



# The International Propeller Club of the United States

Promoting the Maritime Industry Since 1927

## June 2020

### Message from the President:



The past 6 months has been a particularly difficult time for our Clubs and the world. The COVID-19 pandemic has disrupted every part of our lives, our communities, and the maritime transportation system. Many of our

workers are essential to the continued flow of commerce and the delivery of medical supplies and equipment needed to save lives. They have put their own lives and those of their families at risk in order to help the global community.

Our Clubs have had to cancel hundreds of events including fundraising activities that would have benefited the maritime community including scholarships, maritime museums, and disadvantaged individuals that live in our area.

But we have persevered. We have learned how to hold virtual meetings and webinars. Club leaders have reached out and kept in contact with their members. Members have continued to help each other and their community at food and medical distribution centers.

We can continue to promote the maritime industry using the virtual tools that are available. The Paducah Club had a virtual meeting with their Congressman to let him know of their support for the Water Resources Development Act that is moving through Congress. John Cullather, our Executive Vice President, has continued to track legislation and let our Clubs know about issues in Washington that will affect the maritime industry in their area. Cheryl Rothbart, our Associate Executive Director, has been busy planning webinars and our first virtual maritime leadership development conference for this Fall.

The International leadership has completed Zoom meetings with all of our regional leaders and given the Clubs that participated the opportunity to share with us their activities and plans for the future while learning about improvements being made by the International leaders to help the local Clubs become more effective advocates for the maritime industry. These Regional Zoom meetings have been tremendously successful in opening a dialogue between the International leadership and our local clubs. We plan on doing several of these each year to continue to build that relationship and share information and ideas for the future.

I urge you to continue your promotion of the maritime industry by whatever means that you can do safely. The marine transportation system keeps the world moving. Let's make sure that everyone in our countries know it. Thank you for your ongoing service and support of the International Propeller Club.

Please be safe.

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### **Executive Vice President Column:**

The International Propeller Club is starting a new web page with a focus on what we believe and why someone should join your team to promote the maritime industry. The new web page includes:

- A feed from our Twitter postings so individuals will know what we are doing today to advocate for the maritime industry and the men and women who work in our industry.
- A News column featuring Propeller Club News on issues we care about.
- A Hot Issues Column to see what issues we are working to address.
- 9 issues boxes to learn about maritime issues that we support including:
  - Funding for Port and Maritime Infrastructure
  - Caring for maritime workers – both at sea and ashore
  - Promotion of shipping
  - Construction and repair of commercial vessels
  - Streamlining the intermodal and supply chain system
  - Increasing marine environmental protection
  - Recognizing maritime 1<sup>st</sup> responders for their tireless work
  - Expanding and supporting maritime education
  - Protecting our maritime heritage.

The Tabs on the new web site also includes the traditional information for our Clubs, background fact sheets on maritime policy, and information on how to start or join a Club.

Our primary goal with the new website: **Help our Clubs increase their membership by telling the world what we do to promote the maritime industry and asking them to join that effort.**

We are the only grassroots organization that advocates for all sectors of the maritime industry. Our members work for companies that are in major maritime trade associations such as the American Waterways Operators, the Chamber of Shipping of America and American Maritime Partnership. Therefore, we are entering Strategic Partnerships with these associations to increase our rate of success in advocating for the maritime industry. We are looking to expand our Strategic Partnership Program so that we have partners in promoting all maritime sectors.

Please check out our new web page at:

<https://propellerclub.us/>

We need to expand the recognition of the International Propeller Club as a leader in the global maritime industry. So, please follow us on Facebook  and [Twitter](#).

The International Office has also transitioned to Constant Contact for our email communication system with Club members. We hope this will help us to provide better services to our members with our newsletters, surveys, and other types of information.

**See discount offer below for Clubs that participate in the Constant Contact Partnership program with the International Office.**

## **The International Propeller Club is All About You and We Need Your Help!**

The International Propeller Club has a three-year strategic plan that was approved by the Board of Directors. The purpose of the plan is to align the activities of the International Propeller Club to provide value and benefits to each of your Ports. For full details of the plan, you can find them on our website at this link:

[IPCUS Strategic Plan](#)

In order to achieve our goals to ensure we add value to you, we need your input and hope that you will help us in various areas that you have some expertise and interest.

Communications is one area we hope to expand and are looking for members who are proficient in various social media tools that we can offer to all of our members. In today's environment we need to be involved in several ways of communicating in order to reach everyone.

What issues are you dealing with in your area? Reach out to us, whether it is domestically or internationally – we can help. By sharing we can advocate for you as well as share experiences, for if an issue is affecting your business you can be sure it has or will be affecting others in our community.

Membership is vital to the sustainability of the Ports. We want to be sure that we are reaching out to newer people joining the industry as well as to promote the industry to interest others to join this industry. To do this we want to put together programs for the Ports to be able to grow and retain their members. We want to be sure that we are providing the right value.

We represent every area of the maritime industry throughout our Ports. To be successful we need your

participation. If you have any interests in becoming a voice to move us forward please contact Cheryl at [Cheryl@propellerclubhq.com](mailto:Cheryl@propellerclubhq.com). I hope to hear from you.

## **Maritime Policy Education**

To effectively promote the maritime industry, individuals need a basic working knowledge about maritime policy. Previous columns may be found on our web page under the Fact Sheets Tab. This column will focus on one particular industry: Shipbuilding

### **Shipbuilding**



In 2019, the global shipbuilding market had orders for 42.74 million gross tons of ships. This market is dominated by shipyards in China and South Korea. These yards, particularly those in China, receive significant subsidies as a part of the industrial policy of their country.

The Organization for Economic Co-operation and Development (OECD), composed of 37 member countries, published a report in April 2019 that analyzed “market-distorting factors in shipbuilding”. The major 2 points of this analysis are:

- Governmental subsidies promote an over-ordering of vessels.
- These subsidies may maintain unproductive capacity in the shipbuilding market that restarts a “vicious circle of industrial excess capacity”.

However, these governmental subsidies also make it very difficult for shipyards located in countries that

do not provide equivalent subsidies to compete in the international shipbuilding market. The full OECD report can be viewed at this link: [OECD 2019 shipbuilding analysis](#)

### **United States**

There are currently 124 shipyards and more than 200 ship repair yards in the United States. According to the U.S. Maritime Administration (MARAD), the U.S. shipyard industry supports more than 100,000 direct jobs in the United States and \$7.9 billion in direct labor income through the construction and repair of commercial and governmental ships.

In the leadup to World War II, President Franklin Roosevelt signed into law the Merchant Marine Act, 1936. A major component of that Act was the establishment of the Construction Differential Subsidy (CDS) program. Under that program, the MARAD would pay for the difference in cost between building a U.S.-flag vessel in a U.S. shipyard vs. building that same ship overseas. This program was eliminated in 1981 by President Ronald Reagan. Since that time the United States Government has not provided direct subsidies for the construction of ships in U.S. shipyards. Admiral Mark Buzby, Administrator of MARAD, testified before Congress in March 2019 and stated:

“Over the last several decades, large U.S. shipyards and their skilled labor forces have atrophied due to the uneven playing field of low-cost, heavily-subsidized international shipbuilding competition among other factors, resulting in shipyard closures and reductions in the U.S. vendor base.”

He also said that “In the case of large self-propelled oceangoing vessels, U.S. shipyards still lack the scale, technology, and the large volume “series building” order books needed to compete effectively with shipyards in other countries.” Admiral Buzby testified that he felt that U.S. shipyards have opportunities for growth in the

Liquefied Natural Gas (LNG) tanker sector. However, that sector has decreased given the drop in the global price of natural gas.

MARAD does administer a “Small Shipyard” Grant Program. According to MARAD, this program “is designed to support small shipyard projects that make capital and related improvements or provide training for workers in shipbuilding, ship repair, and associated industries.” The maximum grant is for 75% of the projects estimated cost and is limited to shipyards that employ less than 1,200 individuals. This program was initially created and funded through annual appropriations laws. However, it was formally authorized under section 3501 of the Defense Authorization Act for FY2019 (46 U.S.C. 54101). Since 2008, this program has provided over \$200 million to 216 shipyards.

United States shipyards have not built ships for the international trade since the elimination of the CDS program in 1981. However, U.S. law has required for over 200 years that all ships that engage in the U.S.-domestic trade be built in a U.S. shipyard. The major markets for large cargo ships in this trade are for voyages from the continental United States to Alaska, Hawaii, and Puerto Rico. On average, several of these commercial vessels are built each year – a very small percentage of the global shipbuilding construction market.

On July 23, 2019, Representative John Garamendi (D-CA) introduced [H.R. 3829](#), the “Energizing American Shipbuilding Act of 2019”. This legislation, if enacted, would require up to 15% of liquefied natural gas (LNG) that is exported from the United States to be carried on U.S.-flag vessels that are built or retrofitted in a U.S. shipyard. Similar legislation was introduced in the Senate by Senator Roger Wicker (R-MS).

### **Europe**

There are approximately 150 large shipyards in Europe. Approximately 40 of these shipyards build large seagoing commercial vessels. This represents about 6% of the global ship construction (by

tonnage). According to the European Commission, their biggest competition comes from China and South Korea. The industry has suffered from the “absence of effective global trade rules and stated supported overinvestment.” However, European shipyards have been successful in building cruise ships for the international market.

In 2013, The European Commission, along with industry and labor leaders, developed a strategic plan for the shipbuilding industry. This industrial policy was built upon a 2002 vision and strategy for the European shipbuilding industry. This group was called the LeaderSHIP 2020 Coordination Group.

The overall goal of the group was to:

- Improve employment and skills.
- Improve market access and fair market conditions.
- Provide access to financing.
- Increased focus on research, development, and innovation.

This initiative was driven by the desire to identify areas to improve the competitiveness of European shipyards with the rapidly expanding shipyard capacity in China and South Korea that had created an overcapacity of cargo vessels and driven down freight rates in many market segments. Attempts to address global shipbuilding subsidies failed at both the OECD Working Party on Shipbuilding in 1992 and an OECD Special Negotiating Group in 2010. According to this report, “experience of the WTO (World Trade Organization) shows that anti-subsidy provisions are on the whole rather ineffective.”

This complete report can be viewed at this link:

[LeaderSHIP2020](#)

### **Global shipbuilding**

The countries with the largest shipbuilding capacity are China and South Korea.

In the past decade, China’s market share of the global shipbuilding industry has doubled. China’s 5-year economic plan (2006-2010) identified shipbuilding as a strategic industry in need of

“special oversight and support”. However, given the nature of China, it is difficult to calculate the amount of direct and indirect subsidies their shipbuilding industry receives. Some research papers indicate that they are up to 20% below market price and that without these subsidies the Chinese market share would be cut to less than half. In addition, industries that provide materials to Chinese shipyards also receive governmental subsidies including the steel and mining industry.

### **Constant Contact Partners**

The email communications company **Constant Contact** has included the International Propeller Club in their “Partnership Program”. Our local Clubs that join the partnership program will receive 40% off their current or new subscription. This will allow to headquarters to download a local Club’s membership list and eliminate the need for the Club to send headquarters an electronic version of their membership list.

A Win:Win for everyone!

Current partners include:

- Charleston
- Tampa
- Manatee
- Port Canaveral
- Portsmouth

If you would like to join this partnership program email: [john@propellerclubhq.com](mailto:john@propellerclubhq.com)

### **Strategic Partners**

In previous newsletters we have announced the formation of Strategic Partnerships with several maritime trade associations to improve our chances of success at advocacy for the maritime industry by

combining our efforts with other maritime organizations.

- Our Strategic Partner, the American Waterways Operators, has released a new video highlighting the indispensable role of the tugboat, towboat and barge industry during the ongoing COVID-19 pandemic. The video may be viewed at [AWO COVID19](#)
- Our Strategic Partner, the American Maritime Partnership, released a new video commemorating the 100<sup>th</sup> anniversary of the Merchant Marine Act of 1920 (the Jones Act). The video can be viewed at this link: [JACentennial](#)

If your organization would like to become a Strategic Partner of the International Propeller Club please contact John at: [John@propellerclubhq.com](mailto:John@propellerclubhq.com)

## Along the Potomac:

**Critical Issue: WRDA** On May 6, 2020 the Senate Committee on Environment & Public Works marked out and reported to the full Senate by a vote of 21-0 the bill **S. 3591** the “America’s Water Infrastructure Act of 2020”. Title I of this legislation is the traditional Water Resources Development including dredging, locks and dams, and other waterway infrastructure projects. In addition to projects, this legislation contains many substantive changes to law such as changing the cost sharing for projects funded from the Inland Waterways Trust Fund from 50% Trust Fund revenues and 50% from the budget of the Army Corps of Engineers to 35% from the Trust Fund and 65% from the Army Corps. **It is important for Clubs to check with the ports and waterways associations in their area regarding this legislation and then sharing your views with your Members of Congress and the Senate.** The full text of this legislation can be viewed at this link: [S. 3591RS](#)

**H.R. 7304** – On June 24, 2020 Representative Blunt Rochester (D-DE) introduced H.R. 7304 a bill to authorize the Administrator of the Environmental Protection Agency to award grants to eligible entities to reduce greenhouse gas emissions at ports, and for other purposes. The text of this legislation is not yet available.

**H.R. 7220** – On June 16, 2020, Rep. Sean Maloney (D-NY) introduced H.R. 7220 a bill to require the Corps of Engineers to include study of the impacts of sea-level rise and low-frequency precipitation events in addition to the impacts of coastal hurricanes in certain studies. The text of this can be viewed at this link: [HR7220IH](#)

**S. 3930** – On June 10, 2020, Senator Wicker (R-AL) introduced S. 3930, a bill to reauthorize the Maritime Administration and to reauthorize the National Oceanic and Atmospheric Administration Commissioned Officer Corps Act of 2002. This legislation proposes to make changes to several maritime promotional programs administered by the Maritime Administration, including the Short Sea Transportation Program and creating a “Tanker Security Fleet” program modeled after the Maritime Security Program for containerships and Ro/Ro vessels. Tanker owners will be paid \$6 million per ship each year in which the vessel is enrolled in the program. The text of this legislation can be viewed at this link: [S3930IS](#)

**CRS Report** - On June 23, 2020 the Congressional Research Service (CRS) (a research arm of the Library of Congress) issued a [report](#) analyzing the grant funding for freight infrastructure proposals currently being considered by the House and the Senate. The complete report can be viewed at this link: [CRS Infra. Rpt.](#)

**FMC – investigation of Canadian BWM regulations** - On June 22, 2020, the Federal Maritime Commission (FMC) issued a notice stating that it has initiated an investigation into the allegations made in a petition filed by the Lake Carriers’ Association that conditions created by the Government of Canada are unfavorable to shipping in the United States/Canada trade. Comments must be received by 22 July. The notice can be found at this link: [85 Fed. Reg. 37453](#) The FMC has

authority to investigate and assess penalties if a foreign government is discriminating against U.S.-flag vessels compared to the treatment that vessels of that their own flag-state vessels receive.

**MARAD – \$9.5 million for America’s Marine Highways (aka: Short Sea Shipping)** – On June 15, 2020, the Maritime Administration (MARAD) issued a [press release](#) stating that \$9.5 million in grants has been awarded to eight marine highways projects across the Nation under the America’s Marine Highway Program. The funding supports the enhancement of navigable waterways and expands existing waterborne freight services in Illinois, Indiana, Kentucky, Louisiana, New York, New Jersey, Oregon, Tennessee, Washington and American Samoa.

**MARAD - \$19.6 million for small shipyard grants** - On May 19, 2020, the U.S. Maritime Administration (MARAD) issued a [press release](#) stating that \$19.6 million has been awarded in discretionary grants to 24 small US shipyards through the Small Shipyard Grant Program to help modernize their operations. The announcement can be read at this link: [Small Shipyard Grant Announcement](#)

**Virtual Congressional Hearing on the maritime supply chain and COVID-19** – On May 29, the Subcommittee on Coast Guard and Maritime Transportation of the House Committee on Transportation and Infrastructure conducted a [virtual hearing](#) entitled ‘The Status of the US Maritime Supply Chain During the COVID-19 Pandemic’. Testimony was received from: Ms. Lauren Brand, National Association of Waterfront Employers; Ms. Jennifer Carpenter, American Waterways Operators; Mr. Christopher J. Connor, American Association of Port Authorities; Mr. Eric Ebeling, American Roll-On-Roll-Off Carrier; and Mr. Michael Roberts, President, American Maritime Partnership. A recording of the hearing can be viewed at this link: [Supply Chain/COVID hearing](#)

**International Summit on Crew Changes** - The UK Department for Transport (DfT) issued a [news release](#) stating that the UK will hold, at a date to be determined in July, first international summit to address impact of COVID-19 on crew changes. The government will call on the international community to come together to ensure swift repatriation. An estimated 200,000 seafarers are due to change over, with concerns around the impact on wellbeing. The complete new release can be found at this link: [UK Summit on Crew Changes](#)

## Around the Clubs:

**(Let us know about your Club’s activities!)**

### National Maritime Day

Despite the inability to hold traditional National Maritime Day activities, many of our clubs held “virtual” National Maritime Day ceremonies. These included:

- A video produced by the Norfolk Club – see this link: [Norfolk2020NMD](#)
- A video produced by the Narragansett Bay Club: [Narrag2020NMD](#)
- The Savannah Club held a virtual National Maritime Day ceremony that included a reading of the Presidential Proclamation and a reading of the names of the dead accompanied by the ringing of the bell for each one.

### Northern California

The Northern California Club held a series of virtual meetings, which are posted on YouTube, on topics that included the new cranes for the Port of Oakland and the construction of the new Howard Terminal Ballpark.

## Jacksonville



The Jacksonville Club donated \$5,000 to the Transportation & Logistics Scholarship Fund of the University of North Florida.

## Port Manatee

At a virtual meeting the Port Manatee Club awarded a total of \$12,000 in college scholarships to individuals pursuing maritime industry careers: 3 students were awarded \$2,000; 4 students were awarded \$1,000; and 4 students were awarded \$500.

## Piraeus Club



On June 30, the leadership of the Piraeus Club met with U.S. Ambassador Geoffrey Pyatt. This was the first in-person meeting since the introduction of the COVID-19 social distancing guidelines took effect. The meeting covered a range of topics of mutual interest and continued the close working relationship between the Piraeus Club and the U.S. Embassy in Athens. On June 23<sup>rd</sup> the Club held their 6<sup>th</sup> online meeting of their members.

## Port Canaveral Club

Port Canaveral Club announced the High School recipients of the 2020 Propeller Club Scholarship Award. The members of the Class of 2020 have earned scholarships to pursue further education in the Maritime industry and help cover tuition and educational expenses at their chosen collegiate

institutions. The total value of the scholarships awarded was \$13,000.

## Paducah Club



On June 9<sup>th</sup>, the Paducah Club held a webinar featuring Congressman James Comer (R-KY) who represents the Paducah area. He spoke on the Water Resources Development Act of 2020 and other issues facing the maritime industry. The Paducah Club also awarded

\$3,000 in college scholarship money to students whose families are members or affiliated with their Club.

## Tacoma Club

On June 15, the Tacoma Club awarded \$9,600 in college scholarships to 15 high school students. These awards were based upon a combination of factors including financial need, grade point average, community and school involvement, a letter of recommendation, and an oral presentation. This year's topic was, "For your career after graduation, if you could choose any job at or related to the Port of Tacoma, what would it be, why, and what kind of difference do you think you could make in that position?"

Over the past 27 years, the Tacoma Club has awarded over 198,600 in scholarships and merchandise.

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