



CHAMBER OF SHIPPING OF AMERICA

MONTHLY REPORT FOR BIMCO

January 2018

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NOTE TO THE READER: Reference to the Federal Register may be found at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR>. Please note new address and format for Federal Register retrieval due to upgrade in US government website.

References to legislation may be found at <http://thomas.loc.gov/> by entering the bill number (HR 802, S 2841) in the "search bill text" block found at the center of the page.

Hearing on the State of the US Flag Maritime Industry – US House of Representatives Transportation and Infrastructure Committee, Subcommittee on Coast Guard and Marine Transportation

The above referenced hearing focusing on the status of the US flag maritime industry was held on January 17, 2018. As has been the case in past hearings, the subcommittee sought testimony on the current status of the US flag fleet and explored ways which could assist the reinvigoration of the US flag fleet. Witnesses included RADM John Nadeau (USCG), RADM Mark Buzby (MARAD) and industry witnesses representing the US flag industry, the US shipbuilding industry, maritime unions and the US flag offshore industry. For detailed information on the hearing including a full tape of the hearing and downloadable copies of the summary statement and witness testimonies, please see <https://transportation.house.gov/calendar/eventsingle.aspx?EventID=402105>

It was noted that the current US oceangoing fleet numbers 82 vessels, the lowest in modern history. It was also noted that over 40 maritime nations have in place various types of cabotage laws including the most recent Russian legislation which would require use of Russian flag vessels in the Arctic (excluding vessels engaged in transit).

The Chairman, Duncan Hunter, focused on maritime and national security issues including the current and expected needs for ready reserve deployment capability in the event a foreign military deployment may be required. RADM Buzby testified that the current readiness status is 98% but that level would be quickly depleted once a deployment is underway and the need for long term marine transportation services is identified. The Ranking Member, John Garamendi focused on cargo preference, taking into account the increased US exports of LNG and crude oil, not surprising given his current introduced



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legislation which would mandate a minimum percentage of these exports be carried on US flag vessels.

Other topics addressed included the current lay up of over 50% of the US flag vessels servicing the Outer Continental Shelf (OCS) (which according to witnesses is most attributable to the lower levels of OCS activity at this point in time), the USCG process under which letters of non-applicability are issued to foreign flag vessels operating on the OCS, comparative competencies between non-US and US mariners and USCG port state control programs in place to oversee the proper manning and operation of foreign flag vessels operating on the OCS.

In observing the lines of questioning, it appears that there is confusion as to how the Jones Act applies to OCS activities. It was acknowledged that the Jones Act does not currently apply to vessels operating and working on the OCS; however, the Jones Act does apply to cargo movements to/from US ports to OCS facilities, this latter situation being the subject of the current CBP rulings revocation and then reinstatement process encountered last year.

In summary, it is clear that all members of the Subcommittee are fully supportive of the Jones Act and identifying ways to reinvigorate the US flag fleet although no specific changes to current laws were proposed. Furthermore, it is readily apparent that both the USCG and CBP rulings relative to availability of US flag tonnage for Jones Act movements and issuance of Jones Act exemptions is in the Congressional spotlight and thus future exemptions are likely to be more difficult to obtain than in the past. CSA will maintain an active watch on this issue and advise accordingly as future developments occur.

U.S. Maritime Advisories on Piracy, Suspicious Approaches and Regional Conflicts

Five U.S. Maritime Advisories have been issued this month on the risk of piracy in the Red Sea, Gulf of Aden, Arabian Sea, Indian Ocean, Gulf of Oman and Gulf of Guinea. They provide generic details and reiterate best practices and guidance. The specific details of these piracy incidents are in the Piracy Reports (PAWW and WTS) forwarded to members each week.

Additionally, Advisory 2018-001 refers to the violence caused by the conflict in Yemen which poses a risk to U.S. flagged ships and provides guidance for those ships transiting the region.

All active Advisories/Alerts are posted at www.marad.dot.gov/MSCI.



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USCG Updated Oil Record Book Part I and Part II (CG-4602A)

As you may recall from previous correspondence the past few months, USCG Headquarters brought to our attention that USCG has updated their Oil Record Book (ORB) Part I and Part II (CG-4602A) which is now available for purchase. It should be noted that CSA has heard varying degrees of success from members on their ability to procure the new ORB's ranging from successful procurement to other USCG districts unaware of the update and some in between.

Questions have been raised by members if ships are required to use the USCG ORB. In short, vessels are not required to use the USCG ORB, not even U.S. flagged vessels. As long as the ship's ORB meets the IMO requirements and the requirements of 33 CFR 151.25 it can be used. A non-U.S. flagged vessel using a USCG ORB would not assist that vessel in a U.S. port any more than another ORB that meets the IMO requirements. The USCG encourages non-US flagged vessels to defer to their flag state for direction on ORB applicability.

Canada-US Independent Advisory Committee (IAC) for Right Whale Recovery

CSA has been asked to participate on the IAC as one of two shipowner representatives, the other being the Shipping Federation of Canada.

The formation of the IAC is motivated by the decline of right whales in recent years and the significant role that fishing gear entanglements and ship strikes are playing in that decline. A recent population assessment indicates that there are only about 450 right whales left, including around 100 adult breeding females. At current mortality rates, these 100 females will be dead in just 2 decades, at which time the species will be functionally extinct. In early November, board members of the North Atlantic Right Whale Consortium sent a letter to Canadian Prime Minister Trudeau and to Acting NOAA Administrator Tim Gallaudet expressing grave concerns about the status of right whales and requesting that they take immediate action to reduce human impacts on right whales.

The IAC will be comprised of scientists, representatives from industry, and members of the NGO conservation community organized into two working groups: one for fishing gear entanglements, and one for ship strikes. The goal of the IAC is to find pragmatic solutions to these threats, and to recommend them to both the U.S. and Canadian governments. Because of the urgency of the problem, the IAC will work quickly over the next 6 months to develop recommendations with a goal is to present these recommendations to the U.S. and Canadian governments by August 1, 2018.



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While this initiative is focused on the North Atlantic Right Whale off the Atlantic Coast of North America, similar discussions are underway elsewhere (Australia, Mediterranean as examples) to determine strategies to mitigate both entanglements and ship strike impacts on living marine resources. CSA will provide regular updates on the activities of the IAC and, of course, a copy of the final report, when published.



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