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Cabotage in the United States

Propeller Club of the United States
International Convention
Paris, France
November 6, 2003

Meaning of “Cabotage”

Cabotage n.

[Fr. <*caboter*, to sail along the coast<*cabo*, cape/Sp<Lat *caput*, head]

1. Coastal navigation and trade
2. Trade in coastal waters or airspace or between two points within a country
3. The right to engage in cabotage, esp. as between domestic and foreign carriers

Webster's New Collegiate/New World/Ninth New Collegiate Dictionaries

Why Cabotage I

- ▶ Maintain national economic and operating control over critical national infrastructures
- ▶ Critical national infrastructures
 - ◆ Essential to functioning of national economy
 - ◆ Banking and finance, domestic transport, telecommunications, utilities

Cabotage In U.S. Domestic Transport

- ▶ Cabotage principles apply to all modes--
Aviation / Maritime / Rail / Trucking

- ▶ Scope and legal regimes vary but all share a common core principle:

Carriage of goods or passengers between two points in the United States must be performed by carriers wholly subject to U.S. laws and employing U.S. citizen or resident workers.

U.S. Maritime Cabotage -- History

- ▶ 1789 Duty imposed on goods transported between States on foreign vessels; all U.S. vessels required to be U.S. built, U.S. master
- ▶ 1817 Carriage of goods between U.S. ports by foreign vessels is prohibited (“Navigation Acts”)
- ▶ 1886 Navigation Act principles extended to passengers
- ▶ 1905 Foreign-built ships allowed for U.S.-flag foreign trade
- ▶ 1916 Owner of vessel in coastwise trade must be 75% owned by U.S. citizens
- ▶ 1920 Build, documentation and ownership requirements consolidated in Section 27 of Merchant Marine Act (the “Jones Act”)

U.S. Maritime Cabotage Laws

Require a vessel engaging in covered activities to be--

U.S. built

U.S. documented

U.S. owned

and, in concert with U.S. documentation, shipping and navigation laws, that such vessels be operated by--

U.S.-citizen controlled companies

U.S. crews

Why Cabotage II

- ▶ All providers of domestic transportation services operate under the same (national) laws and regulations
- ▶ National shipbuilding policy
 - ◆ Prohibits “import” of foreign subsidies
 - ◆ Maintain shipbuilding and repair base

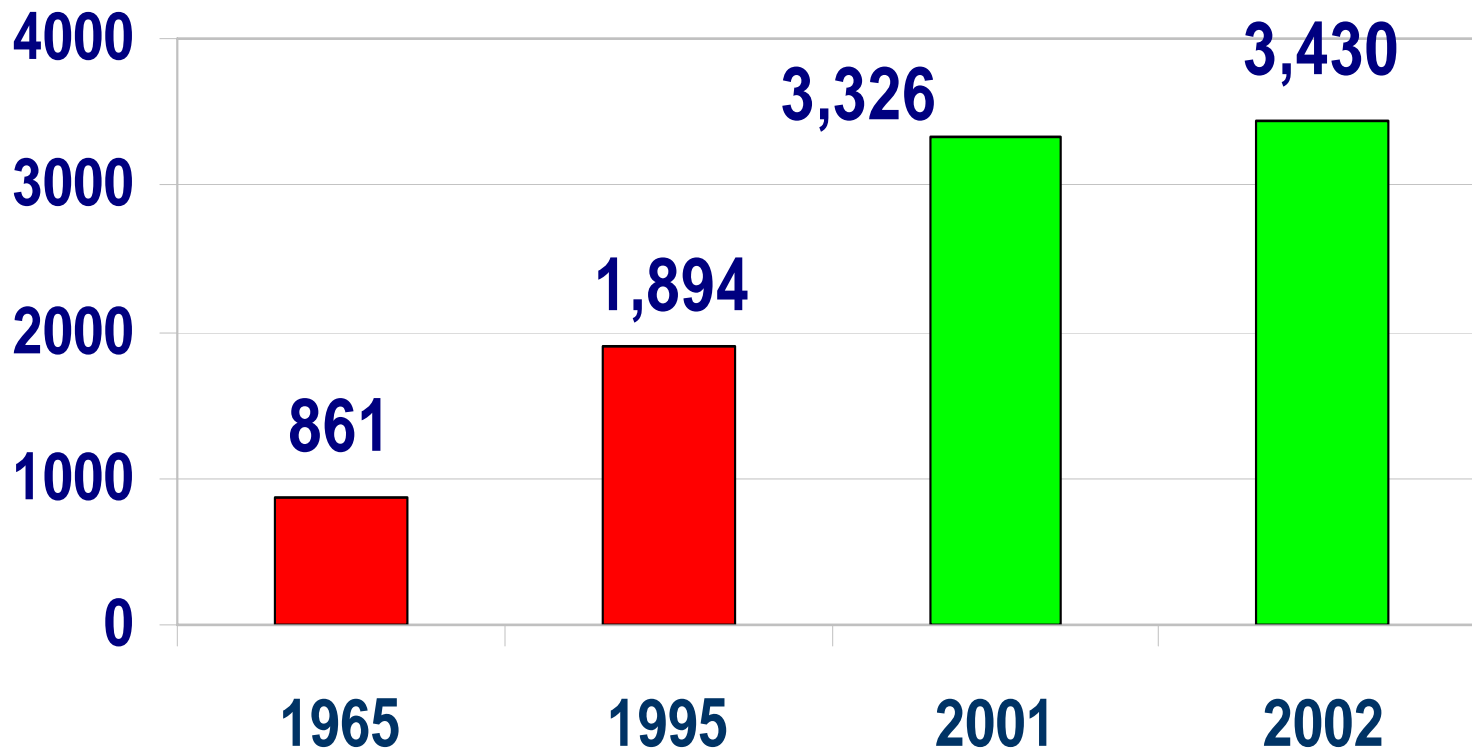
Sectors Covered

- ▶ Cargo Transport (“Merchandise”)
- ▶ Passenger Transport
- ▶ Dredging
- ▶ Towing & Port Services

Domestic Fleet

<u>Vessels</u>		<u>Self-Prop</u>	<u>NSP</u>	<u>Totals</u>
Cargo	>1,000 grt	164	3,266	3,430
	<1,000 grt	384	31,736	32,120
Passenger	(Not including day cruise)			1,333
Tug/Tow				5,445
Other Workboat				1,631
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				43,959

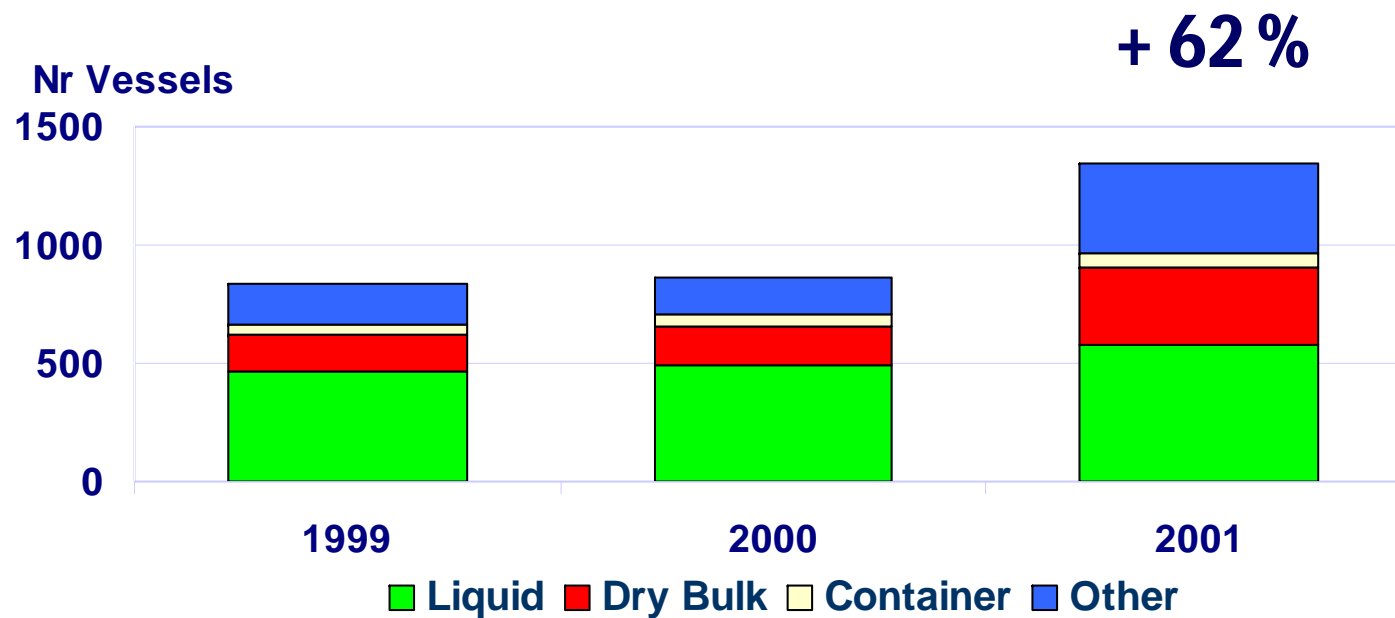
Growth in Vessels >1,000 GRT



Since 1995 has increased by 81% -- an increase of 1,536 vessels in just 7 years!!

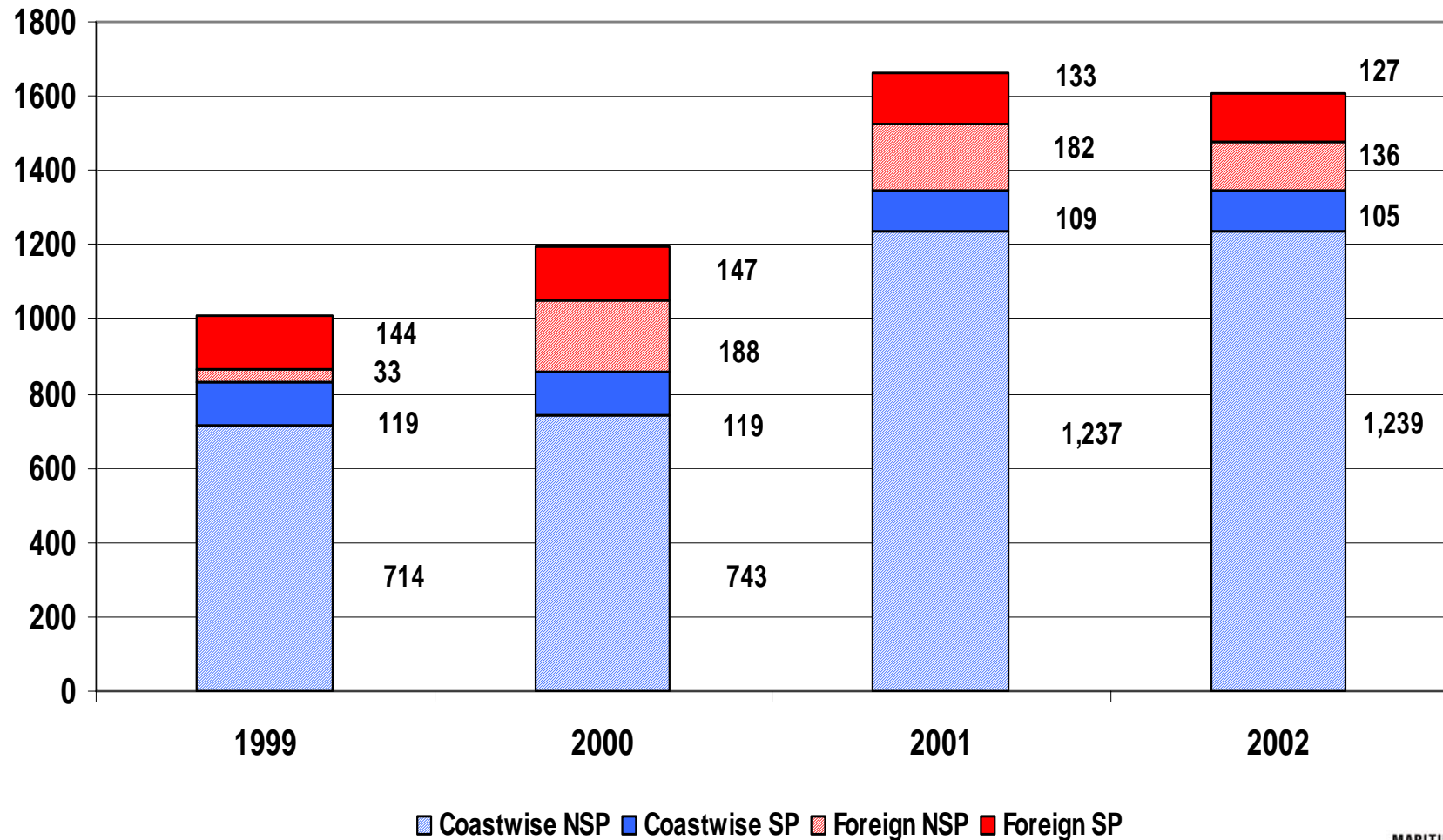
Growth in Coastwise Trades

Vessels >1,000 grt By Type



"Other" includes General Cargo, Ro-Ro, Multi-Purpose, LASH, and Deck Barges

U.S.-Flag Oceangoing Fleet – Recent Trends



Foundation

- ▶ The domestic (“cabotage”) fleet is the foundation of the U.S.-flag maritime industry
- ▶ The “cabotage” laws are the foundation for ensuring national control over critical domestic transportation infrastructure