generate more than 110,000 jobs in all 50 states today. What's your assessment of the condition of that industry today and what can the Propeller club and its many stakeholders do to strengthen it?

On the commercial vessel side, thousands of towing vessels, barges, commercial fishing vessels, offshore supply vessels are built and repaired each year in U.S. shipyards. On the U.S. Navy side of the market, our shipyards need a steady stream of work to meet our national security needs and provide a predictable annual funding so they can invest in state-of-the art facilities and workforce development. The International Propeller Club supports all of these initiatives. We are also reaching out to schools and the next generation of workers by developing educational curriculum to help high school students understand the career opportunities that are available to them in the maritime industry including the shipbuilding and ship repair industry. To date, Congress has appropriated \$600 million to build two National Security Multi-Mission Vessels (NSMVs) which will be used as training ships for our maritime academies. An additional \$300 million is in the pipeline for this fiscal year. The goal is to build five NMSVs for the state maritime academies and the Merchant Marine Academy. This is a significant shipbuilding program that will benefit U.S. shipyards as well as providing our academies with state-of-the art ships to train our mariners for years to come. The International Propeller Club strongly supports this program.

The Propeller Club has urged the Federal government to “eliminate regulations that impede the utilization of U.S.-flag commercial vessels and to ensure that the U.S. tax code and other statutes encourage rather than discourage the movement of cargo along our coasts and along our waterways by U.S. vessels.” Are we talking about the Harbor Maintenance Tax for shortsea cargoes?

The Harbor Maintenance Tax (HMT) creates a difficult barrier to overcome when it is applied to domestic shipping. The HMT is paid by the shippers – not the vessel owners. Because domestic cargoes do not have to clear customs, in many cases, there is not even a method to collect the HMT from the shippers. Imagine a vessel with

1,000 boxes shipped by United Parcel Services (UPS) in a single truck – how would you ever collect a tax on each of those boxes if the truck were on a short sea ferry. It's easier for a shipper to send this cargo by truck over the congested highway where they don't need to worry about the expense or hassle of paying the HMT. Cargoes transported on U.S.-flag carriers serving Alaska, Hawaii, and Puerto Rico do not have to pay the HMT and neither should cargoes served by Short Sea Transportation.

Many stakeholders tend to focus on the blue water aspect of the Jones Act, but the threat to the inland and workboat sectors is just as great. Would you agree?

There are over 20,000 self-propelled U.S.-flag vessels that operate in our domestic fleet. In addition, there are over 31,000 barges that operate on our rivers. IPCUS supports each country's right to enact cabotage laws to promote their domestic maritime industries. Cabotage laws are not unique to the maritime industry. The United States does not allow a German air carrier to transport passengers from New York to Los Angeles. Why would we allow a foreign water carrier to go from Paducah to New Orleans? Allowing subsidized foreign-flag carriers to operate in our inland and workboat markets would be devastating to U.S. companies that have spent billions of dollars based on the laws that existed when they made those investments. I don't think that the Federal Government is prepared to compensate these companies and the vessel's mortgage holders for the economic loss they would experience if foreign-flag vessels were allowed in our coastwise trade.

The Propeller Club recognizes the economic importance of the U.S. maritime sector to the United States. Unfortunately, that awareness doesn't always make its way to the general public, or for that matter, inside the beltway. What can we collectively do to spread the good news?

You are correct – the maritime industry is largely invisible to the public. Those that directly use the maritime transportation system – such as farmers and manufacturers – understand the importance of the maritime industry to their business. However, the average consumer does not know that ships transported the television that they watch and much of the food that they eat. The maritime industry

needs to carry out a social media campaign to educate the public about benefits they receive every day from the maritime transportation system and why they should support investments in our maritime infrastructure.

The Propeller Club urges a renewed and expanded use of Title XI to achieve the original objectives intended by Congress, namely to assist operators to obtain the financing necessary for the construction and reconstruction of vessels in the United States. But, the program isn't exactly vibrant today. Give us a sense of what needs to be done to revive it and The Propeller Club's role in that effort.

The Federal Ship Financing Program, commonly called the Title XI loan guarantee program, allows the Federal Government to issue a guarantee on the mortgage of a ship built in a U.S. shipyard. Since this program was enacted in 1936, the Federal Government has issued thousands of loan-guarantees – with relatively few defaults. This program has successfully created jobs in U.S. shipyards and aboard U.S.-flag vessels. There is currently \$35 million available to pay for the default risk for new loan guarantees. This means that the Maritime Administration could issue approximately \$300 million in loan guarantees to build U.S.-flag ships in U.S. shipyards. The Congress needs to appropriate additional funds and the Maritime Administration needs to issue more guarantees with reasonable financing terms.

A 2007 Act gave MARAD the authority to add U.S. citizen shipyards and operators in the SST/AMH coastal and inland waterways trades as Capital Construction Fund (CCF) Program "qualified vessel" participants. Why can't a pure passenger service operator – entities that form a large portion of our U.S. flag fleet – utilize the CCF for similar purposes? Does the Propeller Club get involved in this discussion? What's your organization's position?

The Capital Construction Fund (CCF) program was started to help vessel owners accumulate capital to build ships in U.S. shipyards. It operates much like an Individual Retirement Account (IRA) – but in this case the vessel owner may deposit pretax money into an account and then make a qualified withdrawal to build a vessel in a

U.S. shipyard. Today, there are over 739 U.S.-flag vessels ferries that transport over 200 million people annually. Many cities are attempting to expand ferry systems to help alleviate congestion on the highway and decrease air pollution. The Propeller Club supports expansion of the CCF program to include passenger vessels such as ferries to help cities achieve these goals.

The Propeller club advocates for the maintenance of a robust United States-flag dredging industry that is sufficiently-sized to ensure deep water access for all vessels in large and smaller ports alike. Most stakeholders would agree that this industry does a good job, to the extent that funding is available to them. Would you agree?

The U.S. dredging industry is a vital component of the maritime industry that responsible for helping meet the needs of commerce and national security. Without this industry our ports and waterways would quickly fill with silt. Naval ships would be unable to operate out of many of our strategic seaports. Waterborne commerce would quickly come to a halt. The U.S. dredging fleet is comprised of more 50 companies operating more than 400 dredges. The dredging capacity of this fleet has recently increased by 34% with the addition of new hopper dredges. In addition, the industry will build additional dredges when the Federal Government increases the long-term funding for dredging projects.

The Propeller Club supports the Federal and State Maritime Academies in many ways. Tell us about these efforts; how they come about, and their ultimate impact on these important schools.

The International Propeller Club has a Student Port at each of these Academies. Our local clubs often work with the Student Clubs on programs to help these students begin to develop a professional network with others in the maritime industry. The IPCUS just changed our bylaws to allow graduates of these schools to have a free one-year membership in the Propeller Club to aid in their continued professional development. We are committed to promoting maritime education and training. Therefore, the International Propeller Club, through our local clubs, award tens of thousands of dollars in scholarships to students attending these academies each year.