



THE INTERNATIONAL PROPELLER CLUB *of the United States*

An international business network dedicated
to the promotion of the maritime industry,
commerce and global trade.

EXECUTIVE SUMMARY **STATEMENT OF PRINCIPLES**

(as adopted 2017)

The International Propeller Club of the United States is dedicated to the promotion of the maritime industry, commerce and global trade. With more than 80 Ports in maritime locations in the United States and in cities around the world, the Propeller Club works tirelessly to highlight the importance of a strong, competitive maritime industry to the economic and national security requirements of the United States. To this end, the Propeller Club:

- **BELIEVES** the privately-owned U.S.-flag merchant marine, comprised of all types of vessels operating in international and domestic commerce, and its U.S. citizen crews are an essential component of the commercial sealift capability of the United States, ensuring that our country has the ability to respond quickly, efficiently and effectively to our nation's call in time of war or other international emergency. We urge the Federal government to fully fund the Maritime Security Program to enable vessels enrolled in the maritime security fleet to maintain this commercial sealift capability under the U.S.-flag;
- **BELIEVES** the full implementation and enforcement of the nation's cabotage laws and U.S.-flag cargo preference shipping requirements are essential to maintain and support the U.S.-flag commercial shipping capability and American mariner manpower base necessary to the economic and military security of the United States. We urge the Federal government to recognize and acknowledge that "Ship American" requirements are important to the nation's economic and military security interests;
- **BELIEVES** the domestic shipbuilding and ship repair industries, which generate more than 110,000 jobs in all 50 states, should be supported and revitalized to further enhance their critically important contributions to the economic and military security of the U.S.;
- **BELIEVES** a comprehensive national transportation program that emphasizes the important role domestic water transportation can and should play in the efficient, economical and environmentally sound carriage of cargo and passengers should be developed and implemented. We urge 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;
- **BELIEVES** the development and continued maintenance of our Nation's efficient, modern port facilities are necessary to enhance national security, to increase competitive capabilities for the import and export of commodities, and to facilitate the capability of ports to transport energy supplies, agricultural products and other materials critical to the commerce and economic health of our nation. We urge the Federal government to adopt a national dredging policy which calls for greater coordination among all Federal agencies to facilitate dredging our nation's harbors in a timely and cost effective manner consistent with environmental regulations;
- **BELIEVES** the United States Government-owned strategic sealift force and their civilian mariners are necessary to augment the United States flag commercial fleet in order to ensure the deployment and sustainment of United States Armed Forces globally as required to protect U.S. national interests in times of war or other international emergency;
- **BELIEVES** that America's borders would be more vulnerable without key U.S. maritime laws, regulations, and policies, especially the Jones Act, which ensure that the nation has the U.S.-flag ships, the American crews, the domestic shipyards, and the U.S. companies that provide this critical homeland security capability; and
- **BELIEVES** that the U.S. inland waterways system is a national resource that plays a critical role in the safe and efficient movement of U.S. domestic commerce and the competitiveness of U.S. exports. We urge the Federal government to authorize, fund and expeditiously carry out the needed modernization of the inland waterways infrastructure, including the critical replacement of aging, undersized locks on the inland river system.



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The International Propeller Club of the United States (herein "Propeller Club") is dedicated to the promotion of maritime industry, commerce and global trade. U.S. maritime policy and the U.S.-flag commercial merchant fleet are often commonly spoken of as if they are simple entities. In fact, both are complex entities that comprise diverse and dissimilar parts. The common principles underlying the industry were stated in the Jones Act and remain key today – national security and economic security. National security depends on having a strong economy (economic security) and economic security depends on a strong national defense. While every part of the industry contributes to both to at least some degree, the goal of this Statement of Principles is to outline the principles underlying each, the statutes/principles upon which they are based, and the diverse roles played by the U.S.-flag commercial fleet in supporting each. These principles are discussed under these headings:

Economic Security

Protecting the Environment

National and Homeland Security

Progressive National Maritime Program

ECONOMIC SECURITY

A. Economic Value

The Propeller Club recognizes the economic importance of the U.S. maritime sector to the United States. A strong U.S. Merchant Marine is in the national interest of the United States, and the U.S. government must continue to enact, fund, and defend programs that promote the sustainability of the industry.

Numbering more than 40,000 vessels, the U.S. flag Merchant Marine engaged in the domestic coastwise (Jones Act) trades moves nearly 1 billion tons of cargo annually. The sector is responsible for almost 500,000 jobs and nearly \$100 billion in annual economic output. Labor compensation associated with the domestic Jones Act fleet exceeds \$29 billion annually. Moreover, for every direct job in the Jones Act segment of the U.S. flag Merchant Marine, the industry creates nearly five indirect jobs elsewhere in the U.S. economy.

B. Shipbuilding and Repair

The U.S. shipbuilding and repair industry supports jobs in all 50 states with a total of more than 110,000 jobs nationwide and contributes \$37.3

billion dollars to the national gross domestic product. Accounting for the direct, indirect and induced impacts, the U.S. ship construction and repair industry supported nearly 400,000 jobs and generated more than \$25 billion of labor income. The domestic shipbuilding and repair industry also contributes to national security by providing a shipbuilding and repair base that constructs and repairs naval vessels.

The Propeller Club actively supports legislation and administrative action which will lead to a revitalization of shipbuilding and ship repair in the United States. 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.

C. Transportation Infrastructure

The Propeller Club supports a comprehensive and unified national transportation program, with the greatest possible emphasis to the important role domestic water transportation plays in our nation's

ECONOMIC SECURITY (CONTINUED)

economy as an economical, safe environmentally friendly, and fuel-efficient mode of transportation.

The Propeller Club urges that port facilities be constructed and maintained to enhance export opportunity and reduce the cost of imports by allowing the economies of scale offered by modern, large vessels where appropriate. Ports are the gateways of commerce and that avenue of commerce must remain open if the U.S. is to remain globally competitive. Public port agencies have been created to plan, develop, finance, maintain and operate facilities of commerce in the United States. It is imperative that public port agencies are empowered to accomplish their purpose including the ability to borrow money and enter into necessary contractual arrangements.

The Propeller Club also recognizes that the U.S. inland waterways system is a national treasure that plays a critical role in the safe and efficient movement of U.S. domestic commerce and supports U.S. export competitiveness. The Propeller Club urges the federal government to authorize, fund, and expeditiously carry out the needed modernization of the inland waterways infrastructure, including the critical replacement of aging, undersized locks on the inland river system.

Development and continued maintenance of efficient, modern port facilities in the United States is greatly needed for national security, competitive capabilities for the import and export of commodities, and the capability of ports to transport energy supplies, agricultural products and other materials critical to the commerce and economic health of our nation. The Propeller Club urges the adoption by the Federal government of a national dredging policy consistent with the national dredging policy proposal of the American Association of Port Authorities called “Open Channels to Trade” which calls for greater coordination among all Federal agencies to facilitate dredging our nation’s harbors in a timely and cost effective manner consistent with

environmental regulations. Further, existing statutes and regulations should be amended to provide for the consistent management and disposal of dredged material and to establish a federal program to facilitate and expedite the construction and availability of adequate dredged material disposal areas, particularly for contaminated sediments that are unsuitable for placement in open waters.

The Propeller Club urges adequate funding for the Army Corps of Engineers’ civil works program to ensure a safe, modern, well-maintained port and inland/coastal waterways infrastructure, and opposes any transfer of the civil works functions of the Corps to any other department or agency within the executive branch of the government.

D. Laws and Policies Key to Economic Security in the Domestic Industry

The underpinnings of this economic success in the U.S. flag Domestic Merchant Marine are the laws and policies supporting the industry. Those include:

- The Merchant Marine Act of 1920 and other coastwise laws such as the towing, dredging, fishing, and passenger cabotage laws;
- Cargo preference laws, including the Military Cargo Preference Act of 1904 and the Cargo Preference Act of 1954;
- The Federal Ship Financing Program and the Small Shipyard Grant Program;
- The Merchant Marine Act of 1936; and
- 10 U.S. Code §7310-Overhaul, repair, etc. of naval vessels in foreign shipyards: restrictions.

The U.S. flag Domestic Merchant Marine ensures that the United States will have the commercial capabilities needed to carry-out commercial objectives domestically. It also helps ensure the nation will be in a position to keep commerce flowing in times of peace, war or national emergencies.

NATIONAL AND HOMELAND SECURITY

A. National Security

From the founding days of our nation to the conflicts in Iraq and Afghanistan and the ongoing War on Terror, the United States has relied upon the militarily-useful privately-owned U.S.-flag merchant marine to protect, strengthen and enhance our nation's economic and military security. In times of war or other international emergency, U.S.-flag commercial vessels and their United States citizen crews have always responded quickly, efficiently and effectively to our nation's call, providing the commercial sealift capability and civilian maritime manpower necessary to support American forces overseas. Since 2009, U.S.-flag commercial vessels and their civilian crews have carried more than 90 percent of the cargo needed to support U.S. military operations and rebuilding programs in Afghanistan and Iraq, and vessels enrolled in the Maritime Security Program carried 99 percent of those cargoes.

The Propeller Club believes it cannot be emphasized strongly enough that without the assured commercial seapower capability provided by the U.S.-flag merchant marine and its civilian manpower, American troops overseas will find themselves at the mercy of foreign vessels controlled by foreign interests which do not share America's foreign policy and military objectives. Our country should not increase the risk American troops already face by forcing them to rely on the whim of unreliable foreign shipping interests to provide them with the material, supplies and equipment they need to do their job.

Notwithstanding the repeated statements from leaders in the Department of Defense and the uncontroverted evidence regarding the indispensable role of our industry during times of war or other international conflict, the Propeller Club believes the U.S. maritime industry must have greater and stronger support from the U.S. Government in order to continue to provide the

commercial sealift capability and American mariners the Department of Defense requires. The Propeller Club believes there is an innate linkage between maritime policy and the national security which must be recognized by the U.S. Government and reflected in the development and implementation of national maritime policy and programs.

Consequently, the Propeller Club believes it is critically important to the commercial sealift capability and commercial sealift readiness of the United States that Congress and the Administration fully fund the Maritime Security Program as a minimum at its Congressionally-authorized levels and ideally to fully offset the added costs of U.S.-flag operations to enable enrolled vessels to maintain the commercial viability that is a key component of the Maritime Security Program.

Equally important, cargo is the lifeline of the merchant marine. To ensure that our country has the peacetime cargoes necessary to maintain the U.S.-flag capability and U.S. citizen mariners needed by the Department of Defense to support American troops and to protect America's interests abroad, Congress has enacted various cargo preference or Ship American requirements. These statutes stipulate that a percentage of U.S.-government financed exports and imports must be transported on U.S.-flag commercial vessels.

It is critically important that the U.S. government acknowledge that Ship American is as important to the national interest as other Buy American requirements and that Ship American should be enforced just as vigorously as Buy American.

Consequently, the U.S. government should ensure that all federal shipper agencies and departments fully comply with all existing U.S.-flag cargo preference shipping requirements so that U.S.-flag commercial vessels are in fact used for the carriage of U.S. government generated cargoes as required by law.

NATIONAL AND HOMELAND SECURITY (CONTINUED)

B. Core Principles

The Propeller Club recognizes that there are certain core principles that are the foundation of U.S. national security.

1. Maintain a United-States flag commercial merchant marine that in connection with the United States' government-owned strategic sealift force is sufficiently sized to: (1) maintain a United States presence in international shipping; and (2) deploy and sustain United States Armed Forces globally as required to ensure the protection of U.S. national interests in times of peace and conflict.
2. Maintain a United States citizen seafarer pool that is sufficiently sized to maintain United States flag shipping in domestic and international commerce and support the activation and sustained operation of United States government-owned shipping activated from reserve or reduced operating status.
3. Maintain and sustain a United States-flag dredging industry that is sufficiently-sized to ensure deep water access of United States naval vessels to operating bases in the United States and internationally.
4. Maintain the military utility and commercial viability of United States-flag merchant shipping in the international trades;
5. Maintain a United States Government-owned strategic sealift force of modern, militarily useful vessels of sufficient size to augment the United States flag commercial fleet to ensure the ability to deploy and sustain United States Armed Forces globally as required to protect U.S. national interests in times of peace and conflict;
6. Maintain and adhere to the principle of "commercial first" as set forth in the 1954 Wilson-Weeks agreement and the 1989 National Security Sealift Policy in allocating

U.S. Government cargoes to United States flag commercial and U.S. Government-owned vessels.

C. Homeland Security

The Propeller Club recognizes the importance of a strong U.S. maritime sector to the nation's homeland security because America is a maritime nation.

Much of the United States' water is navigable—the coasts, the Gulf of Mexico, the Great Lakes, and the inland waterways—and provides access to major U.S. cities and population centers. A porous maritime border poses a variety of inherent risks to U.S. homeland security, including the threat of terrorism, drug trafficking, arms smuggling, illegal immigration, cargo theft, and a variety of other transnational crimes.

An essential benefit of the Jones Act relates to border protection, homeland security, and the prevention of illegal immigration. The Jones Act and related coastwise laws "simplify efforts to ensure that rogue regimes and international terrorists cannot strike this country via its ports and waterways" by requiring all cargo and passengers moved by water between two points in the United States be transported on American vessels with American crews.

America's homeland security is enhanced by the requirement that American vessels operate in full accordance with U.S. laws with the consistent oversight of the U.S. government. Compliance with laws such as the illegal entry of aliens through U.S. seaports by exploitation of maritime industry practices is a key security concern for the Department of Homeland Security.

The U.S. Coast Guard and U.S. Customs and Border Protection carefully screen the shipowners and crewmembers to ensure that America remains safe and secure. In addition, the Jones Act reduces the burden on these agencies, making that vetting less difficult and costly than monitoring, regulating, and overseeing foreign-controlled and foreign-crewed vessels operating in domestic commerce.

NATIONAL AND HOMELAND SECURITY (CONTINUED)

Strong maritime security laws are intended to protect the homeland. These laws, coupled with U.S. immigration laws, provide for background checks of American seafarers and transportation workers to ensure that only properly vetted and qualified workers are permitted to work in the U.S. The U.S. citizen ownership and other requirements for vessels documented under U.S.-flag safeguard against foreign interests, with other allegiances, controlling America's waterways.

The events of 9/11 underscored the importance of a vibrant U.S. maritime industry to the nation, when the U.S. Coast Guard led a water evacuation of more than 500,000 people from Manhattan

following the Sept. 11, 2001 terror attacks on the World Trade Center towers. It was an action, involving hundreds of U.S. vessels, which moved more people from the island that day than the 1940 evacuation of Allied troops from France.

A strong U.S. maritime industry makes America's borders more secure. American mariners are the eyes and ears of U.S. homeland security. America's borders would be more vulnerable without key U.S. maritime laws, regulations, and policies that ensure the nation has the U.S.-flag ships, the American crews, the domestic shipyards, and the U.S. companies that guarantee critical surveillance capability.

PROTECTING THE ENVIRONMENT

Our national welfare has always been and will continue to depend on optimal and safe utilization of marine resources. The Propeller Club continues to support the policies of the Marine Resources and Engineering Development Act of 1966, as amended, for achieving this objective.

The Propeller Club further recognizes the importance of continuing innovation and advancement in the industry, as water carriage remains the most efficient means of moving cargoes with minimum consumption of energy and minimal risk to the environment. Research and Development (R&D) is essential for both sustainability and growth in the maritime industry. Critical government partners with the membership and industry-wide for R&D initiatives are the Maritime Administration, the U.S. Coast Guard, the U.S. Army Corps of Engineers, the Department of Energy, the Maritime Transportation Research Board, the National Oceanic and Atmospheric Administration, and the Department of Defense. It is imperative that an emphasis continue to be placed on R&D proposals and projects, and support provided for the maritime industry and its government partners.

The Propeller Club supports both domestic and international efforts, by governing bodies and industry members, to protect the natural environment in which the maritime industry operates in balance with the needs of the global economy for cost-effective water borne transportation of goods. Specifically, the Propeller Club endorses national policies to reduce air and water pollution, namely with the increased usage of waterborne commerce as vessels burn less fuel per ton of cargo carried and therefore produce fewer emissions than trains or trucks.

The Propeller Club understands that there are instances where the environmental impact of commercial navigation must be mitigated. Such policies, and any legislation implementing and regulations enforcing them, should be reasonable, non-discriminatory, and economically justifiable, with federal regulations preempting state regulation where domestic or foreign commerce is involved.

If the need for regulation of vessel emissions is appropriately documented, the Propeller Club urges the appropriate governing and regulatory bodies and agencies to cooperate in the

PROTECTING THE ENVIRONMENT (CONTINUED)

development of international standards, with the authority to implement those standards reserved to the federal government. The Propeller Club further urges the Congress and the U.S. Environmental

Protection Agency to fully fund and perform the site surveys and evaluations of underwater waste dump sites currently required by federal law.

PROGRESSIVE NATIONAL MARITIME PROGRAM

The Propeller Club urges the executive branch of Government, the Congress, all elements of maritime labor and management and the public to cooperate in developing and executing a sound, progressive national maritime policy which builds upon existing statutes and programs to help ensure the future development and maintenance of an economically sound and militarily useful United States-flag shipping capability on the high seas, the Great Lakes, and on our coastal and inland waterways.

Essential to the achievement of unity within the industry is the development of an aggressive, comprehensive maritime policy by the Government that assures a continuing national commitment to a permanent U.S.-flag shipping capability. Clear evidence of a united and cohesive purpose among all segments of marine transportation is fundamental to the well-being of the nation and the industry. The Propeller Club urges the maximum effort in this direction by all concerned.

It is imperative that the United States pursue the following maritime objectives:

1. Promote an effective program for all segments of the U.S. Merchant Marine including
 - (1) vessels in our foreign trade,
 - (2) vessels in our inland and coastal trades,
 - (3) carriers in the Great Lakes and St. Lawrence Seaway trades
 - (4) carriers in our offshore domestic trade,
 - (5) mobile offshore units and vessels of the ocean industries engaged in offshore oil and mineral exploration and development,
 - (6) fishing vessels, and
 - (7) passenger vessels;
2. Ensure a consistent vessel replacement program geared to the changing patterns of domestic and international trade;
3. Achieve vessel operating cost competitiveness for all U.S.-flag ships in foreign commerce;
4. Sustain, for national economic and security purposes, a strong United States shipbuilding and allied industries to meet the need for a shipyard mobilization base. Revitalize the Title XI mortgage guarantee program for the construction of vessels in the United States; implement incentives for the construction of militarily useful vessels in U.S. shipyards; and enact a competitive tax deferral, cost recovery and investment program for American vessels;
5. Maintain U.S. cabotage for domestic waterborne commerce under the Jones Act and the Passenger Vessel Services Act;
6. Review and revise as necessary existing maritime laws and regulations to keep current with the ever changing nature of the maritime industry and enact and promulgate new laws and regulations which do not reduce the competitiveness of the U.S. maritime industry and do not burden any portion of the industry with unnecessary costs;
7. Encourage the use of commercial and governmental agreements to promote cargo sharing in order to generate adequate cargo so that a substantial portion of the waterborne import and export commerce of the United States is carried in compliance with U.S.-flag preference requirements for government-impelled cargoes;

PROGRESSIVE NATIONAL MARITIME PROGRAM (CONTINUED)

8. Support government use of privately owned and operated United States-flag vessels to satisfy federal maritime transport requirements;
9. Promote the development of modern and efficient port and deep water port facilities capable of handling vessels of all types and develop and sustain our inland waterways to their full potential;
10. Maintain adequate support for the Federal and State Maritime Academies;
11. Promote a strong and coordinated industry government program of research and development, including improved and energy-efficient propulsion equipment, vessel seaworthiness, ballast water management, and safety systems for crew survival;
12. Continue, for national security purposes, existing United States citizenship requirements for licensed and unlicensed crews aboard United States-flag vessels; and
13. Develop and maintain a U.S.-flag fleet capable of meeting the national security needs of our country.

In Memoriam

Thousands of American seafarers have been lost at sea during peace time, in storms and accidents, while serving the commerce of their country and their countrymen. The Propeller Club strongly endorses national and local efforts to establish proper memorials to our merchant seamen. We urge all members and Ports to give their full support to these projects.

With appreciation

The Propeller Club recognizes and appreciates the efforts of the relevant committees of the Congress and the agencies of the Executive Branch whose missions support the purposes and objectives of our organization. In recognition of the important work of the U.S. Senate Committees on Armed Services and Commerce, Science and Transportation; the U.S. House of Representatives Committees on Armed Services and Transportation and Infrastructure; the U.S. Coast Guard, the U.S. Army Corps of Engineers and the U.S. Maritime Administration, the Propeller Club pledges its continued cooperation in support of efforts to sustain a robust maritime industry to ensure the nation's economic prosperity and military security.

SUMMARY

The Propeller Club believes that adherence to these principles will ensure that the United States will continue to have a commercial United States-flag merchant marine capable of ensuring our economic security, national and homeland security, and protection of our marine environment into the future.