MarineNews

Gulf of Mexico Report After the Storm

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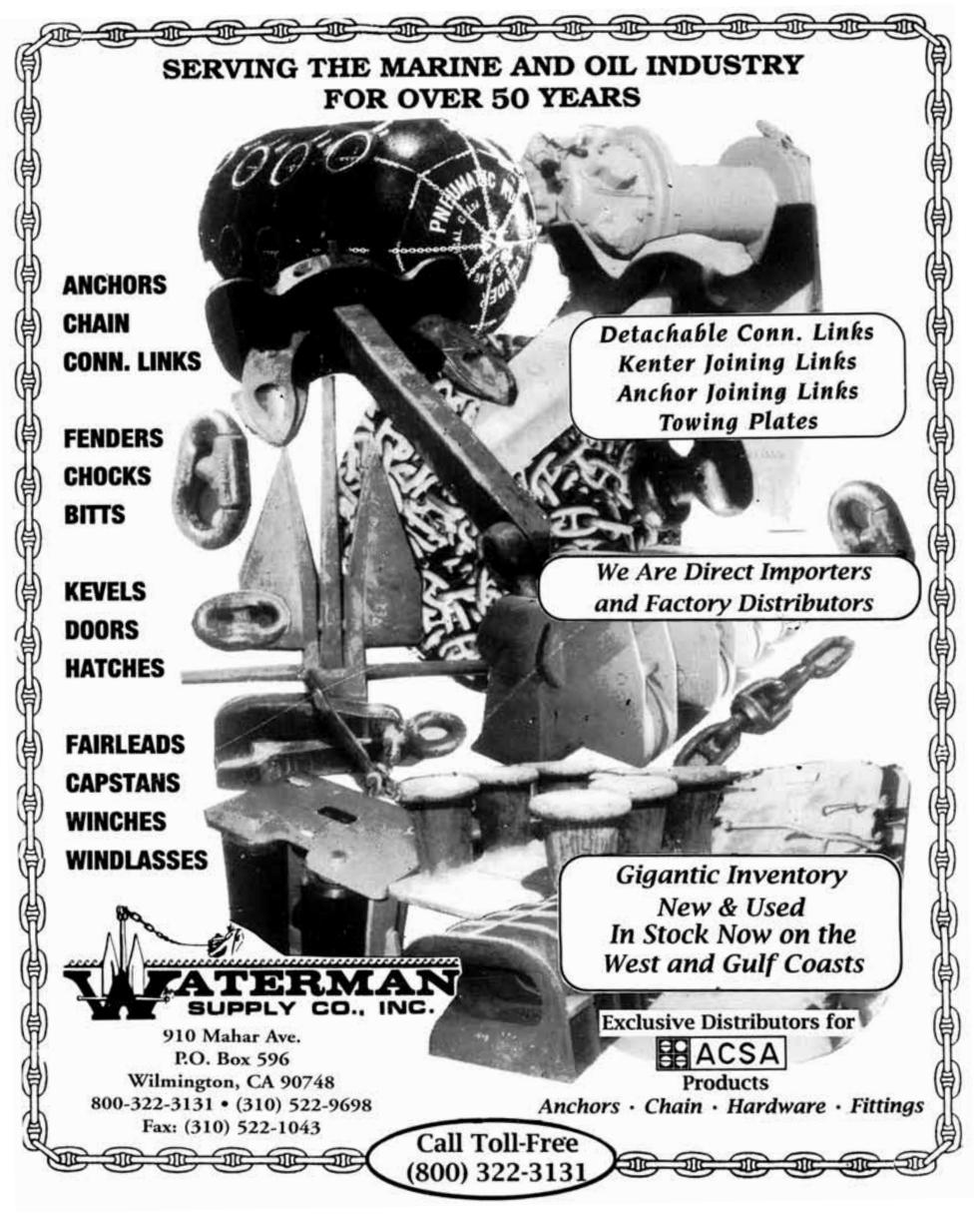


Operators Meeting

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On the Cover: Hurricanes Katrina and Rita blew ashore in the Gulf of Mexico, leaving a wide swath of death and destruction. (Photo: Don Sutherland.)

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AMH Delivers Security Boat

American Marine Holdings (AMH) Government Services delivered two new high-speed pilothouse patrol boats and currently has a third unit in production.

Both the City of Virginia Beach Police Department and Jacksonville, Fla., Sheriffs Office have taken delivery of these new high-speed, fully enclosed pilothouse security boats. The 320 & 340 Pilothouse models are available with twin and triple four stroke outboard motor configurations, fully enclosed cabins, hull side foam fenders, generator, air conditioning & heat, dive door & weapons mounts. The high performance hulls are capable of achieving speeds in excess of 65 miles per hour in a sea state 4. The new 320 and 340 Pilothouses have been bred directly from Donzi Marine's ZF center console line, which is known for its ride quality and

sea keeping capability. In the pilothouse configuration, these vessels provide a year round platform for escorts, extended rough water patrols and high speed intercepts. John Hotz, Vice President of AMH Government Services states, "Ride quality and speed have always been sacrificed for weather protection until now. Our new pilothouse models allow agencies to have performance, intercept speed & weather protection all in the same boat. With the need for extended hours on the water, rapid response and longer patrol areas, the 320 & 340 pilothouses take officer comfort to new heights."

Prince William County Police in Va. have also purchased a 340 Pilothouse under a federal grant. That vessel is currently in production with delivery slated for October.

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Response Delivers Fire/Rescue Boats

Response Marine, Inc. has delivered its latest welded aluminum fire/rescue boats to fire departments in Falmouth and Halifax, Mass., and Wolfeboro, NH.

The FR-280 has been delivered to Falmouth with twin Honda 150 hp outboards and a remotely operated firefighting system. The 28-ft. boat features a fully enclosed pilothouse, swing down dive door, and a full complement of electronics.

Halifax and Wolfeboro fire departments are the recipients of an unusual new rescue boat design.

At only 15.5 ft. the double bottom, welded aluminum hull provides a selfbailing cockpit, full length rescue rails, and a swing down dive door with integral ladder. With a 40 hp outboard engine the R-155 runs at 25 knots, and the deep Vee /double tunnel hull provides for stable and seakindly operation in both rough waters and skim ice.

Operators describe the dive door and self-bailing cockpit as a breakthrough development in a small rescue boat- "a measurable safety improvement for dive and rescue operations."

According to Chief Lance Benjamino of the Halifax Fire Department, "The modified Tri Hull design with the port side dive door makes this boat a very stable and rescuer (user) friendly vessel."

The R-155 is also available in a 17.5 ft. version, which affords additional capacity and the addition of up to 50 hp firefighting systems.

Circle 14 on Reader Service Card



Munson Delivers 32-ft. Packcat



The William E. Munson Company delivered a 32-ft. Packcat to the City of Philadelphia Police Department. Designed for search and rescue operations, the vessel is outfitted with a 8 ft. wide x 12 ft. long cabin, two captain's seats, four person convertible settee, Toyotomi cabin heater, Coleman air conditioner, Furuno radar, chart plotter and depth sounder, police radio, dive ladder and 4 in. guard rubber. Twin 225 hp Yamaha four stroke outboards provide a 40 mph top speed. Hydraulic transom jacks allow the motors to be lifted vertically while underway for shallow water operations.

The standard 84-in. wide bow door and large self-bailing cargo deck provide unlimited versatility.

Circle 15 on Reader Service Card

Moose Delivers Vessel

Moose Boats delivered a Moose 340C security and patrol vessel to the Suisun Bay Reserve Fleet, Benicia, Ca. This is the first of a two boat contract that that was recently awarded through GSA (General Services Administration) by the Department of Transportation, Maritime Administration (MarAd). The Suisun Bay Fleet consists of dry cargo ships, tankers, military auxiliaries and other types of reserve ships in the custody of the Maritime Administration. The Moose 340C's will be used for security and patrol of the fleet. The Moose 340C is a 38-ft. all aluminum, jet powered catamaran with twin Cummins 380hp turbo diesels and is propelled by Hamilton 292 water jets. This vessel can attain a top speed of over 34 knots, cruise at almost 30 knots, come to a full-speed stop in less than two boat lengths. Its 21 in. draft will allow all of this to be done in less than 3 ft. of water.

Circle 16 on Reader Service Card

Gladding-Hearn Incat Gets Retrofit

Grey Lady II, the second high-speed ferry, built in 1997 by Gladding-Hearn Shipbuilding, Duclos Corporation, for Hy-Line Cruises in Hyannis, Mass., has undergone a retrofit.

After being leased to West Coast-based Catalina Flying Boats for passenger service between Marina del Rey and Catalina Island for two years, the 149-passenger catamaran has resumed service from Hyannis to Oak Bluffs in Massachusetts.

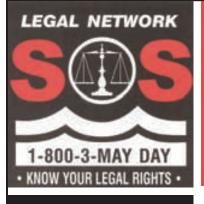
Renamed Lady Martha, the 106-ft. catamaran, designed by Incat Design, has received new engines, rebuilt water jets, gears, and ride control system, a new paint job, and a complete interior makeover.

The Somerset, Mass., shipyard has replaced the vessel's four Detroit Diesel engines, after 55,000 operating hours, with new MTU 12V-2000 M-70 diesel engines. Its four MJP-J450-QD water jets were rebuilt, along with the ZF BW-250 gear boxes. The vessel's service speed remains at 32 knots, fully loaded.

With new windows, Beurteaux Ocean Tourist seats, carpeting, and three Headhunter heads, the vessel still sports the large luggage room aft. Additionally, the Lady Martha has been equipped a CCTV security system to meet new USCG requirements.

Celebrating its 50th Anniversary, Gladding-Hearn has built 31 high-speed passenger ferries for service in the U.S. and the Caribbean since becoming a U.S. Licensee of Incat Designs in 1984.

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Hornbeck Announces Major Expansion

Hornbeck Offshore Services, Inc. announced a new vessel construction programs for each of its two business segments, making it the company's fourth OSV newbuild program and second tug and tank barge (TTB) newbuild program. Hornbeck is seeking bids from domestic shipyards for the two programs. Based on internal estimates, the incremental cost of the two expansion programs is expected to be approximately \$265 million in the aggregate. The precise number of vessels to be constructed and their specifications will be finalized as certain milestones are completed, including the negotiation of shipyard contracts.

OSV Segment

Hornbeck plans to build an additional 20,000 dwt of new generation OSV vessel capacity with an estimated cost of approximately \$170 million. In May 2005, it announced plans to convert two coastwise sulfur tankers into 370 class multi-purpose supply vessels, or MPSVs, at a currently estimated total project cost of \$65 million. When combined with the company's current MPSV conversion program, the total cost of the two OSV expansion programs is budgeted to be approximately \$235 million in the aggregate. The company expects to deliver its two new 370 class MPSVs in early 2007. All of the new vessels to be constructed under the latest OSV newbuild program are expected to be delivered by mid-2008, with the first vessel expected in mid-2007. Hornbeck Offshore expects to generate incremental annual EBITDA of approximately \$39 million to \$47 million for the first fullyear of operations of all vessels to be converted or constructed under these two programs.

Hornbeck also plans to build an additional 400,000 barrels of double-hulled tank barge barrel-carrying capacity and, unlike its first TTB newbuild program, plans to construct the related offshore tugs to be used as power units for the new barges. The estimated cost of the new ocean-going tugs and barges will be approximately \$95 million in the aggregate. The company's first TTB newbuild program, which included the acquisition and retrofit of four 6,000 hp ocean-going tugs, is expected to be completed during the fourth quarter of 2005. All of the new vessels to be constructed under the second TTB newbuild program are expected to be delivered during 2007. Hornbeck Offshore expects to generate incremental annual EBITDA of approximately \$16 million to \$17 million for the first fullyear of operations of all vessels to be constructed under the latest TTB newbuild program.

"As with our recently announced 370 class MPSV conversion program, the company will once again introduce the

over four decades.

NORTHERN LIGHTS

latest in technologically advanced vessels to the deepwater and ultra-deepwater regions of the offshore oil services industry," said Todd Hornbeck, Chairman, President and CEO. "These new vessels

Reliability.

will embody innovative design features that we believe will offer our customers superior logistical efficiencies. Customer demand for our equipment, including our new MPSVs, remains high. The substan-

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tial repairs required to be made to Gulf of Mexico infrastructure damaged by Hurricanes Katrina and Rita highlight the demand for versatile vessels to service the deepwater Gulf of Mexico. In addition, as we complete our first tank barge newbuild program, we believe additional equipment is necessary to address pent-up customer demand for double-hulled equipment in the northeastern United States. We have also experienced a significant level of increase in inquiries for our vessels relating to certain non-oilfield specialty services. Our assessment of the visible demand for deepwater tonnage indicates a need for more U.S.-flagged equipment over the next several years. Because our existing equipment is fully utilized and so is that of the entire new generation OSV industry, now is the time for us to build more proprietary vessels. Our in-house team of naval architects and engineers will, yet again, design improvements to the existing versatility of our vessels to create the type of equipment that the market is telling us it requires."

call on August 4, 2005, we announced that our fleetwide OSV dayrates were averaging around \$13,000 and that our leadingedge spot deck was averaging about \$14,000 to \$15,000 for the fleet with rates for our smallest vessels to our largest vessels ranging from \$13,000 to \$20,000. During the third quarter of 2005, we have experienced a substantial increase in our OSV dayrate structure with our fleetwide average currently above \$14,000 and a leading-edge spot deck average of over \$15,000 per day. We have recently moved our fleetwide range of spot rates for new fixtures up a few thousand dollars a day across the board to roughly \$17,000 to

Recent Developments

\$22,000."

In connection with the company's ongoing efforts to upgrade its tug and tank barge fleet over time, it recently sold an older ocean-going tug, the North Service, agreed to sell one inactive single-hulled tank barge, the Energy 9501, and bought two 6,000 hp ocean-going tugs that are being retrofitted for delivery in the fourth quarter of 2005. These tugs have been renamed the Eagle Service and Patriot

* Prices May Vary Depending

on "CPL" Number

Service. The estimated aggregate cost to acquire and retrofit these two higher horsepower tugs is approximately \$16 million. Two of the five new tank barges in the current TTB newbuild program have been delivered, one in March 2005 and the other in July 2005. The other three barges in this newbuild program are expected to be delivered by year-end 2005.

Crowley to Acquire Titan Maritime

Crowley Maritime Corporation Chairman, President and CEO Tom Crowley Jr. announced at the International Salvage Union's annual dinner that Crowley has reached agreement with the owners of Titan Maritime, LLC to acquire the company. The deal is expected to close this month. Crowley made the announcement to an audience of about 60 salvors from around the world who had gathered for dinner at the Columbia Tower Club in Seattle as part of the weeklong International Salvage Union's annual conference. He said additional details would be provided after the closing.

* Trunk Style 1 Piece Piston

Titan, founded in 1980 by David Parrot, is a worldwide salvage company that is headquartered in Ft. Lauderdale, Fla., with offices in Newhaven, UK and Sao Paulo, Brazil and equipment depots in Batam, Indonesia and Dubai, UAE. Over the past 25 years, Titan has performed more than 200 salvage and wreck removal projects worldwide.

Witte New ISU VP

International Salvage Union members meeting in Seattle during late September for the ISU's 51st General Meeting elected Arnold Witte, CEO of U.S. salvor Donjon Marine, as Vice-President. Witte succeeds Titan CEO David Parrot as ISU Vice-President. Parrot remains a member of the ISU Executive Committee. Arnold Witte, who established Donjon Marine in the 1960s, is a Past President of the ISU (1995 - 98). He has been a member of the ISU's Executive Committee since 1992. Arnold Witte played a major role in the negotiations which led to the adoption of the SCOPIC salvage remuneration system in 1999. Witte has also served as Immediate Past President of the American Salvage Association.

Current OSV Conditions

Hornbeck said, "On our last conference

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3208 (3R)	\$775	N14	\$1,275	6V53X	\$1,094**	8V71	\$1,069*	
3304	\$675	N14 Dual-Ni	\$1,375	8V53	\$1,040*	8V71X	\$1,375**	
3306	\$988	N743	\$1,065	8V53X	\$1,455**	8V92N/T	\$1,486	
3406	\$1,445	855 Prem	\$725	2-71	\$310	12V71	\$1,493*	
3408	\$2,075	855 Prem +	\$775	3-71	\$412*	12V71X	\$1,875**	
3412	\$3,025	855 Dual-Ni	\$845	3-71X	\$512**	12V92N/T	\$2,365	
D342	\$2429*	VT378	\$659	4-71	\$498*	12V149	\$10,345	
D379	\$3,182*	VT504	\$925	4-71X	\$646**	16V71	\$1,965*	
D398	\$4,627*	VT555	\$1,075	6-71	\$795*	16V71X	\$2,742**	
D399	\$6,519*	VT903	\$1,525	6-71X	\$885**	16V92N/T	\$3,122	
G379	\$3,394*	KT/KTA19	\$2,420*	6V71	\$795*	16V149	\$12,985	
G398	\$5,361*	KT/KTA38	\$5,220*					
G399	\$6,936*	KT/KTA60	\$7,450*					
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* These Kits Do Not Include Main Bearings or Oil Pan Gaskets*







**X Head 2 Piece Piston

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Rigdon Marine Christens M/V Esplanade

Rigdon Marine's tenth and final contracted GPA 640 platform support vessel was delivered by Bender Shipyard & Repair Co., Inc. of Mobile, Ala. Debbi H. Ducote christened the M/V Esplanade before it was immediately deployed under contract to a major oil company in the Gulf of Mexico. Debbi is the wife of James A. Ducote, Jr., Compliance Coordinator in the Technical Services Department of Rigdon Marine.

"The christening of our tenth and final GPA 640 is a very proud moment for every employee of the company that has worked so tirelessly to ensure the smooth delivery of each vessel to our customers," said Larry Rigdon.

The GPA 640 vessels are 210 ft. by 54 ft. by 19 ft diesel-electric PSVs with Dynamic Positioning Class 2 (DP-2) certification and a modern streamline hull design for fuel efficiency with top speeds of 13 knots fully loaded and 15 knots in light conditions. The cargo capacity of these vessels has also been increased due to the space saving diesel-electric engine room. These vessels are capable of carrying 7,135 cu. ft. of bulk material and 5,150 barrels of liquid mud in self-cleaning oval tanks. The vessels' two pumps can deliver mud to a height of 196 ft. above water. Additionally, the two 80-PSI air compressors can deliver 50 metric tons of dry cement or barite per hour to the same height.

The M/V Esplanade joins its sister fleet, which consists of the M/V Orleans, M/V Bourbon, M/V Royal, M/V Chartres, M/V Iverville, M/V Bienville, M/V Conti, M/V St. Louis, and M/V Toulouse.

Crowley Delivers for Virgin Islands Police Department



Crowley recently completed a secretive shipment of 200 police cruisers to St. Thomas and St. Croix in the Virgin Islands for the government. Both islands received 100 cruisers each to replenish aging fleets.

The shipper, Caribbean Auto Mart,

which won the bid to supply the cruisers, chose Crowley to handle the cargo with the understanding that the general public and the police department on the islands were not to know about the shipments ahead of time. All of the 200 cruisers shipped from Jacksonville - 100 aboard the La Princessa bound for St. Thomas and 50 each aboard the Sea Gale and the Sea Cloud bound for St. Croix. All three ports that touched the cars shielded the vehicles until they could be inspected and

released to the customer. Once received in the islands, the cruisers were presented to the police department and the public during special ceremonies at the Reichhold Center in St. Thomas and at Patrick Sweeney Police HQ in St. Croix.





October, 2005 • MarineNews • 9

Bender Wins ATB Contract

Bender Shipbuilding & Repair Co., Inc signed a contract with Maritrans Inc. to build three new articulated tug-barge units, each having a carrying capacity of 335,000 barrels. Each barge will be connected to a 12,000 hp tugboat using the Intercon connection system.

Construction of the three new vessels will take place in Mobile, Alabama and at its affiliated company, the Tampa Bay Shipbuilding & Repair Company. Maritrans estimates that the total cost of construction (including owner furnished equipment) will be approximately \$77.5 million for each tug-barge unit. Bender Shipbuilding expects to deliver the first unit in October of 2007, with the remaining two vessels expected to be delivered seven months apart in May and December of 2008, respectively. The units are designed by Ocean Tug and Barge Engineering, Inc. lead by Bob Hill. **Circe 11 on Reader Service Card**

GILLE IT OIL NEAUER SERVICE CALU

John McMullen Dies

John J. McMullen, maritime industry icon, former owner of the New Jersey Devils and the Houston Astros, died September 16 at the age of 87. McMullen founded John J. McMullen and Associates (JJMA) in 1957, a naval architectural and engineering firm that once occupied the 30th floor of One World Trade Center in Manhattan. At first the firm concentrated on ship containerization and bulk transportation, but it soon became noted for naval engineering and ship design. The company's current emphasis on defense contracts came later. JJMA is the lead naval architect of the winning design for the U.S. Navy's DDX program.

Though the firm was purchased in 1998 and formed an Employee Stock Ownership Plan (ESOP) Trust, John J. McMullen's influence and prosperity remained.

Dr. McMullen has made numerous innovations in ship design and construction, including systems installed in hundreds of merchant, passenger and naval ships.

MR's archives indicate that Dr. J.J. McMullen spoke at the New York SNAME meeting in October 1959. McMullen's speech focused on "Characteristics and Problems of Bunker C. Fuel Oil."

He attended the United States Naval Academy and graduated in 1940 with a bachelor of science degree in electrical engineering before serving aboard the USS Yorktown (CV-5) and the USS Stack (DD-406) during World War II. After the Korean War and 14 years of service, he left the Navy and founded John J. McMullen Associates.

McMullen held a master of science degree in naval architecture and marine engineering from MIT, and a doctorate in mechanical engineering from the Swiss Federal Institute of Technology in Zurich. He began building his fortune through McMullen Associates and, eventually, the steamship shipping agency Norton Lilly International.

On top of his shipping accomplishments, he became widely known with his involvement in pro sports.

McMullen is survived by his wife of 50 years, Jacqueline; son, Peter, and his wife, Cheryl; daughter Catherine; son John Jr.; and five grandchildren.

Towing Vessel Operators Must Meet New Requirements by May '06

The United States Coast Guard is reminding the maritime community that a deadline is approaching for changes in the requirements for who is allowed operate towing vessels.

Beginning May 21, 2006, as per 46 CFR 15.610 and 46 CFR 15.910, all towing vessels at least 8 meters in length must be under the direction and control of a person licensed as master or mate (pilot) of towing vessels, or licensed as master or mate of vessels greater than 200 gross register tons holding either an endorsement on his or her license for towing vessels or a completed Towing Officer's Assessment Record (TOAR) signed by an approved designated examiner and documentation of at least 30 days under observation and training aboard a towing vessel on the applicable route. No other individuals will be permitted to operate these vessels after May 21, 2006.

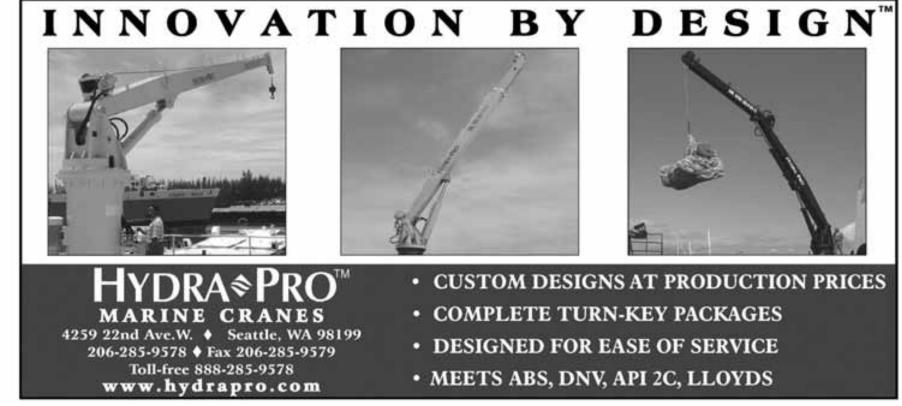
After a 1993 accident in which a towing vessel and its barges ran into a railroad bridge near Mobile, and several other accidents involving towing vessels, the Coast Guard changed the licensing requirements for those who operate towing vessels. Those requirements have been gradually implemented since the new rules became final in April 2001.

Towing vessels must now carry a designated master and, if the vessel is operating more than 12 hours in any 24-hour period, a mate (pilot). An apprentice mate (steersman) has no authority to operate these vessels unless he/she is under the direct supervision of a properly licensed master and/or mate (pilot).

Owners, charterers, managing operators, agents, masters or individuals in charge of towing vessels operated in violation of these requirements are subject to a maximum civil penalty of \$27,500.

None of this applies to vessels engaged in assistance towing (defined as towing a disabled vessel for consideration).

The requirements to obtain towing officers' licenses are contained in 46 CFR § 10.463 - 10.466. They are further discussed in Navigation & Vessel Inspection Circular (NVIC) 4-01, "Licensing and Manning for Officers of Towing Vessels." (http://www.uscg.mil/hq/g-m/nvic/index00.htm).



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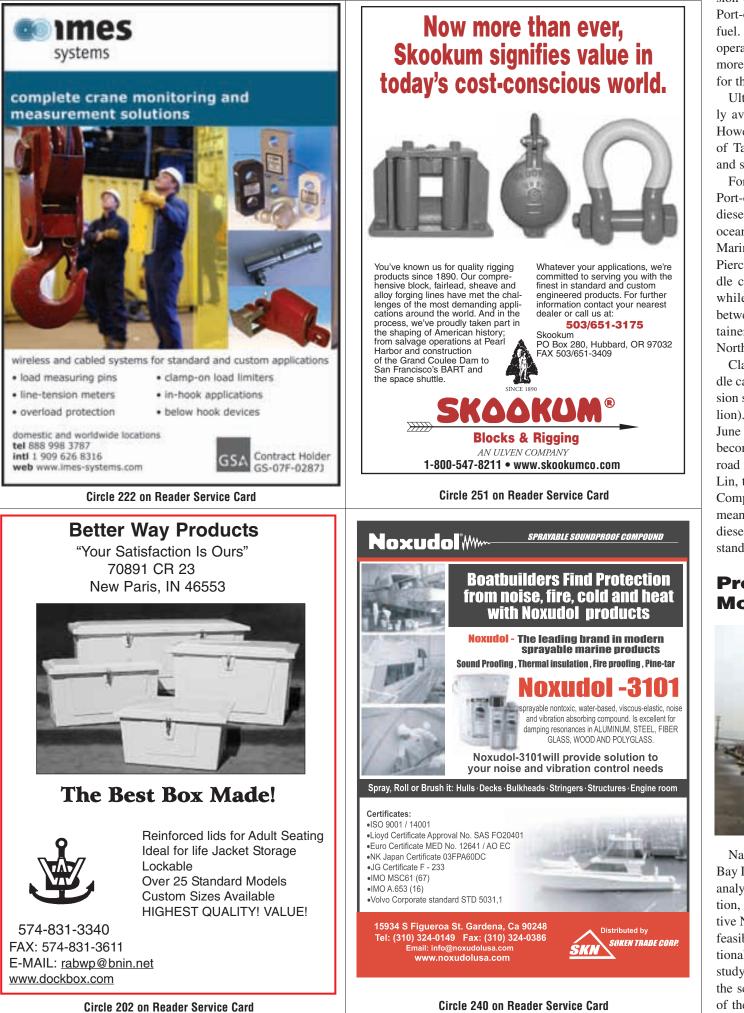


Runyan Joins Genoil

Genoil Inc. announced that James Runyan joined Genoil as Senior Vice President of Engineering and Operations effective immediately. Runyan has significant engineering, procurement, and construction experience, as well as an impressive track record of growing companies.

Switch to Ultra-low Sulfur Diesel

The Evergreen Group has announced that all diesel-powered equipment at the



Port of Tacoma's Pierce County Terminal is required to use ultra-low sulfur diesel (ULSD) fuel.

Evergreen's announcement came just months after the Port of Tacoma Commission directed that all diesel equipment at Port-operated facilities should use ULSD fuel. While the decision increases the operational costs for Evergreen, use of the more expensive fuel has tangible benefits for the environment and the community.

Ultra-low sulfur diesel is not yet readily available at all North American ports. However, US Oil — adjacent to the Port of Tacoma — is a major ULSD refiner and supplier.

For both Pierce County Terminal and at Port-operated facilities, the major users of diesel fuel are straddle carriers. Serving ocean carriers Evergreen Marine, Hatsu Marine and Lloyd Triestino, the 171-acre Pierce County Terminal utilizes 34 straddle carriers. The Port of Tacoma, meanwhile, operates 38 straddle carriers between Husky Terminal, Olympic Container Terminal and the Port-operated North Intermodal Yard.

Classified as non-road vehicles, straddle carriers have a federally set SO2 emission standard of 5,000 ppm (parts per million). This limit will become 500 ppm in June 2007. And a SO2 limit of 15 ppm becomes effective in June 2010 for nonroad fuelled vehicles. According to Cindy Lin, the Port's Manager of Environmental Compliance, use of ultra-low sulfur diesel means that Evergreen and Port-operated diesel equipment is meeting the 2010 standard today.

Prospective R/V McArthur Transfer



Naval architecture consultants, Elliott Bay Design Group (EBDG), completed an analysis of repair, reconfiguration, operation, and maintenance costs for the inactive NOAA ship McArthur in support of a feasibility study prepared by SRI International of Menlo Park, Calif. Based on this study, the U.S. Government is evaluating the scope and cost of a proposed transfer of the McArthur, a 175-ft. survey vessel,

to the Utrok Atoll Local Government (UALGOV) within the Republic of the Marshall Islands.

In 1954 the United States conducted atmospheric tests of the hydrogen bomb at Bikini Atoll, part of the Marshall Islands group in the Pacific Ocean. Due to a miscalculation of the effects of one test, Utrok Atoll and its occupants were exposed to the effects of radiation, resulting in long-term health problems and other challenges for the Utrokese. In addition to economic and technical assistance, the U.S. Government is planning to transfer ownership of the vessel to the UALGOV. Prospective use of the would be to transport the Utrok people to and from the atoll to Majuro, the capital of the Marshall Islands, for monitoring of remaining exposure levels. The vessel would also carry cargo, such as food and fertilizer to Utrok, and provide other services in support of the atoll's future development.

As part of the transfer, the U.S. Government wants to be sure the vessel will be meet its intended use and whether other opportunities exist that would make it economically viable, since the transportation mission is not expected to provide long-term economic support for its operation and maintenance. Under a grant from the U.S. Government, SRI was selected by the UALGOV to conduct a feasibility study of the proposed transfer. Working with SRI, EBDG inspected the McArthur and developed an economic forecast of likely operation and maintenance costs. As part of this effort, EBDG reviewed plans and specifications and prepared recommendations for conversion to shared passenger and cargo vessel service. EBDG also calculated the capital costs to meet current regulatory requirements and to provide adequate officer and crew support during the transfer.

Applying years of experience in naval architecture design and planning, EBDG was able to give SRI and UALGOV credible information that will help them improve their lives and their livelihood within the Marshall Islands.

Ocean Marine Hires New Agent

Steve Kokinos, President of Ocean Marine BrokerageServices, Schriever, La., has hired a new sales agent, Josh Ervin of Houma, La. Erwin will be in general sales and in charge of overseeing reconstruction projects for Ocean Marine. Ocean Marine will maintain its main office in Schriever City, La., in addition to the other branch offices located throughout the U.S. Gulf.

New Joint Venture Targets Deepwater Markets

J. Ray McDermott, S.A. and Keppel FELS Limited. are in the process of forming a new joint venture company, to be named FloaTEC, LLC, to provide deepwater and ultra deepwater oil and gas development solutions.

To add to the Joint Venture's offerings, J Ray and Keppel FELS plan to draw upon the purchased patent rights previously owned by ABB for the Extended Tension Leg Platform (ETLP) and Single Column Floater (SCF) designs. Combined with J Ray's existing SPAR technology and Keppel FELS' semi-submersible expertise, FloaTEC, LLC will be in a position to provide a wide range of solutions for deepwater developments.

"We believe that the timing could not be better for this cooperation with our colleagues at Keppel FELS and the establishment of this exciting joint venture," said Bob Deason, president and chief operating officer of J. Ray McDermott, Inc.

"Both companies have developed unique technologies and capabilities over the years and command an attractive



product portfolio, in particular within floating production solutions. This joint venture further strengthens that combined product portfolio and prepares us to take a leading role in global deepwater development prospects."

Eric H. Namtvedt will be named Chief Operating Officer to lead this new company. He will join the JV with over 25 years of experience in the industry.

Namtvedt has worked for a major oil company, the Norwegian government, a global E & C contractor, and an oilfield service and fabrication company, leading projects ranging geographically from the US to West Africa, South East Asia, North Sea and Australia. Namtvedt's experience includes the establishment of joint venture companies, both in fabrication and technology development.

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DHS Security Announces Over \$141M in Port Grants

The U.S. Department of Homeland Security announced \$141.9 million in the fifth round of awards under the Port Security Grant Program (PSGP).

The FY 2005 PSGP fortifies security at the U.S.' critical ports and maritime facilities. PSGP funds address key national priorities by helping to protect ports against small craft and underwater attacks and vehicle-borne improvised explosive devices. The program also funds measures to enhance explosive detection capabilities aboard passenger vessels and associated facilities. "These grants provide another layer of security to help protect ports from terrorism, safeguard nearby communities and ensure the uninterrupted flow of global commerce," said Homeland Security Secretary Michael Chertoff.

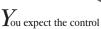
Recipients were selected through a

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competitive peer review process using a new risk-based formula weighing threat, vulnerability and consequence. Consequence considers risks to people, the economy, and national security. Vulnerability involves factors such as distance from open water, number of port calls, and presence of tankers. Threat includes credible threats and incidents and vessels of interest information. The risk formula was developed by subject matter experts who have devoted much of their careers to maritime/port security.

In order to receive funding, eligible port terminals must have submitted an application that met grant guidelines, and requested funding for eligible projects especially projects addressing our national port security priorities. All applications were reviewed by the local United States

Port Area	Federal Award Amount
Anchorage, AK	56,100.00\$
Valdez, AK	567,400.00\$
Long Beach, CA	12,768,629.00\$
Los Angeles, CA	11,447,716.86\$
Oakland, CA	2,887,252.00\$
San Diego, CA	6,495,819.00\$
Bridgeport, CT	1,378,000.00\$
Jacksonville, FL	2,656,000.00\$
Miami, FL	3,373,260.00\$
Port Everglades, FL	600,316.00\$
Tampa, FL	1,676,770.00\$
Savannah, GA	20,750.00\$
Louisville, KY	537,761.00\$
Baton Rouge, LA	162,030.00\$
Lake Charles, LA	1,050,000.00\$
New Orleans, LA	2,006,028.50\$
South Louisiana, LA	1,104,250.00\$
Boston, MA	177,885.00\$
Baltimore, MD	1,028,000.00\$
Portland, ME	1,130,000.00\$
Wilmington, NC	336,856.50\$
Camden, NJ	932,000.00\$
New York/New Jersey	6,616,636.00\$
Portland, OR	3,047,359.00\$
Philadelphia, PA	3,610,296.00\$
Pittsburgh, PA	188,083.00\$
Providence, RI	1,896,612.75\$
Charleston, SC	5,863,685.00\$
Memphis, TN	6,564,498.00\$
Beaumont, TX	6,091,293.00\$
Freeport, TX	2,657,000.00\$
Houston, TX	35,325,116.00\$
Port Arthur, TX	4,135,135.00\$
Texas City, TX	5,885,750.00\$
Seattle, WA	7,298,258.00\$
Milwaukee, WI	397,422.00\$
TOTAL	141,969,967.61\$



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Circle 229 on Reader Service Card



Coast Guard (USCG) port captains and scored on uniform rating criteria. In deference to the experience of port captains who best understand their port vulnerabilities, the PSGP relied heavily upon the recommendation and application scoring of the USCG port captains.

The USCG port captain ratings were reviewed by a regional and national panel of subject matter experts. Successful applications received concurrence by the USCG port captain and the national review panel of subject matter experts.

To maximize security benefits with limited resources, the Department encouraged private companies to apply for grants with the requirement of a 50 percent match. Of the \$141.9 million in awards announced, the private sector matched roughly \$33 million in grants. Through this public-private partnership, port communities will receive more than \$175 million in security enhancements.

For ports impacted by Hurricane Katrina, funds will be held in reserve until proposed security projects are ready to be implemented.

MAR-VEL Awarded Contract

MAR-VEL International has been awarded the new Special Operational Equipment Tailored Vendor Relationship Contract. It is a two-year contract with five one-year options. The performance completion date is August 5, 2007 and is valued at \$130 million. The award by the Defense Supply Center Philadelphia (DSCP) took place on July 26. By virtue of this contract MAR-VEL International will provide Special Operations Equipment to all branches of the Military, Federal Government agencies and Authorized State and Local organizations. The products covered in this contract include lifesaving, diving equipment, tactical equipment, flight deck safety equipment, deck crew safety, personal protection, safety equipment, search and rescue equipment, thermal protection gear and hyperbaric / decompression equipment. MAR-VEL International will provide these items to all authorized ordering activities worldwide.

USDA Takes Action to Ease Grain Transportation

Agriculture Secretary Mike Johanns said USDA is taking additional steps to further reduce stress on the grain transportation system caused by Hurricane Katrina. The actions include assisting with the movement of barges of damaged corn from New Orleans; providing incentives for alternative grain storage; encouraging alternative shipping patterns to relieve pressure; and allowing producers to store USDA-owned corn on the farm with the option to purchase.

"These actions, in conjunction with the tremendous work being performed by the U.S. Army Corp of Engineers, will help the transportation system return to normal as quickly as possible," said Johanns. "The drought is contributing to the stress along the Mississippi River by decreasing the flow, so we are encouraging alternative routes and means of transportation in addition to the steps we are taking to relieve the pressure on farmers and related businesses."

USDA is providing a temporary incentive to assist immediate movement of some 140 barges of damaged corn (over 7 million bushels) out of New Orleans to up-river locations. Once unloaded, the empty barges will continue up the river to load and begin moving new-crop commodities. In addition, to help producers deliver and sell crops in the absence of barge transportation caused by the hurricane, USDA also will pay incentives for alternative storage of up to 50 million bushels of grain. These actions will further ease pressure on producers to market commodities under adverse conditions.

To reduce stress on the Central Gulf transportation and handling system, USDA will provide a transportation differential to cover the costs of moving grain to other transportation modes and handling locations. To further alleviate grain movement into the Mississippi River, USDA will allow producers forfeiting commodities to USDA the opportunity to buy back the grain when their farmstored loan matures at the end of Sept. and Oct. This opportunity to purchase is offered on a state-by-state basis and will be available for 60 days at the posted county price. These producers typically would be required to immediately move the forfeited commodity to commercial warehouses.

Salvage Meeting Postponed

The 2005 National Maritime Salvage Conference, sponsored by the American Salvage Association (ASA), originally scheduled for November 1-3, 2005 in New Orleans, LA, has been postponed until 2006 given the tragedy associated with Hurricane Katrina in the Gulf Coast region. For more information, visit www.americansalvage.org, or call 703-373-2267.

Nola Receives Federal Funding

U.S. Transportation Secretary Norman Y. Mineta traveled to New Orleans to announce the first installment of federal funding and the deployment of additional resources to repair damage inflicted by Hurricane Katrina on the area's transportation systems.

The Secretary also visited the Port of New Orleans which resumed commercial cargo operations, just over two weeks after the hurricane. He announced that two additional ships from the U.S. Department of Transportation's Ready Reserve Fleet, the State of Maine and the Wright, were on their way to provide additional support to help get the port up and running. While visiting the port, Secretary Mineta inspected the Diamond State, a ship from the Ready Reserve Fleet being used to repair the port and house relief workers. Two other ships from the fleet, the Sirius and the Cape Kennedy, also are at the port to provide emergency housing and office space.



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Salvage Ops in New Orleans

Donjon-SMIT, performed a salvage operation on the Hurricane Katrina ravaged Mississippi River in New Orleans, La.

The Chios Beauty, a bulk carrier, ran hard aground at Mile Marker 93.2 while in ballast. The vessel grounded on August 29 after breaking free from the Praline Dock as a result of hurricane force winds. The vessel was reported to be intact with a total of 21 crewmembers and one passenger aboard at the time according to the U.S. Coast Guard. During an initial refloating effort, a local pilot boarded the casualty and attempted to pull



the Chios Beauty afloat with five tugs, but was unsuccessful. Owners then quickly contracted Donjon-SMIT to respond. Donjon-SMIT mobilized a Salvage Master and a four-man salvage team to the scene by tug from Sabine Pass given the transportation difficulties in the New Orleans area to determine the extent of the grounding and the necessary assets required to remove her. After conducting a survey, preparing and having its salvage plan approved by the U.S. Coast Guard, Donjon-SMIT discharged the remaining water ballast and utilized two tugs to effect the refloating. The Chios Beauty was refloated on September 3 by a combination of controlled bottom scouring from a tug's propeller wash and pulling until the vessel broke free.

Grants and Loans from SCI

In the wake of the two hurricanes that destroyed many businesses and lives in the Gulf of Mexico, Seaman's Church Institute (SCI) chaplains in the Gulf Region and the Port of New York & New Jersey and are on-site providing counseling and pastoral care, and the Institute is making grants and interest-free loans through SCI's Mariners' Assistance Fund. In the wake of this disaster, SCI is working to increase the funding available through its Mariners' Assistance Fund to assist these mariners and many others who will need help in the weeks and months ahead. Donations can made by calling Seamen's Church Institute at 212-349-9090 Ext 245 or online at www.seamenschurch.org

WorkBoat Show Cancelled

In the wake of the devastating damage caused by Hurricane Katrina, the International WorkBoat Show, scheduled for November 30 - December 2, 2005 in New Orleans, La., has been cancelled. The 2006 International WorkBoat Show will take place November 29 - December 1, 2006.

Seminar Focus on Shallow Draft Ports

In the aftermath of two hurricanes that wreaked havoc on communities, ports and waterways along the Gulf Coast earlier this month, the American Association of Port Authorities' (AAPA) inaugural Shallow Draft Ports seminar, was held at the Sheraton Station Square Hotel in Pittsburgh, Pa., on Oct. 5-6. It added the emphasis of helping the maritime industry rise to the challenge of recovering and rebuilding their facilities.

Addressing the dilemma of hurricane recovery was American Association of Port Authorities (AAPA) Chairman and Port of New Orleans President/CEO Gary LaGrange. Following LaGrange's presentation, a panel of maritime operations and policy experts examined the storms' impacts on ports. Moderated by Port of Palacios (Texas) Port Director Tony Ridon, the panel will feature U.S. Army Corps of Engineers Policy and Planning Chief Tom Waters, who leads the Corps' Mississippi Valley Integration Team.

Worth Hager, president of the National Waterways Conference, said AAPA's joint conference is a great way to help shallowdraft ports the world over examine the need for strategic relationships and future partnerships with their deep-water counterparts. "AAPA's seminar will showcase the tremendous economic contributions that shallow-draft ports and harbors make to a nation's economy," she said. "Here in the U.S., about 68 percent of the cargoes handled by deep-water ports originate or terminate in the shallow-draft ports and harbors. This demonstrates the value of the shallow-draft ports to the U.S. freight system and it points up the need for increased investment by the federal government to assure these benefits continue." According to R. Barry Palmer, president and CEO of Waterways Council Inc. (WCI), America's inland and coastal waterways system moves more than \$312 billion in domestic cargo and ships more

than 1 billion tons of grain, coal, steel, petroleum products and aggregate materials a year. "The barge and towing industry alone adds \$5 billion annually to the U.S. economy, carrying 15 percent of the nation's commerce for just 2 percent of the freight bill," he said.

Similarly, Tom Allegretti, president and CEO of the American Waterways Operators (AWO)-said AWO member companies move more than 800 million tons of cargo annually.

Tidewater Reports No Damage

Tidewater has not experienced any injuries to its personnel, or any damage or interruption of service to any of its vessels currently serving the oil and gas industry in the Gulf of Mexico as a result of Hurricane Rita. The company's main operational base in Amelia, La., was also unaffected except for limited power and telephone outages. The Company does not expect that there will be any material impact on its ability to respond to customer needs or to its ability to fulfill current contract commitments as a result of either Hurricanes Katrina or Rita. No international operations of the Company were affected by Hurricanes Katrina and Rita. The company's main headquarters in New Orleans remain inaccessible and may not be able to be occupied for the next several months as a result of the significant damage to the surrounding area from Hurricanes Katrina and Rita. The company continues to operate fully under its emergency preparedness plan.



LEGAL BEAT

Changes to U.S. Taxation of Shipping Income

By Brett M. Esber

The tax law signed by President Bush in November 2004, called the American Jobs Creation Act of 2004, includes two significant changes to the tax laws applicable to shipping income. As an initial matter, the reader should be informed that these new tax laws apply only to income from the operation of vessels in the foreign commerce. They do not apply to income generated from the operation of vessels in the domestic, or Jones Act, trades. However, U.S. companies that currently operate, or might be interested in operating, vessels (either U.S. or foreign flag) in the foreign trades (U.S./foreign or foreign/foreign), should be aware of these new tax laws and the significant opportunities they create for more competitive and profitable operation of vessels in the foreign trades.

The two changes included in the Jobs Creation Act are (i) the creation of an "alternative tonnage tax" for income from the operation of certain U.S.-flag vessels in the foreign commerce, and (ii) the removal of "foreign base company shipping income" from subpart F of the Internal Revenue Code. The size of this article does not permit discussion of both changes to the tax laws. For that reason, it will focus on the second change -- the change to subpart F. In 1962, Congress added subpart F to the Internal Revenue Code. Subpart F was intended to prevent deferral of taxation of certain income generated by foreign affiliates of U.S. taxpay-Initially, shipping income was ers. exempt from subpart F. Therefore, U.S. shipping companies could continue to defer U.S. taxation on income generated from international shipping activities by conducting those activities through an offshore affiliate.

In 1975, subpart F was amended to include "foreign base company shipping income" for the first time. However, an exclusion was provided for income reinvested in shipping operations. In 1986, however, Congress repealed the shipping income reinvestment exclusion, and thereby subjected all income from international shipping activities to current income taxation. This change was a response to the perception that shipping income was not taxed anywhere in the world (not where the vessel owner was domiciled or where the vessel operated), that prior U.S. tax laws encouraged an outbound flow of capital, and that the change would remove existing incentives to flag vessels outside the United States registry.

The full inclusion of shipping income in subpart F did not have the desired effects. Instead, it resulted in a steady sell-off of the effectively controlled U.S. foreign flag vessel fleet. U.S. companies (e.g., American President Lines and Sealand) were sold to foreign investors that are not subject to current taxation on their international shipping income. Future U.S. investment in international shipping was, for the most part, limited to taking minority positions to avoid classification of the vessel operating company as a "controlled foreign corporation" subject to current taxation under subpart F.

The Jobs Creation Act has turned U.S. tax policy around by removing foreign base company shipping income from sub-

part F. As a result of the change to subpart F, U.S. companies and investors can now defer U.S. taxation on their income from international shipping activities indefinitely by moving or establishing those activities offshore. This article will discuss where these opportunities exist and who can take advantage of them.

Who Can Take Advantage of Revised Subpart F?

The benefits of revised subpart F are available to U.S. companies (i.e., companies that are ultimately U.S. owned) that currently own or operate vessels in the foreign commerce or that are interested in expanding into those trades. For this purpose, the term "foreign commerce" means the trades (i) between the U.S. and a foreign country, (ii) between two foreign countries, and (iii) between two points in the same foreign country (unless the vessel operator is organized, and the vessel is registered, under the laws of that country). Shipping in the U.S. domestic, or "Jones Act" trades will continue to be reserved for U.S.-built, U.S. flagged ves-







LEGAL BEAT

sels that are owned and operated by "U.S. citizens." The income from those vessel operations will continue to be subject to current U.S. income taxation. Generally speaking, revised subpart F will primarily benefit U.S. companies that own or operate, or desire to own or operate, foreign flag vessels in the foreign commerce. This is not because revised subpart F does not apply to income generated from the operation of U.S. flag vessels in the foreign commerce. Rather, it is because very few U.S. flag vessels are operated in the foreign commerce. Where such vessels are operated in the foreign commerce, opportunities exist to benefit from revised subpart F. The remainder of this article will discuss some of the opportunities created by revised subpart F. It will begin with a discussion of opportunities in connection with the operation of U.S. flag vessels (where opportunities are somewhat limited, but do exist), and will then discuss opportunities in connection with the operation of foreign flag vessels.

Opportunities for U.S.-Flag Vessel Operators

As mentioned above, revised subpart F applies only to income generated by the operation of vessels in foreign commerce. Due to the high crew costs and U.S. regulatory requirements associated with the operation of U.S.-flag vessels, there are

few instances where U.S. flag vessels can profitably operate outside the protected Jones Act trades. However, where U.S.flag vessels can profitably operate in the foreign commerce, revised subpart F will provide opportunities for significant tax savings. Such opportunities exist for companies engaged in the carriage of preference cargoes, and companies interested in expanding existing domestic services to include adjacent foreign trades.

Opportunities for Companies That Carry Preference Cargoes

Companies that carry preference cargoes should consider restructuring to take advantage of revised subpart F. In general, the cargo preference laws require that the cargo move on a U.S. flag vessel, but do not require that the vessel operator be a U.S. citizen. Some contracts may be classified (i.e., require a security clearance), in which case only a U.S. citizen may be the contractor. However, assuming the contract is not classified, the contractor (i.e., the company that will bid on and perform the contract) may be an offshore company formed under the laws of a low tax jurisdiction. This provides an opportunity to benefit from revised subpart F. To take advantage of revised subpart F, the U.S. company involved must (i) form an operating company in a low tax jurisdiction, and (ii) transfer operating

control of the vessels to the offshore operating company. The transfer of operating control can be accomplished by either a bareboat or a time charter. A bareboat charter is preferable from tax standpoint, as it allows the transfer of more income offshore. However, a time charter is more practical from an operational standpoint, as the vessel will be provided with a crew. If a bareboat charter is used, the offshore company will need to have labor agreements with the U.S. maritime unions, or must enter into a crewing agreement with a company (presumably its onshore affiliate) that has such agreements. Once operating control of the vessel is transferred to the offshore company, the offshore company can bid on and perform government contracts to move the preference cargoes. Restructuring in the manner provided above could provide significant tax benefits. While the bareboat or time charter hire paid to the U.S. vessel owner will continue to be subject to U.S. income taxation, tax on the earnings from the government contract would be deferred until the income is repatriated in the form of a dividend.

Opportunities for Expansion

Another opportunity for U.S.-flag vessel operators is expansion; both expansion of existing U.S.-flag vessel operations into the foreign trades, and expansion into

foreign-flag vessel operations for the first time. Take the company carrying preference cargoes. If this company restructures to transfer operating control of its vessels to an offshore company, that offshore company should consider using the vessels to carry commercial cargo in foreign trades. The income earned will not be subject to current U.S. income taxation. Consider a company operating U.S. flag vessels exclusively in the Jones Act trades. That company might consider expanding its vessel operations to include some nearby foreign trades. For example, a company operating in the U.S. Southeast or Gulf regions might consider expanding its operations to the Caribbean, Central or South America. In that case, tax benefits can be obtained by having the income earned on the carriage of cargo in the foreign trades (i.e., from the U.S. to Caribbean, Central or South American ports or between those ports), earned by an offshore company. The offshore affiliate could charter space on the vessel during the U.S. legs of the voyage and perhaps take the entire vessel on voyage charter during the foreign legs of the service. U.S.-flag vessel operators may also consider simply expanding into foreign flag vessel operations.

(Continued on page 39)





Circle 200 on Reader Service Card

Circle 261 on Reader Service Card

GULF OF MEXICO REPORT

Katrina Delivers Near Knock-Out Punch

By Larry Pearson

From Shell's Mars platform in the Gulf of Mexico (GoM) to the casinos along Mississippi Sound, Hurricane Katrina has ravaged Gulf Coast marine interests.

Oil Patch

"It's a mess," said Mark Pregeant, operations manager for Grand Isle Shipyards, summing up the feelings of thousands of maritime workers who were displaced by the storms, business owners who depend on business to the marine industry and operators of vessels who supply the rigs and platforms. A boat trip shows just how extensive the damage is to above water rigs and platforms and even gives an indication of the problems with subsea infrastructure.

"Gas is bubbling to the surface from many under sea infrastructure breaks and many rigs were sunk or moved," Pregeant said.

The storm was a Category 5 Hurricane with sustained winds of 175 miles and wave heights to 35 ft. when it moved through the GoM the night of August 29 and the morning of August 30.

The Minerals Management Service reports that Katrina damaged 12 rigs,

including five that are likely to be scrapped. Of the 12, three were semi-submersibles that suffered only the loss of ballast and are listing. In addition there was damage to 30 platforms with 18 being a total loss. There is undoubtedly more damage than what has been officially reported, as surveys are incomplete.

The most severe damage was to the Rowan New Orleans, a 250-ft. jackup, which was sunk and the Diamond Ocean Warwick that was blown 66 miles by the Hurricane and washed up on Dauphin Island Ala.

Transocean's \$330 million semisub

Deepwater Nautilus was moved 80 miles off its pre Katrina position and has significant damage to its risers and subsea systems.

Shell's huge Mars platform, 162 ft. high and 1.5 acres on its largest level was badly damaged. The rig was station about 130 miles southeast of New Orleans in 2900 ft. of water.

Mars received extensive damage due mainly to the H&P 201, a rig located on the topsides of the Shell platform. H & P 201 looks like a total loss.

Mars is a \$550 million Tension Leg Platform (TLP) capable of producing

Charles Bondi, Chief of the Port Sulphur Volunteer Fire Department, speaks with friends who came to look at their boat, in front of a pile of wreckage well inland near Empire, LA. (Photo: Don Sutherland.)



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A portion of the C-Port building #2 used primarily by Edison Chouest Offshore. A portion of the building has been destroyed. (Photo Credit: Sun Herald, Biloxi)

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147,000 barrels of oil and 157 million cubic ft. of natural gas a day.

The impact of Hurricane Katrina and Hurricane Rita is a major one, especially on the production of gas and oil. Cumulative shut-in oil production for the period 8/26/05-9/22/05 was 28.4 million barrels that is equal to just over 5 percent of yearly production in the GoM. On the gas side for the same period, 131.7 BCF of gas has been shut in, about 3.6 percent of yearly production.

Shipyards

As is the case with all Hurricanes, just a few miles can make all the difference in the world in damage. The VT Halter Marine Shipyard in Pascagoula, Miss. was one of the two closest shipyards to the eye of the storm. "All three of our yards were flooded and everything on the ground such as welding machines were destroyed," according to Communications Director Cynthia Borries. The yards also lost its two NC cutting machines and suffered extensive damage to buildings

The vessels on land and in the water survived the disaster. "Our two LSTs were moved about 300 yards and beached in marsh about four ft. deep. But a beached condition is a normal operating condition for these vessels anyway," Borries.

The Henry B. Bigelow, a NOAA Fisheries Research vessel was still on land when the storm hit but was lashed down and survived.

"We have had welding machines on order since the storm hit and new building



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The Isle of Capri casino barge, parking garage and other structures totally demolished. (Photo Credit: Sun Herald, Biloxi)

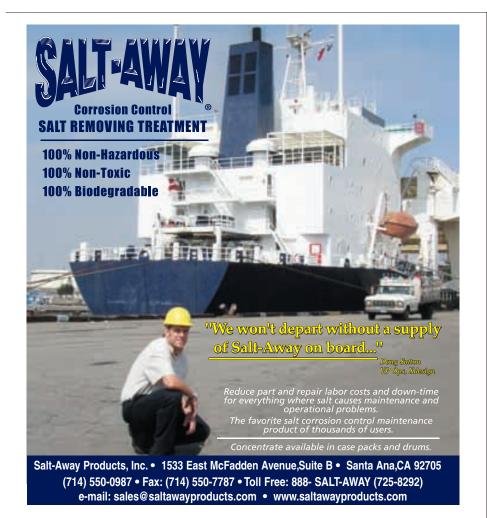
will replace those damaged beyond repair, Borries reported.

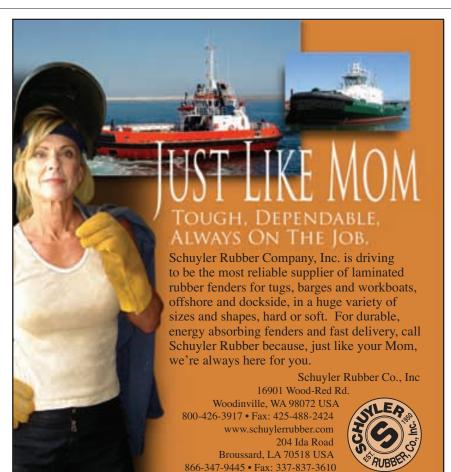
"Our President Boyd "Butch" King was an expert in logistics in the military, so that training is invaluable as we move closer to resuming production," Borries said. Northrop Grumman Ship Systems with shipyards in Pascagoula and New Orleans has asked its employees to return to work. Both shipyards have restored sufficient power to resume shipbuilding activities on many of the 11 military and Coast Guard projects underway at the yard.



What's not in this photo is why the offshore industry lost no vessels during Hurricane Katrina. Not a single vessel was in Port Fourchon during the hurricane. They were all out to sea riding out the storm. Normally there are over 250 vessels in this busy port at any one time. Photos by Houma Courier

In Louisiana, it is more of a case of getting workers to return to their jobs rather than damage to shipyard buildings and equipment. Bollinger Shipyards, Lockport, La. has been bringing its almost two dozen facilities back on line as employees return and communications improves. Like many coastal maritime facilities,





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Bollinger closed all of its shipyards on September due to the threat of another killer storm Hurricane Rita.

Further away from the coast, the crew/supply boat builders in Loreauville experienced no down time at all.

Vessel Operators

The one sector of the marine industry that suffered minimum damage was the offshore vessel operators. The largest operator, Tidewater, reported that all of their fleet was safe.

Edison Chouest Offshore, Galliano, La. suffered substantial damage to their C-2 facilities at Port Fourchon. However they report that all customer needs are being met. Their corporate office in Galliano reopened recently.

Hornbeck Offshore Services, Covington, La. also announced that it did not experience any damage to its fleet of off-

A huge section of one of the two Grand Casino Gulfport gaming barges was thrown on U.S. 90. In this sequence of shots, the 50-ft. barge is demolished by explosives so the highway could be cleared. (Photo Credit: Sun Herald, Biloxi)



"Rick's Place" AKA Copa Casino wound up on the land side of U.S. 90. (Photo Credit: Sun Herald, Biloxi)

shore vessels including those under construction or conversion at various GoM shipyards. The company did say that while there was no physical damage to their corporate offices, the surrounding area was without power, Internet connectivity and telecommunications services.

Hornbeck executives established temporary offices at the offices of their legal counsel in Texas while services are being reestablished in Louisiana.

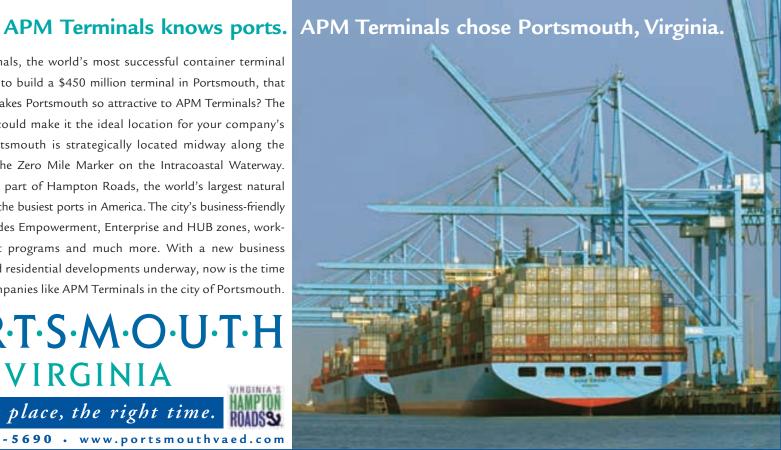
Casino Barges

No segment of the marine industry was



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as devastated as the 13 gaming barges in Gulfport and Biloxi, Miss. All of the gaming barges have been closed and many completely destroyed. The high rise hotels and entertainment facilities suffered varying degrees of damage.

For example, a huge barge of Grand Casino Gulfport was literally lifted out of the water and landed across Highway 90, blocking the main access road in the area. On September 21, three controlled explosions brought down the 50-ft. structure so it could be broken up and carted away in order to reopen Highway 90.

A couple of miles inland, Imperial Palace have turned its 1,000-room hotel into a safe haven for FEMA workers and employees of Mississippi Power and others. Since Imperial Palace was not directly on the beach, their damage was less. The company has set a date of Christmas Eve or New Years' eve for reopening.

All of the casinos have vowed to rebuild their facilities, but possibly not in the same spot.

The Harrison County Board of supervisors unanimously approved a resolution asking the Legislature to amend state low to allow casinos to move ashore within 1,500 ft. of their present locations. No action has been scheduled by the legislature on this proposal.

The Steamboat Natchez and John James Audubon, vessels of the New Orleans Steamboat Company, escaped Hurricane Katrina by sailing for a safe harbor in Baton Rouge, La.



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Q&A

An Interview With Mike Abrashoff

By Joe DiRenzo III and Chris Doane

Leadership. Many people, from talk show hosts, to athletes to politicians have opinions about what the word means and what it takes to practice true effective leadership.

The Merriam-Webster's on-line dictionary definition is 1 : the office or position of a leader,

2 : capacity to lead; and 3 : the act or an instance of leading. But what does it really mean to be an effective leader, especially within one of the most challenging and diverse industries in the world?

As the maritime industry faces the challenges inherent in a global economy that depends on a just in time delivery system, the need for exceptional leadership is higher than ever. Recently the authors had the opportunity to interview best selling author and speaker Mike Abrashoff, whose two books, "It's Your Ship" and "Get Your Ship Together", use examples from his maritime experience as the Commanding Officer of USS Benfold, an AEGIS class destroyer. At the time he assumed command of Benfold, he was the most junior officer commanding a combatant in the Pacific Fleet, taking over a command that had morale and retention issues. Abrashoff went to work immediately re-instilling in his crew a sense of purpose, pride and teamwork. When he left command two years later, Benfold had the highest retention level in the fleet and was also awarded the highly coveted Spokane Trophy signifying the highest degree of combat readiness of any ship in the U.S. Pacific Fleet. He did it by seeing the ship's functions through the "eyes" of his crew and by creating a sense of responsibility and accountability amongst the crew.

A graduate of the United States Naval Academy Class of 1982, Abrashoff has been stationed in locations all over the world. As a former Military Assistant to former Secretary of Defense William Perry he has witnessed decision making and leadership at the highest levels of government.

Both his books reflect a leadership system Abrashoff developed which he has dubbed Grass Roots Leadership. He places an emphasis on listening skills and instilling a sense of shared responsibility.

MN: Tell us about your background,

specifically what things influenced you growing up especially at the Naval Academy?

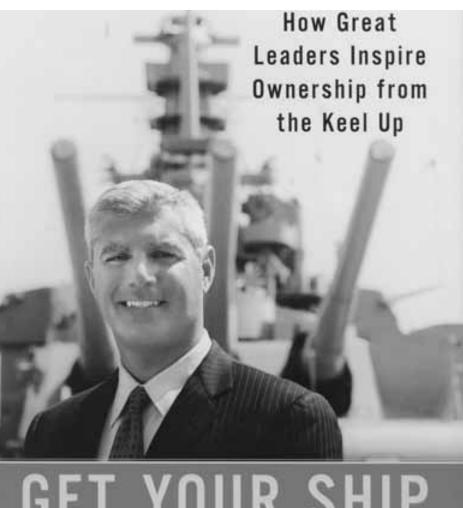
MA: I grew up in the small town of Altoona, Pennsylvania which had few jobs. My appointment to the Naval Academy was my ticket out. In retrospect, looking back at my time both in the Navy and Naval Academy, I have to admit that some of the lectures we had during our Plebe Summer had the biggest impact on me and not the formal leadership classes. In particular, there was a lecture series of former Vietnam Prisoners of War, such as Captain Richard Stratton, who flew A4E's,that made a huge impact on me. I kept asking myself if I had the strength of character and valor that these men exhibited. I was struck by what they did to stick together to survive. When I took command of Benfold I asked myself - Do I have the Right Stuff...to do the right thing? Do I have the moral courage that these heroes had if I am ever called upon? It is a question we should all ask ourselves.

MN: If the POWs, who lectured at the Naval Academy were your biggest influence, who is your role model?

MA: In the first book I mention that former Secretary of Defense William Perry was and has continued to be my role model. To be a successful leader you need to be technologically proficient...you need to have great technical skills....you need to understand what is going on, especially on a warship or merchant vessel. If you combine these skills with courage and dedication you will be great leader. Secretary Perry was a great leader for all these reasons. He treated everyone with respect. He listened to them. He helped people to grow instead of cutting them down. He was authentic, genuine and above all else, humble. I saw the effect it had on people. They became loyal and dedicated and as I watched all of this, I asked myself What's keeping me from being William Perry to my crew?

MN: Why a book? You had an exceptional Navy career - why a book on leadership and management?

MA: Our ship was featured in a "Fast Company" magazine article that got a tremendous response. I was asked by the magazine to give a speech in Naples, Fl at a leadership seminar in front of 1,000 people. I paid my own way over and later



Michael Abrasho Former Commander, USS Benfold, and bestselling author of It's Your Ship

found out that I was one of only three keynote speakers. I actually followed world renowned motivational speaker Tom Peters. Talk about nervous. I got no sleep the night before. I spoke and got three standing ovations. The message struck a cord. I then started getting calls from literary agents asking if I was interested in writing a book. The first call I dismissed, after about the sixth call I started thinking differently. Maybe I could write a book...I was certainly passionate about the issue of leadership. I called my 80 year old mother and told her I was going to write a book. Her response was...You don't even read books!

MN: What has been the response to Grass Roots Leadership and both

books?

MA: Just a few days ago I received an email from a publisher in Poland, and also one from a Brazilian publisher. They want to translate the books into Polish and Portuguese respectfully. Grassroots leadership is being used by a leadership development group for training in locations such as China and Malaysia to include the maritime industry. Here in the United States the book is being taught at the Navy's Surface Warfare Officers School (SWOS) in Newport. Additionally, I've been invited to speak at Harvard and MIT about leadership, two places I would have never been able to get into as a student. I think the book has caused debate, especially in the Navy, which is a good thing. We need to do better for our people.



Perhaps the best indication of the impact that the books have had is the reception they have received within the business community. I have found that American corporations admire the military. They admire the military for our courage, honesty and valor. When I give a speech people often look to me as a representative of the military and all that we stand for. Overall the response has been better than I ever imagined.

MN: What is your best and worst memory of command of a warship?

MA: My worst memory was personally one of the most devastating things I've ever experienced, which also caused me to re-evaluate my own values. I was sitting talking with a 19 year old Electronic Technician onboard Benfold and I asked him how he liked the ship. The young sailor looked me straight in the eye and said he hated it, which took me back. I asked why...he said that he hated the ship, hated the Navy and wanted to get out. I followed up letting him know that on the outside he would make 60 to 70 thousand dollars a year as an electronics technician. He again looked me in the eye and said...I don't want to be an Electronics Technician. I want to be a social worker. I responded by almost laughing, stating that

my father was a Social worker and had not made a lot of money. He responded that he had been in and out of foster homes all his life, and that if he became a social worker he would be able to make sure children he was responsible for were not treated the way he was. This stopped me in my tracks. Here was a young person half my age, never knew his parents, but wanted to make a difference even if he wasn't going to make much money. I had always placed a high emphasis on placing money at the top of what I considered success. I was personally embarrassed that I felt this way and it took a 19-year old to point it out. It was a meeting I would never forget. Regarding my best memory in command - every day was great, heck I would have done the job for free.

MN: Two chapters in "It's Your Ship" talk about leading by example and listening aggressively, are they mutually exclusive topics?

MA: Absolutely not! I was told by someone that I cared deeply about that I didn't listen very well. I tend to be one who does a lot of transmitting and not a lot of receiving. What I have learned is that you can help lead by really listening to what people say. There are nuggets to be found in every conversation and a smart leader understands that.

MN: You mention in your book the need to build up your crew as a key to success — that quality of life is important - is this applicable to the maritime industry?

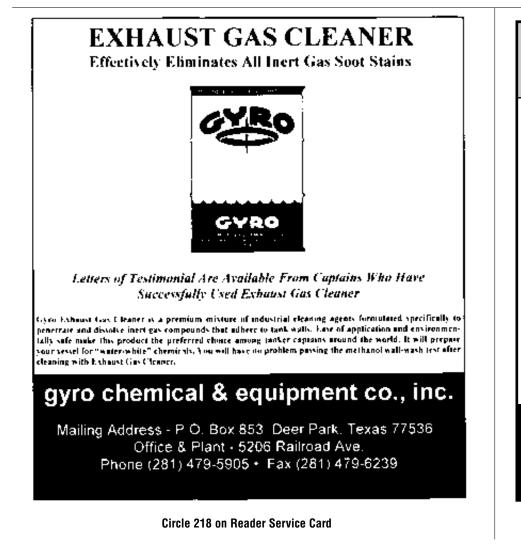
MA: I started walking around the ship and found myself talking to a sailor in the ship's Combat Information Center (CIC) and we talked about advancements. It dawned on me that my whole career people had busted their butt to help me get promoted and that now that I was in a position to do something I should think along the same lines. People want to care for their loved ones. They want to advance. They want to feel good about their jobs and advance. When I took over Benfold, we didn't even match the Navywide average for advancements. When I left we had almost three times the average. I did this by considering the people. For example, a week before the advancement example people were given time off from regular duties to study. People were not given the mid-watch before an exam as happens at many commands. We started gearing our training towards what would help the sailors advance. The results speak for themselves. This same approach could be applied to any aspect of the maritime industry - putting the basic needs of people first.

MN: Looking at the Maritime Industry, as a whole, is there one specific aspect that would benefit from using the principals of grassroots leadership?

MA: I have a feeling that within the maritime industry that there is great opportunity to use grass roots leadership. Many of the crews on merchant ships come from vastly different backgrounds and cultural differences. How do you get them to realize their strengths and capabilities? We focus too often on diversity issues - differences, rather than how we can bring everyone together as a team. I think the focus on a merchant ship should be how to best blend the strengths you have.

MN: Any final thoughts on leadership?

MA: There are so many good things that come from better leaders. Discipline improves under great leadership. In the merchant industry, important issues like safety would improve under great leadership because accidents would be reduced. You do this by putting those who are on the deck plates in charge. Great leadership means doing the right thing by your people instead of doing the right thing for your own personal career.



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MEGAYACHTS



As the world of yacht architecture and design continues to evolve into ultra contemporary styling with wild elliptical curves, severe angles and curious shapes, one couple, Ray and Elsie Catena are committed to recapturing the splendor, grace and charm of an era gone by in their newest yacht, a 143-ft. (44m), fantail cruiser, Sycara. Ironically, Mr. & Mrs. Catena, a very well-known yachting family, also own a classic / contemporary-styled 188 ft. (57m) megayacht, Sycara III. However, the vision and plan for the two yachts are as diverse as the yachts are themselves. This project is the culmination of a dream the Catenas have had for more than twenty years. While they've cruised distant ports of the world with the other vessels they've designed and built, the vision for this "family yacht" is to see America and its surrounding waters such as the Great Lakes, the barge system canals, its rivers and the Intracoastal Waterways. As the yacht is designed with a relatively shallow draft and seakeeping characteristics it will also make regular excursions to the Bahamas and the Caribbean.

After numerous design efforts over the years by various naval architects and

designers and after visiting and considering many different shipyards to bring their vision to reality, it became clear to the Catenas that Burger was the choice. Burger had the history of designing and building classically-styled yachts, but they also had the experience of actually building similar yachts during the early 1900's.

From the initial design brief to a fully developed plan, there has been a collaboration between Mr. and Mrs. Catena, their project manager Steve Narkawicz and the entire Burger Design Team. Bruce King designed the hull with its classic schooner bow and fantail stern, the Burger Design Team created the exterior styling, Craig Beale of Pure Detail developed the interior layout and Ken Freivokh will collaborate on the interior design and exterior This past January, successful details. tank testing was completed at the Davidson Laboratory of the Stevens Institute giving everyone great confidence in the performance criteria of the hull. Svcara will be ABS Certified and among other technical and design elements and will be the first American yacht using the ultrahigh strength and corrosion resistant alloy, Alustar.



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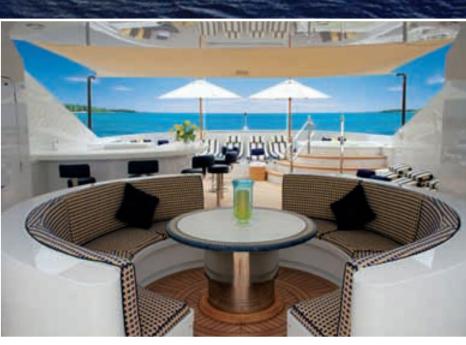
By Larry Pearson

This assignment started out as a review of the activities of the country's largest builder of megayachts, Trinity Yachts of New Orleans, La. As often the case, the story has turned out to be much more than originally scoped.

At the end of August, Hurricane Katrina struck Trinity Yachts, along with the rest of the businesses in New Orleans and the surrounding area. In the case of Trinity Yachts, flooding was a major problem for a few days but it is now dry according to Felix Sabates, the chairman of the company.

"Three of the yachts that were afloat when the storm hit the yard, but all came through with only a few scrapes" Sabates said. The Leda, Lady Florence and Zoom Zoom Zoom were in the water at the production facility when the storm hit and three other vessels were in the fabrication sheds on land.

While the production facility is closed



at this time, Trinity Yachts has moved their administrative offices to Baton Rouge temporarily while repairs commence at the France Road yard.

Trinity is beset with the same problem many shipyards in Louisiana now face. The workforce has been literally scattered all over the southeast and much of the country. The skilled craftsmen that make their megayachts so special need to return to work before production can resume.

11 12001

Trinity is doing all they can to help displaced workers who when they do return to the New Orleans area are likely to find damaged or destroyed residences.

Figuring into the reopening effort is another announcement from Trinity Yachts, the purchase of a second shipyard ABOVE: The 180-ft. tri-deck Mia Elise on sea trials. The vessel has a steel full displacement hull and an aluminum superstructure.

LEFT: A favorite dining spot on the Mia Elise is this area on the top deck

in Gulfport, Miss. The old Halter Marine yard is being purchased by Trinity who has signed a letter of intent.

"This purchase will more than double our capacity and reduce the delivery time for our customers," said John Dane III, president and CEO of Trinity.

This new facility will also give the company the space to locate more than 100 housing units for employees and subcontractors during the post-Hurricane Katrina period.

The new shipyard has over 392,000 sq. ft. of covered building area that will enable Trinity to build 8-10 megayachts at the combined facilities.

"There is a long tradition of shipbuilding in the area and therefore a great labor pool of talented craftsmen number over 700 when production was at its peak," said Sabates.

While Hurricane Katrina has put a "speed bump" in Trinity Yacht's plans it will not impact deliveries. The aluminum tri-deck motor yachts 157-ft. Lady Linda,





A bedroom of the Mia Elise.

the 156-ft. Lady Florence and the 161-ft. Zoom Zoom Zoom are all on schedule for 2005 delivery.

In 2004, Trinity had a banner year delivering four motor yachts, the 141-ft. Positive Carry (an interesting name for those familiar with accounting terminology), the 157 ft. Janie, the 155-ft. White Star and the 180-ft. Mia Elise, the first full displacement steel hull built for a yacht in 70 years.

Speaking of the launch of the Mia Elise, Chairman Sabates said, "It was an exciting moment for us ushering in a new era in American yacht building giving owners a viable, American made world class alternative to the finest European builds in full displacement steel hull motor yachts."

The superstructure of the vessel is aluminum. Total height is 54.5 ft. from the waterline to the top of the mast satellite dome. Beam is 33 ft. with an 11-ft. draft.

The Mia Elise is powered by a pair of Caterpillar 3512 B engines rated at 1600 hp each at 1600 rpm. The soundproof engine room also has a pair of 160 kw generators to generate electricity. The propulsion package also includes a 200 hp bowthruster. The Mia Elise has a maximum speed of 15.5 knots and a cruise speed of 14 knots.

Cruising range is 5,000 nautical miles at 10 knots with a 10 percent reserve. Fuel capacity is 27,450 gallons. Other capacities include 6,300 gallons of fresh water, a

For a more formal and elegant dining experience the Mia Elise features this dining room on the main deck



300-gallon sewage tank and 4,050 gallons of gray water. Helicopter operations in the touch and go mode for arriving/departing guests or medical evacuations is available.

There is also a 99 kW emergency generator on board. To keep the vessel stabilized in all seas, the Mia Elise has a two-fin three-stage digital control system.

The Mia Elise can accommodate an owner's party of 12 in 6 staterooms with en suite baths finished in mahogany. Each of the guest's staterooms is located below deck. There are three king berths, one with twin berths and a full beam VOIP cabin with his/her baths. All four decks feature elevator service.

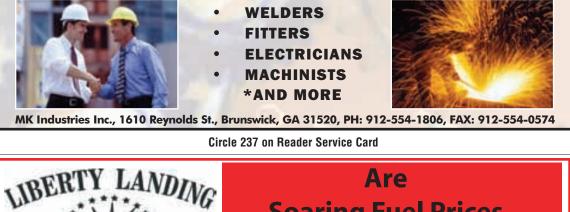
The full beam owner's suite is located forward on the main deck accessible through the owner's private office. The suite also includes his/her closets, an elegant sitting area and an en suite bath that includes a whirlpool tub and a marble shower.

There are several elegant dining options available for the owner. The enclosed dining room can seat the entire owner's party up to 12 guests. The air-conditioned aft



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exterior main deck can be used or the full beam sky lounge for more informal occasions.

The crew of 12 to 14 have very comfortable accommodations with five crew cabins located forward of the guest cabins below the main deck. Each cabin has its own bath and shower.

This area also has a large crew lounge with full entertainment facilities. There is even a second crew lounge located below deck accessible from the first through a stairway. The lower level area also has a laundry area going aft through a passageway with watertight doors. A walk-in cooler/freezer is also in this area along with a garbage freezer.

The passage way runs the full length of the yacht to allow the crew to maneuver anywhere within the yacht including the machinery room, without going outside and is a great benefit during inclement weather and also allows the crew to service the guest without being intrusive.

The engineer and the captain have quarters located close to their duties. The engineer quarters has a double berth aft of the engine room and the captain's stateroom is aft of the pilothouse and includes a queen berth and a full bath/shower.

The Mia Elise was delivered to its owner in November 2004.

Trinity Yachts ranks eight among 46 megayacht builders worldwide based on the number of projects and is the largest of six metal yacht builders in the United States. In 2005, Trinity expects sales of \$150 million with a backlog of \$300 million. In 2000, the company could build two vessels annually. Today that number is five and when the new facility in Gulfport is fully functional that number will double to 10.

Much of Trinity's business is in "trading up", according to Dane. Of the 11 vessels in the backlog, seven are for former customers. "The reason why we have so many repeat customers is because everyone of them made money selling their boats," Dane added.

"The Trinity name and the product have appreciated over time," Dane believes.

Other factors have been key in the expansion of the megayacht market. The widening gap between the U.S. dollar and the euro is an example. The dollar has fallen more than 45 percent against the euro since 2002, making domestically sold products much less expensive in the global marketplace. "Right now our boats appear very cheap compared to our European competitors," Dane said.

For 2006, Trinity Yachts will launch three vessels followed by five new builds in 2007.

A key marketing tool for Trinity Yachts

and other builders of these luxury craft that typically start at \$25 million, is the Ft. Lauderdale Boat Show. For 2005, Trinity will show four vessels, none of which has

ever been in a show.

Trinity will have on display the aforementioned 180-ft. Mia Elise and three vessels in the 150-161-ft. range, the Zoom Zoom Zoom, Lady Florence and Imagine. This will be the largest initial display of new yachts 150 ft. and over in the history of the Ft. Lauderdale show.



MEGAYACHTS

Skipperliner Launches Ovation

SkipperLiner announced the hull launch for Ovation, a new 138 x 28 ft. luxury yacht. The passenger vessel is being constructed for Infinity Yacht Char-ters. Ovation will offer private charter events for corporate functions, weddings, and fund-raisers and is scheduled to begin cruises in June 2005. The Ovation will be moored at Jefferson Beach Marina in St. Clair Shores, Mich. The yacht



will take charters from Lake St. Clair along the affluent Grosse Pointe Shoreline and down the Detroit River to the Ambassador Bridge. Ovation is U.S. Coast Guard certified under Subchapter K, with an estimated light ship of 212 long tons, estimated full load departure of 244 long tons and an estimated total capacity of 325 passengers. Deck arrangements and styling services were completed by SkipperLiner. Naval architecture and engineering services were completed by Timothy Graul Marine Design of Sturgeon Bay, Wis. The first deck of this tri-level yacht features a magnificent full-length dining salon with a clear span design; no posts interrupt the space. The second deck is an entertainment space equipped with a full service bar, cocktail lounge area, private bridal/executive suite and outdoor aft deck with a weatherproof canopy. The third deck includes an extensive open air sun deck, a second full service bar and the pilothouse. Propulsion is by a pair of Caterpillar 3406 CTA engines, developing 480 hp at 2100 RPM. Electrical generation is by a pair of Cummins 6CTA 8.3M generator sets, developing 150 kW at 208 volts/3 phase. HVAC is by a Cruisair 672,000 BTU water- cooled reverse cycle self contained heat pump system. The Wesmar hydraulic bow thruster is rated at 125 hp.

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Circle 214 on Reader Service Card

Trinity Opens Second Shipyard



Trinity Yachts signed a Letter of Intent to purchase a second shipyard to expand their capabilities for building and repairing luxury custom superyachts.

According to Felix Sabates, Chairman, "This is a very proud and exciting time for us, despite the recent hurricane that slightly damaged our New Orleans yard, our plans of expansion for 2005 are still on track as originally expected."

John Dane III, President and CEO stated, "With the purchase of this second facility, our capacity has more than doubled and will enable us to meet the demands of our customers to reduce the delivery time as well as increase capacity. Our New Orleans yard will be the center of an expanded Repair & Refit focus while still remaining very much a part of the new build process and enabling us to provide an all round better service for our clients." The spectacular modern shipyard based in Gulfport, Miss., has more than nine acres (392,040 sq. ft./119,493 sq. m) of covered building area situated on approximately 50 acres/20.5 hectares of land. This new facility combined with the existing 10 acres/4 hectares (435,600 sq. ft./132,770 sq. m) of covered buildings on 38 acres/15.5 hectares at the New Orleans yard, provides Trinity Yachts with a very large capacity to create up to 8-10 megayachts annually for the yachting industry and the capability to build up to 400 ft. (122 m) in length. The main construction building has a height of 90 ft. (27.43m) allowing Trinity to build five (5) deck yachts. Due to the damages caused by Hurricane Katrina in the New Orleans and Gulf Coast areas, expansion plans are underway for the Gulfport facility to provide 100 housing units for displaced employees or sub-contractors.

Sabates added, "We have always felt the combination of New Orleans, La. and Gulfport, Miss., has such an advantage over the rest of the country because of its location. There is a long tradition of ship building here and therefore a great labor pool of very talented craftsman. At its peak, this facility employed over 700 shipbuilders. Also the geographical location makes it very easy for communications, transportation (via rail, road and water) and most importantly for our clients to access with an International airport only 10 minutes away."

During 2005, Trinity yachts has begun to set several benchmarks being the first United States Superyacht builder to launch a steel displacement yacht of a size not seen in over 70 years with the M.Y. Mia Elise Then with the launch in June of M.Y. Zoom Zoom Zoom as Trinity's fastest semi displacement yacht under conventional power using for the first time the two (2) Caterpillar 3516B HD. rated marine engines creating a powerful 3,384 bhp each.

Sabates concluded, "Now with the increased capacity to build larger and faster luxury custom superyachts, despite hurricane Katrina's fury, it seems there is no stopping Trinity Yachts."

MPT Receives SQA Approval

Maritime Professional Training of Fort Lauderdale, Fla., has been recognized as an approved examination center by the Scottish Qualifications Authority (SQA). This approval will enable Yachting Professionals to take their MCA Engineering Examinations at MPT's Campus.

MPT will now add all of the MCA Yacht Engineering Programs to their extensive list of approved courses offered year round. MPT will launch all of these courses in the Fall 2005, just in time for mariners to obtain their training either before or after the Fort Lauderdale International Boat Show. These courses are all approved by the MCA and certificated through the National Sea Training Center at Northwest Kent College in the United Kingdom. Gordon Winchester, an MCA Chief Engineer Unlimited with 30 years of sea going experience joins MPT's Faculty as the assistant director of engineering. Winchester and MPT's Engineering Director, Elmer Morley, have worked together to assemble an impressive curriculum that will be a perfect blend of theory and practical training leading the mariner to full MCA Certification, including Oral Exam Preparation.

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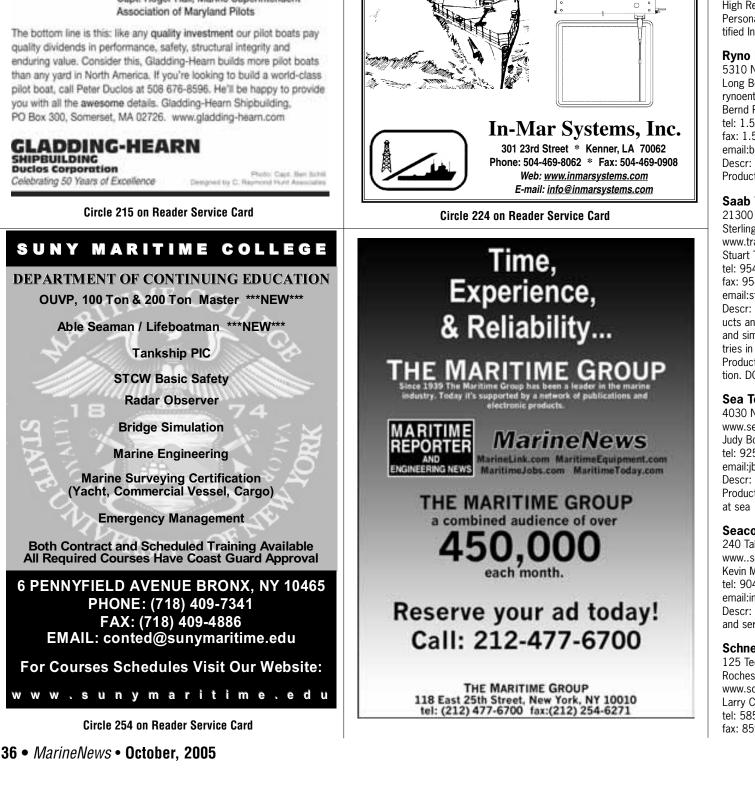
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Carlisle & Finch Lights the Way



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MICAD Launches Website

MICAD Marine Systems launched MicadShop.com, making MICAD Marine Specialty Products (MMSP), manufacturer of marine aftermarket products is available direct to vessel owners worldwide on line at www.MICAD-SHOP.com. A debut product carried on MICADSHOP is: MICAD Valu-Brite 17in. Monitor SRP \$3,875 The Valu-Brite marine industry. Products: steering systems, alarm systems, cargo control systems, winch controls, fire detection systems,

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Tank Cleaning CD/Video

Gamajet Cleaning Systems, Inc. offers a CD/video presentation available free of charge that highlights the company's "Better Way To Clean" tanks and vessels.

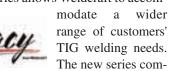
Tank cleaning information, product demonstrations and detailed product data are available for the entire Gamajet line of Impingement Cleaning Machines and accessories.



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Weldcraft Debuts New Line

Weldcraft plans to offer the new Legacy Series TIG torch product line beginning October 1, 2005. The addition of the Legacy Series allows Weldcraft to accom-



plements the Crafter and WP Series by Weldcraft. The Legacy Series consists of core TIG products, including 9, 17, 18, 20 and 26 series torch packages, each of which is available in rigid, valved, flex and flex-valved versions.

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systems. Products: Marine Electronics,

Technical Services Company

3334 E. Coast Highway, #428 Corona Del Mar, CA 92625 Robert Gehlke tel: 714-434-3566; fax: 949-760-0516 email:techservco@adelphia.net Descr: Engineering and Distribution company Products: Internal Communications/Audio Systems, Dynamic Positioning, Power Products (battery chargers, power supplies, converters, and inverters), Engine Controls and Vessel Alarm

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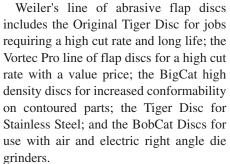
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Weiler Offers Tiger Abrasive Flap Discs

Weiler Corporation offers its Tiger Disc line of abrasive flap discs for applications such as weld blending, grinding, deburring, deflashing, stock removal, and surface finishing. Tiger abrasive flap discs can be used to grind and finish in one

step. Tiger flap discs have increased durability and a longer lifespan, because as the Tiger Disc wears down, new abrasive grain is continuously exposed.



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Nicholson Offers FTE Series Float

Nicholson Steam Traps offers the FTE Series, high capacity, float and thermostatic steam traps in sizes 0.5 to 2-in., for pressures from 5 to 464 PSI and temperatures to 850°F.

The FTE Series Float and Thermostatic Steam Traps are available with cast iron, ductile iron or cast steel bodies and offer the following features: stainless steel therwww.transasusa.com George Toma tel: 206-838-3000; fax: 206-838-7900 email:sales@transasusa.com Descr: Marine Technology Solutions. Transas USA, Inc. markets, sells, delivers, and supports the full range of Transas innovative reliable and unique products. Products: The company's range of high-technology products includes onboard navigation systems and equipment, a broad range of maritime simulators, Vessel Traffic Service systems

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mostatic element which eliminates air



binding; below condensate level seat design to prevent steam leakage; discharge capacity up to 31,000 gallons of condensate per hour; stainless steel float and lever mechanism

for improved performance and prolonged steam trap service life; in-line reparability and resistance to water hammer and corrosion

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McMurdo Launches ICS NAV-7

Suitable for all vessels required by legislation to fit a GMDSS NAVTEX receiver, the ICS NAV-7 paperless NAVTEX receiver is for use by all commercial ships, large yachts, tugs, workboats and any vessel that wishes to voluntarily comply with the SOLAS convention. ICS NAV-7 is designed to support reception of all three IMO NAVTEX frequencies and provides simultaneous dual channel monitoring of two channels. The 518 KHz English language service is always in view and either 490 KHz national language or 4209.5 KHz long range services can be selected and viewed at the same time. The ICS NAV-7 range includes an OEM unit for bridge integration.

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(Continued from page 18)

Opportunities for Foreign-Flag Vessel Operators

This is where the real focus of activity will be with respect to revised subpart F. According to MarAd statistics, as of July 1, 2004, there were only 931 foreign-flag self-propelled oceangoing vessels of 1,000 gt or more under effective U.S. control (i.e., ultimately U.S. owned). This number is a small fraction of the effectively controlled U.S. merchant fleet that existed in the early 70s. Many believe that this dramatic reduction in the effectively controlled U.S. foreign-flag fleet was due in large measure to the inclusion of foreign base company shipping income in subpart F. As a result of that tax policy, many U.S. shipping companies sold a controlling interest in their foreign-flag vessel operations to foreign investors, and further U.S. investment in foreign flag shipping was greatly reduced.

By removing foreign base company shipping income from subpart F, Congress has essentially undone the bad deed. The effect of this change should be to reverse the trend of the last 30 years (the sell-off of the effectively controlled U.S. foreign flag fleet) and to promote U.S. investment (or reinvestment) in international shipping.

This can occur in two ways. First, U.S. shipping companies may now reacquire a controlling interest in foreign-flag vessel operations without subjecting the earnings from those operations to current U.S. income taxation. Second, U.S. shipping companies should be encouraged to expand their foreign-flag vessel operations or enter into foreign-flag shipping for the first time.

The tax advantages of revised subpart F

are easily obtained with respect to the operation of foreign flag vessels, as these vessels need not be owned by a U.S. company (as is the case with U.S. flag vessels). The structuring or restructuring required to take advantage of revised subpart F, is fairly straightforward, and can be summed-up in a single sentence. Simply put, to take advantage of revised subpart F, the company earning the income to be shielded from current U.S. income taxation must be an offshore company formed under the laws of a low tax jurisdiction.

Let's take an example. A U.S. company is currently engaged in international liner shipping. It currently operates foreignflag vessels in foreign commerce, mainly between the U.S. and the Caribbean and Central and South America. Its foreignflag vessels are registered under the laws of several nations, including the Marshall Islands and Liberia. Each vessel is owned by a special purpose subsidiary formed under the laws of the country where the vessel is registered. To take advantage of revised subpart F, the carrier must establish an operating company ("OpCo") in a low tax jurisdiction to conduct the foreign-flag liner shipping business. Operating control of the various foreign flag vessels must be transferred to OpCo. This can be done by either a bareboat or time charter. In most cases, a bareboat charter will be preferable. The benefits of this structure should now be obvious. By conducting the liner shipping business through an offshore affiliate, the income generated by that business will not be subject to U.S. income taxation until repatriated in the form of a dividend.

Opportunities for Vessel Owners

Under old subpart F, the income from chartering a vessel to a third party was included in "foreign base company ship-

ping income," and was therefore subject to current taxation if earned by a controlled foreign corporation (CFC). The removal of shipping income from subpart F means that a U.S. person (company, individual, trust, etc.) can purchase a vessel through an offshore affiliate and charter the vessel out. The income earned on the charter will not be subject to current U.S. income taxation. When the vessel is sold, any gain realized on the sale will also be tax deferred until the dollars are repatriated to the U.S. in the form of a dividend. This creates an opportunity for U.S. persons to invest in ships as incomegenerating assets.

Opportunities for Large U.S. Based Distribution Companies

Opportunities also exist for large, vertically integrated, U.S. distribution companies with significant shipping requirements. Some of these companies (e.g., companies in the perishable foods industry and companies in the petroleum industry) already operate their own vessels. The change to subpart F will make the operation of these vessels more profitable on an after tax basis. To take advantage of revised subpart F, these companies must operate their vessels through an offshore affiliate organized in a low tax jurisdiction. It is important to note that U.S. income taxation cannot be deferred on the freight earned on the carriage of propriety cargoes. That income will be considered "foreign base company services income," and will be subject to current U.S. income taxation. Taxation may be deferred, however, on the income earned from carrying third-party cargoes. The operations of the offshore company may be structured in several different ways. The offshore shipping affiliate may carry the proprietary cargoes, or it may voyage charter the vessel on the "back-haul" leg, or may charter shots on the primary voyages for the carriage of third party cargoes.

The most significant opportunity created by revised subpart F is the opportunity for U.S. companies and investors to engage in international shipping activities on equal terms with foreign companies and investors. Companies operating U.S.flag vessels in the preference cargo trades should consider restructuring to take advantage of revised subpart F. Companies currently operating U.S.-flag vessels in any trades should consider expanding their operations to include the foreign trades, either using existing U.S.-flag vessels or purchased or chartered foreign-flag vessels. U.S. companies currently operating foreign-flag vessels in the international trades must consider restructuring their operations to take advantage of revised subpart F, and should consider expanding their foreign-flag vessel operations in light of revised subpart F. U.S. companies and investors may consider investing in foreign-flag vessels as income-generating assets. Large U.S.-based distribution companies should consider restructuring their existing shipping function or bringing the shipping function in house for the first time.

About the author:

Brett M. Esber is a partner in the Washington, D.C. office of Blank Rome LLP. His practice areas include international and domestic commercial transactions, corporate law and finance. As a member of the Firm's Marine Transportation Group, Mr. Esber has specialized expertise and experience handling commercial transactions for companies involved in the shipping industry, including shipyards, shipowners and ship operators. He can be contacted at esber@BlankRome.com.

NOTES

1 Because the change to subpart F is intended to allow deferral of U.S. income taxation, it will benefit only those companies currently subject to U.S. income taxation. This includes companies that are ultimately owned by U.S. resident investors (i.e., people or entities subject to U.S. income taxation). A company that is not ultimately U.S.-owned (i.e., a company that is ultimately foreign-owned) could structure itself to avoid U.S. income taxation on its international shipping activities even under old subpart F.

2 Revised subpart F also applies to income from "ocean activities." These include any activity conducted on or under water not within the jurisdiction of the United States, a U.S. possession or a foreign country, and not giving

rise to transportation or international communications income. Examples of "ocean activities" would include deep-sea exploration, operation of science or research vessels and fish processina.

3 It does not appear that opportunities exist for U.S.-flag vessels participating in the MSP program. Because those vessels must be owned and operated by U.S. citizens the income cannot be earned an offshore company.

4 Various U.S. cargo preference laws require that certain government-impelled cargoes be carried on U.S. flag vessels. In general, the cargo preference laws apply to military cargoes (100%, unless there is no U.S.-flag vessel available at reasonable rates for U.S.flag vessels). Ex-Im Bank cargoes (100%), civilian agency cargoes

(50%), and humanitarian food aid cargoes (75%).

5 MarAd Section 9 approval is not required to bareboat charter a U.S.-flag vessel to a non-U.S. citizen, provided that the vessel will not operate in the U.S. coastwise trades.

6 The U.S. transfer pricing rules will apply to the bareboat or time charter between the U.S. vessel owning company and the offshore operating company. The transfer pricing rules require that transfers of goods or services between affiliates that cross a tax border be exchanged at fair market prices. This prevents the shifting of income from one tax jurisdic tion to another by the use of above or below market prices for the exchange of goods or services. To satisfy the transfer pricing rules and obtain the greatest

benefit possible from revised subpart F, the charter hire rate should be set at the lowest level consistent with the transfer pricing rules.

7 It is important to note that there will be transfer pricing considerations, even if the vessel owning company and OpCo are both offshore companies. Assuming that the vessel owning company and OpCo are ultimately U.S.-owned, both will be considered a controlled foreign corporation (CFC). In that case, the earnings of the vessel owning company from the bareboat or time charter will be considered "foreign base company services income", which would be currently taxed under subpart F. For that reason, a bareboat charter will be preferable to a time charter. In either case, the charter hire rate should be kept as low as possible, consistent with the U.S. transfer pricing rules.

Last month MN omitted author information on the Legal Beat column, which was authored by Jonathan K. Waldron.

Waldron is a partner and chair of the Maritime, International trade, and Procurement practice at Blank Rome LLP, where he specializes in maritime, international and environmental law. Mr. Waldron was Senior Counsel with the Marine Spill Response Corporation, where he provided on-scene legal advice at major spill events. His experience includes 20 years in the Coast Guard. Mr. Waldron is a visiting professor at the Massachusetts Maritime Academy.

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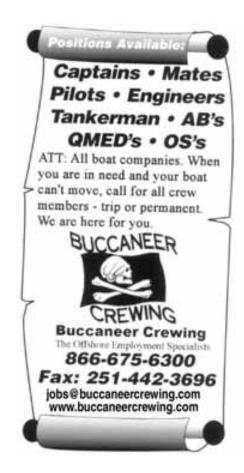


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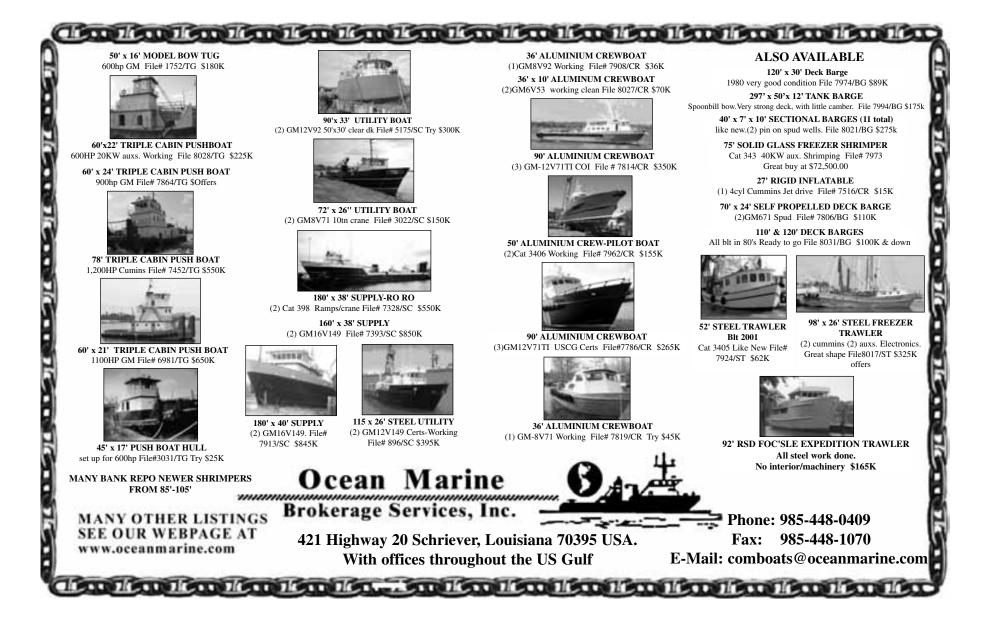
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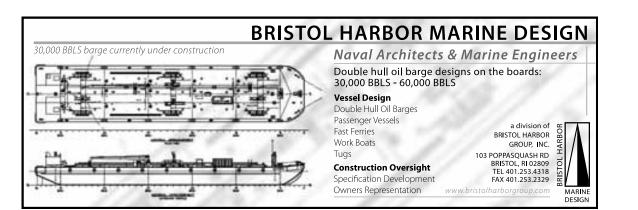


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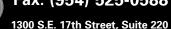
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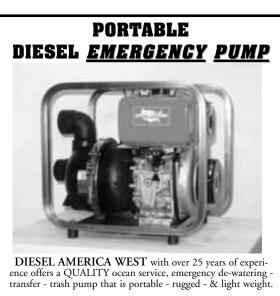


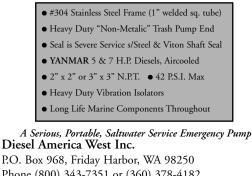


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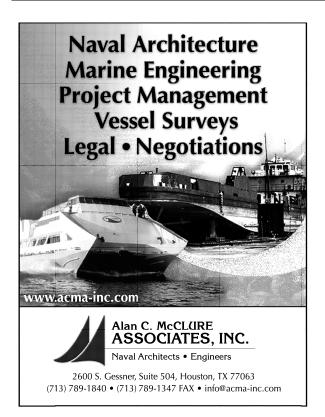
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