

**MARITIME  
CABOTAGE**



# ANNUAL REPORT 2009

## AMERICA'S JONES ACT

- 499,676 U.S. jobs
- \$100.3 billion total annual economic output
- \$29 billion U.S. labor compensation



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## LETTER FROM THE BOARD

Dear Friends:

A year ago MCTF's Annual Report began with the words, "the year 2008 was a historic one for the country..." – a reference to the election of Barack Obama as the President of the United States.

We could begin the 2009 Annual Report with virtually the same words, but the reference would be to the near meltdown of the U.S. and world economies. Unfortunately, no sector or country has been spared the ravages of this recession, including the U.S. maritime industry, which struggled in 2009. Many vessels were laid up and mariners throughout the country were "on the beach."

Governments around the world tried to stimulate their economies with legislative efforts. In the United States, the President signed the American Recovery and Reinvestment Act ("ARRA"), a \$787 billion bill, which included provisions for federal tax cuts, expansion of unemployment benefits, and domestic spending in education, health care and infrastructure. For the most part, it appears as though job creation in the maritime industry will come with a revival in other segments of the economy.

Almost 40,000 vessels strong, the Jones Act has a strong economic impact on this nation. For example, according to a report commissioned by the Transportation Institute and prepared by PricewaterhouseCoopers:

- There are 499,676 Jones Act jobs in this country.
- The Jones Act generates \$100.3 billion in total annual economic output.
- Additionally, the Jones Act generates \$11 billion in U.S. taxes.
- Annually, \$46 billion is value-added due to the economic output of the Jones Act.
- \$29 billion in Jones Act-related U.S. labor compensation is paid annually.

The Jones Act provides this nation with economic and national security while delivering goods and cargo in an efficient, reliable and cost-effective manner.

Fortunately, re-growth in domestic waterborne commerce will create jobs for Americans because the Jones Act, the foundation of U.S. domestic maritime policy, requires that cargo moving between U.S. ports be carried in vessels that are U.S.-owned, U.S.-built, and U.S.-crewed. MCTF's mission is to ensure that the Jones Act and related cabotage laws remain at the core of U.S. maritime policy.

Our 2009 Annual Report focuses on the employment that Jones Act shipping creates and sustains. We think you will be impressed with what our industry means to America's economic well-being, both now, and in the future.

In closing, we would like to thank the Obama Administration and Congress for their unwavering support for the Jones Act and other U.S. maritime cabotage laws and statutes. Knowing that the Jones Act will remain the foundation of U.S. domestic maritime policy allows our industry to persevere during recessionary times like these and to grow as the economy rebounds.

Sincerely,  
MCTF Board of Directors

## NON-CONTIGUOUS TRADES: SERVING THE COUNTRY & THE MILITARY

The non-contiguous Jones Act trades consist of shipments to and from Alaska, Hawaii, Puerto Rico and Guam. Shipments to the locations in the non-contiguous trades are significant and critical for the well-being of the citizens in those areas. In fact, in any given year, cargo movement can top 200 million tons. The non-contiguous trades include the great majority of oceangoing container and roll-on/roll-off vessels in the Jones Act fleet as well as numerous large, non-self-propelled barges.



The 2000s saw a new generation of Jones Act containerships dedicated to the West Coast/Hawaii trade. The containership was invented by a Jones Act carrier and revolutionized shipping worldwide.

The cargoes carried in the non-contiguous trades are incredibly diverse. Fast containerships deliver everything from washing machines to breakfast cereal and double-hulled tankers bring Alaskan crude to the contiguous United States and help lessen our dependence on foreign oil.

The Jones Act vessels serving the non-contiguous trades have been designed and built to sail the oceans. Having these deep-sea assets and the skilled mariners who crew them is critical when American troops are sent overseas. Jones Act vessels provide reliable and efficient service to the U.S. military, which has utilized these vessels for years to move supplies and armaments to troops around the world.



U.S.-flag vessels are the most dependable when supplying U.S. troops overseas. During the first Persian Gulf War, there were several instances where crews on foreign-flag vessels chartered by the U.S. military refused to enter the war zone. U.S.-flag vessels and their U.S. citizen crews provide reliable and efficient transportation to the military to supply our troops around the globe.

## U.S. SHIPBUILDING INDUSTRY CREATES JOBS IN NEARLY EVERY STATE

With almost 40,000 vessels of all types in the Jones Act fleet, it makes sense that the United States is home to a vibrant shipbuilding industry. Nationwide, there are more than 100 shipyards – not including the hundreds of small repair facilities. The U.S. shipyard industry supports nearly 100,000 jobs with an annual economic impact of \$3.3 billion.



New barges join the inland river fleet almost every day.

American shipbuilders' skill and expertise are tested every day, as the United States demands the highest safety and environmental standards for vessels flying its flag. Not only do American shipbuilders meet these standards, but they also build super-efficient vessels, as evidenced by the fact that the Jones Act fleet moves nearly one-quarter of all domestic cargo, but represents just two percent of the nation's annual freight bill.



The efficiencies that American shipbuilders apply to constructing Jones Act vessels not only keep freight rates as low as possible, but they further save the American taxpayer money by reducing the cost of building and maintaining U.S. Navy and Coast Guard vessels.

## JONES ACT SHIPPING ON THE GREAT LAKES

The Jones Act fleet on the Great Lakes is comprised of approximately 60 large vessels. More than 1,600 men and women, onboard the ships and onshore, are needed to keep Great Lakes ships and tug/barge units running. Annual payroll and benefits top \$125 million.

The majority of Jones Act vessels on the Great Lakes transport raw materials, such as iron ore for steel production, coal for power generation, and limestone and cement for construction. In a strong economy, Great Lakes Jones Act vessels carry about 115 million tons of cargo annually. It has been estimated that another 400,000 jobs depend on Great Lakes cargoes.

“In today’s economy the common phrase ‘keeping up with the Joneses’ can simply mean keeping a job. The importance of maintaining the Jones Act is that it keeps Americans working, providing the materials used in many major American industries, which employ many other Americans. For example, my ship, the largest on the Great Lakes, the PAUL R. TREGURTHA, delivered more than 3 million tons of coal to Detroit Edison in 2009, which in turn provided the people and industries of southeast Michigan with electricity. All around the country, other Jones Act vessels deliver cargoes in a safe, efficient, and ecologically friendly manner while meeting stringent American standards.”

Captain Timothy J. Dayton  
Master, Motor Vessel PAUL R. TREGURTHA



Captain Tim Dayton on the bridge of the Jones Act laker PAUL R. TREGURTHA. The vessel carries a crew of 21 American mariners. The new engines installed on the ship over the winter of 2009/2010 will make it even more efficient and further reduce its already small carbon footprint.



“Most of ArcelorMittal’s 25 million tons of annual North American steelmaking capacity, and most of its 18,000 jobs, are located on the Great Lakes shoreline. The reason for this concentration is that this steelmaking capacity requires approximately 40 million tons of iron ore and stone ... 100% of which are delivered by Lake

freighters. Efficient Great Lakes bulk transportation is why these plants are sited where they are, and also explains why many facilities without Lake access have been shut down.”

Daniel J. Cornillie  
Manager - Marine & Raw Materials Logistics  
ArcelorMittal Steel USA - Indiana Harbor, IN



Jones Act lakers deliver millions of tons of iron ore and other raw materials to ArcelorMittal’s steel mills along the Great Lakes.

*Photo Courtesy Gary Clark*

## PREPARING FOR TOMORROW'S JOBS

The U.S. maritime industry has a proud history recognizing the importance of a skilled cadre of merchant mariners by maintaining one Federal and six State maritime academies. These schools graduate many of the deck and engine officers who safely and efficiently move cargo and passengers between U.S. ports. Each year, enrollment at these seven academies continues to grow.

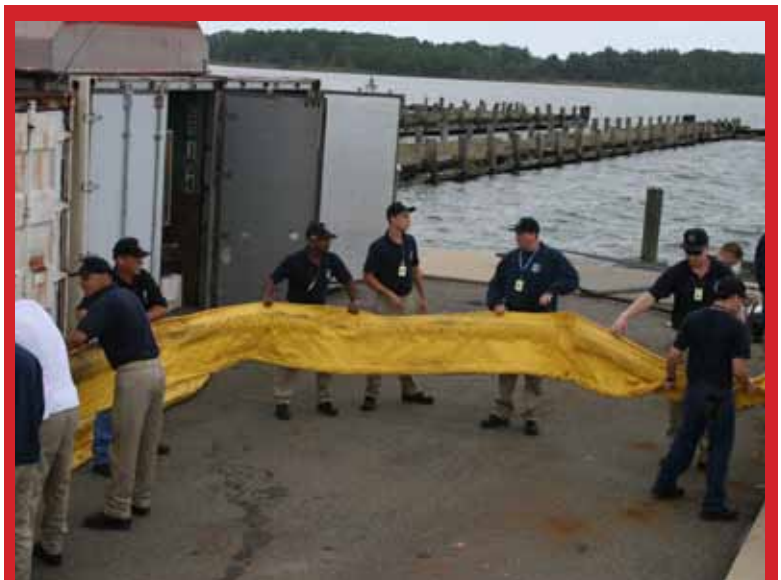
The U.S. maritime industry also has a proud tradition of mariners advancing through the ranks (or, as the industry calls it, "climbing the hawse pipe"). Many Captains and Chief Engineers began their careers as a deckhand or wiper. Schools operated by the various shipboard unions prepare hawse pipers for the in-depth U.S. Coast Guard exams a sailor must pass before advancing through the ranks.



Maritime union members have the benefit of training at schools that provide computer software and simulation equipment mirroring modern vessel bridges, pilot houses and engine rooms. This mariner is studying at the American Maritime Officers Safety & Education Plan's Simulation, Training, Assessment and Research ("STAR") Center in Dania Beach, Florida.



Two young mariners prepare for their exams at the Paul Hall Center for Maritime Training and Education in Piney Point, Maryland. Operated by the Seafarers International Union, the school has been helping mariners advance since 1967.



Young mariners practice deploying an oil spill containment boom.

## TUG AND BARGE INDUSTRY CONNECTS AMERICA

America's inland waterways are the arteries that pump strength into our economy. More than 4,000 modern tugs and towboats and 27,000-plus barges move more than 800 million tons of raw materials and finished goods each year. Nearly 90 percent of all major U.S. cities are served by the tug-barge industry.

The 30,000-plus mariners employed on tugs and towboats exemplify the commitment to excellence that is a hallmark of the Jones Act fleet. On a daily basis, these mariners guide their tows up and down U.S. rivers with efficiency and respect for the environment. Waterborne commerce's carbon footprint is the smallest of all the transportation modes.



"The Jones Act, which requires that cargo moved by water between U.S. ports be moved on American-owned, American-crewed, American-built vessels, is the foundation of the U.S. domestic maritime fleet. The towboat and barge industry comprises the largest segment of that fleet. Strong support for the Jones Act sustains American jobs in maritime transportation, which is a more environmentally-friendly method than rail or truck for moving bulk cargo essential to our nation's economy. The Jones Act also supports U.S. national security by providing for a strong merchant marine and ensuring that vessels in U.S. domestic service are operated by American citizens who serve as the eyes and ears for the U.S. Coast Guard on America's ports, rivers and coastline."

Mark Knoy, President  
AEP River Operations



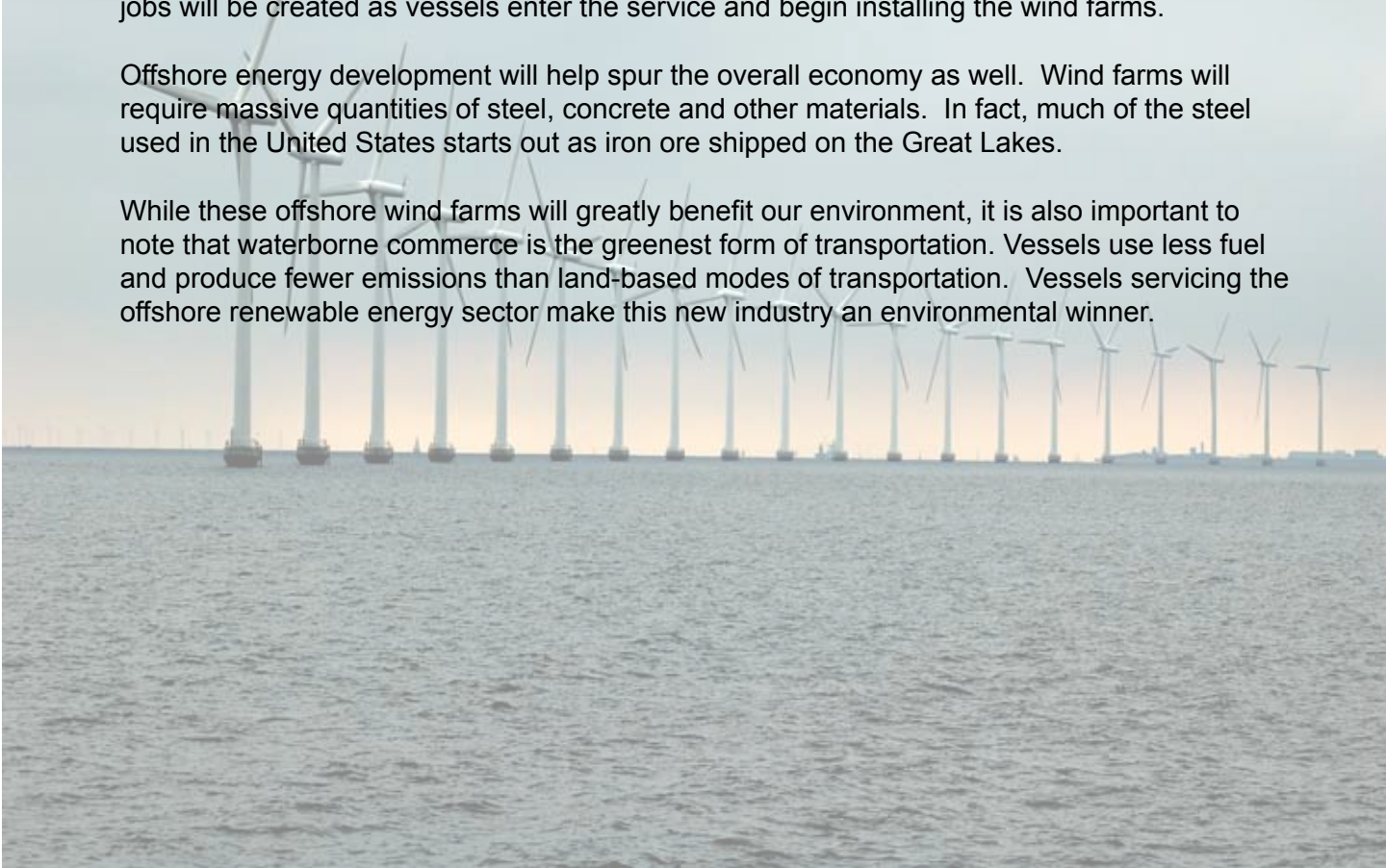
An inland river tug is powerful enough to push 40 barges, which, in turn, carry as much cargo as 2,400 trucks. Our overburdened highways and railbeds would be unable to handle a fraction of the cargo moved on our 25,000 miles of navigable inland rivers.

## OFFSHORE ENERGY DEVELOPMENT

America's quest for new and greener sources of energy promises to launch one of the most exciting periods in the history of Jones Act shipping. The installation of new offshore wind turbines will help create jobs for the maritime industry. Naval architects and shipyards will benefit from the design and construction of new vessels to serve this market while shipboard jobs will be created as vessels enter the service and begin installing the wind farms.

Offshore energy development will help spur the overall economy as well. Wind farms will require massive quantities of steel, concrete and other materials. In fact, much of the steel used in the United States starts out as iron ore shipped on the Great Lakes.

While these offshore wind farms will greatly benefit our environment, it is also important to note that waterborne commerce is the greenest form of transportation. Vessels use less fuel and produce fewer emissions than land-based modes of transportation. Vessels servicing the offshore renewable energy sector make this new industry an environmental winner.



## MARITIME CABOTAGE



Founded in 1995, 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 to 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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