

**MARITIME
CABOTAGE**



TASK FORCE

Maritime Cabotage Task Force

ANNUAL REPORT

2005



America's Jones Act industry responds to the disasters of Katrina and Rita.

CHAIRMAN'S LETTER

Dear Friends:

One of the American people's greatest qualities is their ability to come together in the aftermath of a tragedy and devote their energies and gifts to help those in need. When we saw images of the destruction of Hurricanes Katrina and Rita, we stopped acting as individuals and reached out to people in need. We saw that fellow Americans needed help and we responded.

The American maritime industry played, and continues to play, a major role in the hurricane relief and rebuilding effort. The following report highlights just some of the industry's contributions to Gulf Coast reconstruction and relief efforts.

The storms also had a direct impact on America's Jones Act fleet. As a consequence of the hurricanes, the Bush Administration twice issued Jones Act waivers for certain petroleum products. The MCTF understood that Katrina's devastation required immediate action by the Federal government and respected the President's decision to issue the first waiver.

The second waiver, however, was troubling to the MCTF. The need for either waiver was questionable at best. More importantly, there was already a system in place by which the Jones Act could be waived on a case-by-case basis if no U.S.-flag tonnage was available and circumstances involved an "actual or imminent energy supply shortage" that had national defense implications.

The precedent these waivers could have set was the MCTF's call to action. We spent countless hours documenting to several Federal agencies that U.S.-flag vessels were ready, willing and able to keep the nation's energy supplies moving to market. As a result, officials at the agencies involved in the waiver process now have a much better understanding of, and appreciation for, America's Jones Act and the Jones Act fleet.

While post-Katrina and Rita developments dominated our efforts for the last four months of the year, there is much more to report about the state of America's Jones Act fleet. Scores of new vessels of every type joined the fleet in 2005 and orders for new hulls were also robust.

We take special pride in the Congressional Record salute to the crew of the Jones Act trailership NORTHERN LIGHTS for their contributions to the war effort. They, and all the mariners on Jones Act vessels, exemplify why the law is key to a strong and safe America.

With your continued support, the MCTF will work to ensure the maintenance of the Jones Act as the unshakeable foundation of U.S. maritime policy.

Sincerely,



Philip M. Grill
Chairman
Maritime Cabotage Task Force

Board of Directors

Philip Grill
Chairman
Matson Navigation Company

Thomas Allegretti
The American Waterways Operators

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Eric Smith
Overseas Shipholding Group

Allen Walker
Shipbuilders Council of America

Jim Weakley
Lake Carriers' Association

HURRICANES CHALLENGE INTEGRITY OF JONES ACT

On August 29, 2005, Hurricane Katrina struck the Gulf Coast with Category 4 force winds. Three days later, in response to the devastation and human tragedy, the President announced a series of Federal actions, including a limited blanket waiver of the Jones Act for certain petroleum products.

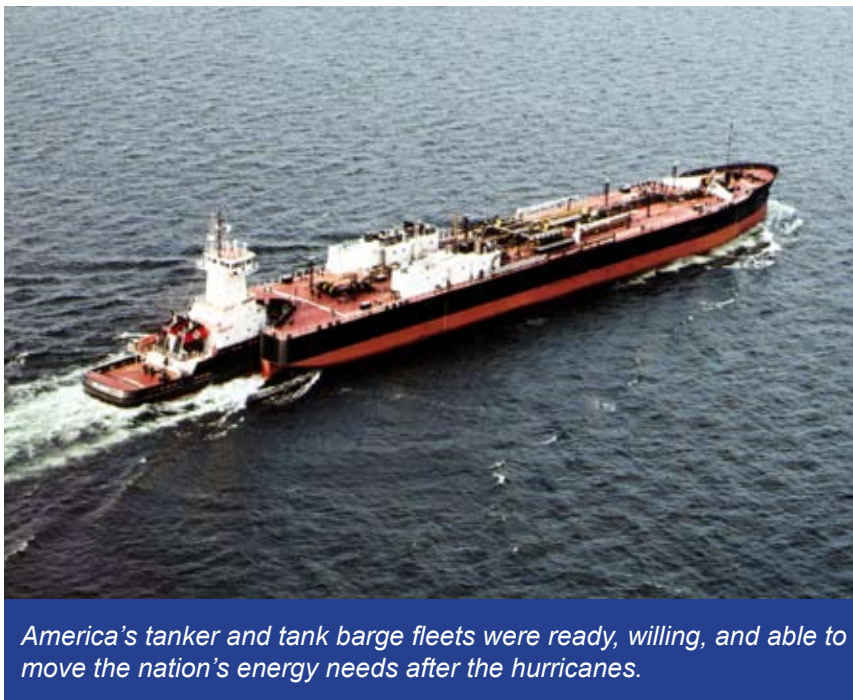
Recognizing this was no ordinary time, the MCTF respected the President's decision to issue the waiver. Equally important, the Jones Act fleet went to work. The waiver was lightly used and expired as planned on September 19, 2005.

However, a second blanket Jones Act waiver was issued on September 26, 2005 after Hurricane Rita caused further damage to America's refinery capacity. The MCTF understood what government officials were trying to accomplish – the seamless movement of refined product throughout the country – but could not allow the impression that these waivers were necessary or beneficial.

In fact, the opposite was true. A substantial fleet of U.S.-flag tank vessels was available to move refined product at a moment's notice. Domestic cargo movement was not made more efficient as a result of the second waiver.

The second waiver actually penalized the U.S.-flag fleet. U.S.-flag tanker charters were cancelled immediately upon issuance of the second waiver and American vessels and crews were forced to stand idly by while foreign hulls and workers moved cargo in domestic commerce.

As the MCTF repeatedly stressed in every meeting with Federal agency officials, a procedure for waiving the Jones Act is already in place. The Act can be waived for national defense needs on a case-by-case basis when no U.S.-flag tonnage is available. This procedure has been used on occasion and preserves the basic integrity of cabotage laws.



America's tanker and tank barge fleets were ready, willing, and able to move the nation's energy needs after the hurricanes.

Several members of Congress questioned the need for the waivers, including Congressman James L. Oberstar (D-MN), Ranking Member of the House Transportation & Infrastructure Committee. In a letter to the Department of Homeland Security, which issued the waiver, Oberstar stressed that the Administration should use all available resources, including American tankers and tank barges, to recover from the hurricanes and urged application of the case-by-case waiver under appropriation circumstances.

"I believe this approach would both provide an efficient system of waivers where necessary without sacrificing the Jones Act," wrote Oberstar.

The second waiver also expired on schedule on October 24, 2005. The challenge to the integrity of the Jones Act was real, and had the MCTF not responded, dangerous precedents could have been set. Instead, the MCTF was able to establish working relationships with the agencies involved and in future emergency situations will be able to work with those agencies to protect the Jones Act.

**West Coast / Alaska Carrier
Responds With \$40,000
Donation**

Washington state and Alaska are a long way from the Gulf Coast, but the generosity of Totem Ocean Trailer Express and its employees proved to be good, if long-distance, neighbors. Office employees in Alaska and the Lower 48 raised nearly \$10,000 in a short period of time. TOTE matched these contributions and then made an additional corporate gift, which in total, brought the company's contribution to \$40,000.

**Propeller Club Fund
Tops \$20,000**

When Hurricane Katrina ravaged the Gulf Region, the Propeller Club of the United States immediately set up a Hurricane Katrina Relief Fund for its members in that area. Within a short time, the fund was over \$20,000. The Propeller Club of the United States is a grassroots non-profit organization with membership throughout the world dedicated to the enhancement and well-being of all interests of the maritime community on a national and international basis.

**Dredging Industry Helps
Army Corps and Oil Industry**

America's dredging industry played a crucial role in overcoming the immediate effects of the hurricanes. Through their national organization, Dredging Contractors of America, the industry quickly coordinated with the U.S. Army Corps of Engineers to provide assistance so the Federal agency could carry out its navigation mission. One noticeable example was emergency dredging in the Houma Navigation Channel that allowed the oil industry to restart vital oil rigs.

WAIVER FOR AGRICULTURAL PRODUCTS QUICKLY REJECTED

In the wake of Katrina, on September 20, 2005, a large coalition of farm interests wrote President Bush requesting an unprecedented waiver of the Jones Act for agricultural products to "ease the burden of the overtaxed transportation system." The MCTF immediately opposed the request. The waiver was denied.

A cursory review of the facts illustrates how unjustified and unnecessary agriculture's request was. Even the American Farm Bureau had to admit that much of the surplus grain problem was due to the 2004 crop still being in storage in the Gulf region. The surplus problem was driven by the economic state of the world export market for U.S. grain, not an inability to move grain within the United States.

Further weakening the waiver request's shaky foundation was the fact that covered barges, which are used to transport agricultural products on inland waterways, were not being called upon in great numbers to aid in relief and reconstruction efforts. Movement of relief supplies was dependent on deck and hopper barges; covered barges were more than capable of meeting demand for agricultural cargo movements.

The MCTF appreciates the Administration's expeditious rejection of this waiver request. The facts clearly demonstrated the lack of need for a Jones Act waiver for agricultural products.



America's inland river tug-barge fleet has more than enough capacity to move the nation's harvest. There was never any need for the requested waiver.

Jones Act Carrier Raises \$50,000 for Relief Effort

Horizon Lines, the largest operator of Jones Act containerships, and its 1,600 employees, presented the American Red Cross with a check for \$50,000 to help recovery efforts after Katrina. In addition to the monetary donation, Horizon Lines also delivered, free of charge, thirteen 40-foot containers of donated relief supplies collected by the Municipality of San Juan, Puerto Rico, to Houston, Texas.



Chuck Raymond, Chairman, President and CEO for Horizon Lines, presents Pamela Daigle of the American Red Cross a check for \$50,000 to help victims of the hurricanes.

Long-Established Carrier Gives \$100,000

Crowley Maritime Corporation, a leading Jones Act operator for nearly 115 years, proved a pacesetter when it came to donations to the hurricane relief efforts. In less than three weeks, Crowley employees donated nearly \$50,000 in a company-sponsored drive. Crowley then matched those pledges and added a bit more to make its donation to the Northeast Florida Chapter of the American Red Cross an even \$100,000. Crowley vessels also carried relief supplies to areas affected by the hurricanes.

NEW HULLS KEEP EFFICIENCIES GROWING

America's Jones Act fleet welcomed hundreds of new hulls in 2005. The new vessels included tankers, both self-propelled and tug-barge units, next generation containerships, the first U.S.-built pure car/truck carrier, inland river barges, offshore supply vessels, and passenger ferries.

In addition to building new hulls for the U.S.-flag fleet, there is another benefit to commercial vessel construction: national security. The shipyards that build vessels for the U.S.-flag commercial fleet also build and maintain America's naval vessels.



A new generation of containerships has brought even greater efficiencies to the Jones Act trade between West Coast ports and Hawaii.

TRAILERSHIP EXEMPLIFIES MILITARY VALUE OF JONES ACT

Shortly after the United States deployed troops to Iraq in 2003, Military Sealift Command needed to supplement its fleet of government-owned ships with commercial U.S.-flag vessels. Within six weeks, the Jones Act trailership SS NORTHERN LIGHTS was under charter and loading its first cargo for the war zone.

The NORTHERN LIGHTS, whose tour of duty ended in November 2005, illustrates the role of the Jones Act in our nation's defense. During the charter period, the NORTHERN LIGHTS and her crew made 25 voyages and 49 port calls. The 12,200 pieces of military gear they carried totaled 81,000 tons and covered more than 2 million square feet.

As NORTHERN LIGHTS neared the end of her enlistment, the Commander of United States Transportation Command, USAF General Norton A. Schwartz, reflected on the vessel's stellar performance in a letter to the ship's owner. Recounting the amount of military cargo the vessel hauled, the General wrote, "Those statistics clearly demonstrate the value that the U.S.-flag shipping industry brings to the Defense Transportation System. Having this asset enabled us to improve readiness by keeping ships of the Ready Reserve Fleet available for other contingencies as needed."

Congressman Norm Dicks (D-WA) stated his own appreciation for the contributions of NORTHERN LIGHTS in the Congressional Record and submitted General Schwartz's letter for the record as well. "The Military Sealift Command calls upon American shipping companies to assist in the deployment of forces overseas, providing a critical supplement to the military's cargo transportation capability. These arrangements are most essential at times when the defense equipment supply chain extends for 8,000 miles, as it does with our current deployments in Afghanistan and Iraq. I am proud to submit the TRANSCOM letter for the record in order to document the contributions of the NORTHERN LIGHTS and of the entire U.S. Ready Reserve Fleet."

The NORTHERN LIGHTS is now steadily engaged in the East Coast/Puerto Rico trade.



Having again sailed through harm's way, the NORTHERN LIGHTS delivers more military cargo to the war zone.



The Jones Act trailership NORTHERN LIGHTS returns home for another cargo.

10 YEARS OF LEADERSHIP AND ACCOMPLISHMENT

The MCTF officially marked its 10th anniversary on September 27, 2005. Few organizations can look back on as many accomplishments as the MCTF has enjoyed.

The MCTF was born in the face of unprecedented attacks on the Jones Act and U.S. cabotage laws. A decade later the MCTF can proudly claim that it had a significant role in fighting off those attacks.

The MCTF's new Web site, www.mctf.com, recounts the coalition's accomplishments since its launch in 1995. These achievements are not only the result of individual and organizational efforts, but are also testimony to the fundamental soundness of U.S. maritime cabotage laws.



The USNS POLLUX pumped well over 1.5 million gallons of diesel fuel for New Orleans area hospitals, military facilities, fire departments and other facilities and emergency services.

OUTLOOK FOR THE FUTURE

With support for the Jones Act strong in the Administration, Congress and key Federal agencies including Transportation, Defense and Homeland Security, the MCTF is confident about the Jones Act's future. Trade negotiations, such as those ongoing with Panama, always have the potential to challenge our cabotage regime. In fact, the Jones Act is frequently targeted in World Trade Organization talks.

For more than 10 years, the MCTF has repelled every attack on the Jones Act, but our work is not done. We must continue our efforts to ensure there are no more blanket waivers or targeted industry waivers. Further, the midterm elections in November will bring new legislators to Washington who will need to be educated on the benefits of the Jones Act. The MCTF gladly accepts these tasks and will work diligently to preserve and promote the world's most efficient system of domestic waterborne commerce.

More Than \$2,000 Per Ship

The Alaska Tanker Company's Web site declares it is "Committed to Health, Safety, and Environmental Excellence." All true, but the company is being modest. Its employees opened their wallets and pocketbooks to the tune of \$17,000, or more than \$2,000 per ship, after the hurricanes.

Jones Act Mariners Build Shelter for Orphaned Pets

There are a lot of dogs and cats in New Orleans that consider the crew of the fast sealift ship USNS BELLATRIX their best friend. Working in their spare time, the officers and crew used surplus materials and spare parts to build cages and shelters for more than 300 dogs and cats orphaned by Katrina. They also walked, fed and bathed the animals. The BELLATRIX also housed 10 local veterinarians.

Brotherhood of the Sea Answers the Call

The Seafarers International Union (SIU) calls itself the Brotherhood of the Sea, but its attentions turned landward after the hurricanes. The Seafarers Disaster Relief Fund raised more than \$100,000 for hurricane relief efforts through donations from its members, the SIU itself, and some affiliated unions.

"Mahalo"

Thanks to the fast Jones Act ships that connect Hawaii with the mainland, the 50th State was able to help hurricane victims. Matson Navigation Company, in addition to a \$59,000 contribution of its own, provided containers and transportation and Hawaiians filled them with pineapple juice, sugar and seafood products. Another Matson container was parked in downtown Oakland and filled within a day with everything from canned food to diapers.

Salver's Response of "Historic Proportions"

Hurricanes Katrina and Rita left more than 2,000 marine vessel casualties strewn throughout the Gulf Region. Barges were washed ashore or blocking important navigation channels. Even before Katrina made landfall, the U.S. Coast Guard tasked the American Salvage Association (ASA) with assisting in, and establishing, the Salvage Branch at its Incident Command Center in Louisiana. ASA members mobilized personnel and equipment, allowing vital waterways to become operational in remarkably short time.

Storm Strands Jones Act Mariners

Moored in New Orleans for scheduled engine repairs, the fast sealift ship USNS POLLUX survived Katrina with only minor damage. But when the storm was over, the 770,000 gallons of diesel fuel in its tanks became a Godsend for New Orleans. With the permission of Military Sealift Command, the vessel became the primary source of diesel for emergency generators for pumping stations, hospitals, fire departments and evacuation buses. The ship's laundry room was also converted into an emergency dialysis unit using the vessel's potable water system.



Working with the acute care unit of West Jefferson Medical Center, USNS POLLUX officers and crewmembers set up an emergency dialysis center in the laundry room using the ship's potable water system.

MARITIME CABOTAGE



The Maritime Cabotage Task Force is the most broad-based coalition the U.S. maritime industry has ever assembled. Its 400-plus members span the United States and represent vessel owners and operators, shipboard and landside labor groups, shipbuilders and repair yards, marine equipment manufacturers and vendors, trade associations, dredging and marine construction contractors, pro-defense groups and companies in other modes of transportation. These diverse but allied interests share a common goal: to promote the long-standing U.S. cabotage laws that require domestic waterborne commerce be conducted in vessels that are U.S.-owned, U.S.-built, and U.S.-crewed. Upon this foundation the United States has built an unsubsidized domestic fleet that is the world leader in efficiency and innovation.

MCTF is dedicated to educating America on the economic, national security, environmental and safety benefits of the Jones Act and other U.S. cabotage laws so that domestic waterborne commerce remains a pillar of our national existence.

Maritime Cabotage Task Force

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