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P.O. Box 146 - WACHAPREAGUE, VIRGINIA 23480

Telephone - 757-787-2525

Fax - 757-787-2230

Website - [www.cibpubs.com](http://www.cibpubs.com)

E-Mail - [cibpubs@dmv.com](mailto:cibpubs@dmv.com)

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## MARITIME AGENDA



December 6 - Washington, D.C. - Annual Holiday Party - Propeller Club, Port of Washington DC - Contact: James B. Mead - 202-331-7395 - e-mail: [james.mead@bkalogistics.net](mailto:james.mead@bkalogistics.net).

December 6-7 - Shanghai, China - PorTech Asia 2005 - Contact: [www.globaleaders.com](http://www.globaleaders.com).

December 8 - Newark, NJ - Newark Club, Containerization & Intermodal Institute - 2005 Connie Luncheon - Contact: 732-817-9131 or [cii@bsya.com](mailto:cii@bsya.com).

### 2006

January 11-13 - Jacksonville, FL - AAPA Facilities Engineering Seminar - Contact: 703-684-5700 - [www.aapa-ports.org](http://www.aapa-ports.org).

January 30-31 - Washington, DC - MarineLog Maritime & Port Security 2006 Conference & Expo - Contact: 212-620-7200 - [www.marinelog.com](http://www.marinelog.com).

February 20-March 2 - Hong Kong - China Maritime 2006 - Contact: [marinfo@baird.com.au](mailto:marinfo@baird.com.au) - [www.baird.com.au](http://www.baird.com.au).

April 27 - Washington, DC - Smithsonian Institution, National Museum of Natural History - History of Containerization Foundation, Gala Celebration to Mark 50<sup>th</sup> Anniversary of Containerization - Black Tie - Contact: 866-520-HOCF or [info@hocfoundation.net](mailto:info@hocfoundation.net)

Items in **Red** Indicate New or Modified Listing

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### Editorial Staff

**Robert P. Cazalas**, President  
**Jimmy LaRoue**, Editor/Vice President

**Telephone:** (757) 787-2525

**Fax:** (757) 787-2230

**Email:** [cibpubs@dmv.com](mailto:cibpubs@dmv.com)

**Address:** P.O. Box 146  
Wachapreague, Virginia 23480

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**PRESIDENT BUSH SIGNS TRANSPORTATION, TREASURY BILL, INCLUDES FY '06 MARAD FUNDING AND \$156 MILLION FOR MSP**  
*[H.R. 3058]*

President Bush has signed into law H.R. 3058, the Transportation, Treasury, and Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.

Among other things, the combined appropriations legislation includes FY '06 Maritime Administration funding, with \$156 million being allocated for the Maritime Security Program (MSP).

A total of \$21 million is being earmarked for disposal of excess U.S. government ships. The Title XI loan guarantee program was provided \$4.126 million for administrative expenses. No funding was provided for the National Defense Tank Vessel Construction Program.

**UNITED STATES AND EUROPEAN COMMUNITIES REACH AGREEMENT ON ENLARGEMENT COMPENSATION PACKAGE**

U.S. Trade Representative Rob Portman announced yesterday that the United States has reached a trade agreement with the European Union (EU) regarding the EU's May 2004 expansion. The agreement consists of a comprehensive package of EU trade concessions to compensate the United States for tariff increases that the EU implemented as a result of that expansion. It also reduces several EU tariffs and expands a number of EU tariff rate quotas and will enhance and strengthen market access opportunities for U.S exports to the EU market for a broad range of agriculture and several industrial goods. Negotiated under GATT rules, the agreement is subject to approval by the EU Member States and is expected to go into effect during 2006.

"I am pleased we have been able to negotiate a good compensation package that expands market opportunities for U.S. exporters," said Ambassador Portman. "The United States supports EU enlargement. There are, however, explicit rules in the GATT regarding how trading partners must be compensated when a customs union is formed. We have worked with U.S. industries affected by enlargement in order to uphold our rights."

The agreement was initialed in Brussels this morning and will be signed once the EU Member states approve the agreement. Ambassador Portman also thanked the U.S. Department of Agriculture and the U.S. Department of Commerce for their assistance in the negotiations.

***Key elements of the deal include:***

- The EU will permanently reduce tariffs on protein concentrates, fish (hake, Alaska Pollack, surimi), chemicals (polyvinyl butyral), aluminum tube, and molybdenum wire.
- The EU will open country-specific tariff rate quotas for U.S. exports of boneless ham, poultry, and corn gluten meal.
- The EU will expand existing global tariff rate quotas for beef, poultry, pork, rice, barley, wheat, maize, sugar, fructose, preserved fruits, fruit juices, pasta, chocolate, food preparations, petfood, live bovine animals and sheep, and various cheeses and vegetables.

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- As part of broader discussions on EU enlargement, the EU had agreed earlier to expand the maximum quantities allowed in licensing applications for imports into the EU of pork. This measure went into force in March 2005.

### **Background**

On May 1, 2004, Estonia, Latvia, Lithuania, Poland, Slovakia, the Czech Republic, Slovenia, Hungary, Cyprus and Malta acceded to the European Union. The 10 new members were required to change their tariff schedules to conform to the EU's common external tariff schedule, resulting in increased tariffs on certain imported products. Under General Agreement on Tariffs and Trade 1994 (GATT 1994) Articles XXIV: 6 and XXVIII, the United States is entitled to compensation from the EU to offset some of these changes. The expansion of EU quotas to account for the addition of 10 new countries and more than 75 million new EU consumers was another key element of the negotiations.

If the U.S. and the EU had not been able to reach this agreement, the U.S. had the right to raise tariffs on an offsetting amount of imports of products of which the EU is the dominant supplier.

## **SENATOR COLLINS URGES PRESIDENT BUSH TO RESTORE FUNDING FOR SHRINKING NAVY FLEET**

### *Requests an Increase in the Pentagon's Shipbuilding Budget Citing the Dd(x) Program*

Senator Susan Collins, a member of the Senate Armed Services Committee, has sent a letter urging President Bush to propose an increase in the FY 2007 Department of Defense (DoD) budget that would begin to restore the nation's shrinking U.S. Navy fleet. Collins is calling on the President to provide increased and consistent shipbuilding funding not subject to annual budget cuts in order to enable Congress, the Navy, and the shipbuilding industrial base, including Bath Iron Works, to plan for the future, increase the size of the fleet, lower costs, and maintain a stable shipbuilding industrial base.

### ***Following is the text of the letter:***

Dear Mr. President: I am writing to urge you to propose an increase in the Defense Department's topline fiscal year 2007 budget to adequately meet the many ongoing needs of our military, particularly the need for additional shipbuilding funding. I am deeply concerned with the decreasing size of the United States Navy, and believe that the funding allocated to shipbuilding has not been adequate to sustain the numbers of ships necessary to meet future national security requirements. The fleet of the U.S. Navy has dropped from 594 ships in 1987 to 281 ships today—the smallest Navy in our nation's history since the First World War. For the last 12 years, we have been ordering an average of just six new ships a year. This is the lowest rate of naval ship production since 1932. If continued, our Navy soon will shrink to a fleet of 180 ships. The Navy's fiscal year 2006 shipbuilding plan only calls for the construction of four new ships—two fewer than the Navy planned last year and far short of what is required to preserve today's fleet in the long-term. Budget constraints led to the drastic reduction in the acquisition and funding for DD(X) destroyers in December 2004. All of the Congressional defense committees have attempted to help the Navy's shipbuilding program by adding funding for the next fiscal year and by approving alternative funding policies, but these efforts alone are not sufficient. The budget requests submitted to Congress for the shipbuilding and conversion account for the last five years have averaged just over \$9.5 billion a year, with only \$8.7

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billion in the fiscal year 2006 budget request. During an April 12th Seapower Subcommittee hearing, Admiral Clark, the former Chief of Naval Operations, testified that, "The low rates of procurement, combined with the year-to-year instability and lack of predictability in funding, are profound threats to our shipbuilding industry. In the shipbuilding world, they want and need long-term stability. They need this. In the design area, they need to be designing new platforms. We're at a watershed period in our history." He went on to say that the 325 number, as presented in the Navy's recent 30-year interim report on shipbuilding as the high range number, is "my 375-ship Navy with new concepts applied to it, and that's where I'd love to be. Now, I believe that it will take \$14 billion or \$15 billion over time to do that."

The effectiveness of our Navy, however, relies upon the continued enhancement of the fleet's strength and size. The Senate Armed Services Committee, in its report accompanying the National Defense Authorization Act for Fiscal Year 2006, stated: "The committee believes that the shipbuilding budget must be reviewed by the administration as a matter of utmost urgency," and that "the President consider establishing a special shipbuilding fund, which would be funded apart from the normal give and take within the Department of Defense budget process." I am requesting that your fiscal year 2007 budget allocate the amount of funding necessary for shipbuilding and conversion, budgeted without prejudice to other procurement needs in the DoD budget, even if this requires an increase in the topline.

Consistent funding at this level will enable Congress, the Navy, and the shipbuilding industrial base to plan for the future and implement acquisition and production reforms to lower the cost of shipbuilding. The additional funding and efficiencies will sustain the number of ships at or around the minimum 300-ship level. We must not jeopardize our country's ability to counter current and future threats to our national security, particularly at a time when we face critical defense and humanitarian challenges around the world. While it is crucial that the federal government be fiscally responsible in this time of escalating deficits, it is essential that we provide robust resources to our men and women in harm's way as part of our sacred obligation to them and to their families. As a member of the Senate Armed Services Committee, I look forward to continuing my work to strengthen our fleet and all branches of our military. I appreciate your consideration of this important request.

### **ASSISTANT U.S. ATTORNEY GENERAL SAYS PILOT PORT SECURITY PROJECT BASED ON COOPERATION**

Project SeaHawk, the pilot port security effort helping to protect Charleston and the nation from terrorist threats, is mainly about working together, the project's director said Wednesday.

"It's a bunch of cops with guns and we have computers which is nice," said Sean Kittrell, the assistant U.S. attorney who directs the effort.

But SeaHawk, which had its beginnings almost three years ago, is more than that. It is almost 50 local, state and federal agencies working together to assess threats that could enter the country through Charleston.

Each day, at an operations center, representatives of key agencies gather to exchange information on ships arriving in Charleston, the nation's fourth-busiest container port.

"We're an economic juggernaut for the country and that makes us an economic target," Kittrell said.

Charleston is also a military target and many of the supplies for the war in Iraq pass through either the port or the Charleston Air Force Base, he said.

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"The real issue is you can move cargo, people, weapons and terrorists from any entry point," he added. "Seaports make great targets. Containers make great weapons and we know al-Qaida wants to bring stuff in."

There really is no one center for maritime security and that was one of the things that led to the development of SeaHawk, Kittrell said.

"The U.S. Attorney's office does task forces all the time," he said. But when you put all the law enforcement agencies under this umbrella they can share resources and combine efforts. The most important part of SeaHawk is putting people in the same room to share information, he said.

"You get to see linkages between events that might not otherwise be found" by an individual agency, he said.

Using the U.S. Attorney's office has helped ease turf battles.

Kittrell said the Charleston effort was set up as a pilot. He said there are other task forces in the nation that use the Navy or the Coast Guard as the lead agency.

"If the project is deemed viable, people may decide to extend the project or replicate it elsewhere," Kittrell said.

One of the challenges for the operation is communications, he said, noting not all agencies use the same radio frequencies so they can't directly communicate.

He said SeaHawk has money to operate through 2008.

About 50 people, including representatives from local, state and federal agencies as well as from businesses heard Kittrell speak as part of a security conference.

### **FORMER U.S. MARITIME ADMINISTRATION COUNSEL JOINS PRESTON GATES ELLIS & ROUVELAS MEEDS**

Preston Gates Ellis & Rouvelas Meeds announced yesterday the addition of *John Marquez* to the firm's Maritime Practice as of counsel. John has more than a decade of experience in maritime, fisheries and environmental law, most recently serving as an attorney for the U.S. Maritime Administration in the office of the Chief Counsel. While residing in Gulfport, Mississippi, he will work with the Washington, D.C. office, helping to serve the needs of the firm's maritime clients.

"John will be a valuable resource to our firm and clients," said *Manny Rouvelas*, chairman of Preston Gates Ellis & Rouvelas Meeds. "He brings knowledge, experience and perspective on maritime legal issues and government decision-making that will help us continue to provide exceptional service to our clients."

Prior to joining Preston Gates, Marquez was an attorney advisor for the Maritime Administration, an agency of the U.S. Department of Transportation, in the Office of Chief Counsel in Washington, D.C. In this capacity, he helped the Administration comply with the Merchant Marine Act of 1936 and the Shipping Act of 1916, among other maritime statutes and regulations. He oversaw the implementation of the American Fisheries Act for the Maritime Administration and provided guidance to the Maritime Subsidy Board, Maritime Administrator, and senior agency

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officials on issues related to fisheries, vessel documentation, foreign control, ship scrapping, shipbuilding, U.S.-flag vessel operations, the Jones Act, environmental compliance, dredging, cargo preference, vessel financing, and the administration of maritime assistance programs.

He also served as a legal specialist in the Office of Port and Intermodal Development at the Maritime Administration. In that capacity, John participated on a federal agency task force established to review federal and state processes for evaluating and permitting a dredging and disposal process, and made recommendations to agency and task force officials to improve the process. He analyzed information from nationwide outreach programs and assisted in drafting an interagency report on the findings and recommendations of the task force.

Marquez received his J.D. from the University of Mississippi School of Law in Oxford and received a LL.M. in Law and Marine Affairs from the University of Washington School of Law. He earned his Bachelor of Business Administration from the University of Mississippi.

### **RECORD HIGH FUEL SURCHARGES REFLECT HIGH SUMMER-FALL PRICES**

*Transpacific Shipping Lines Continue to Play Catch-up in Recovering Costs Dating Back to Late August*

Container shipping lines that carry cargo from Asia to the U.S. are still feeling the heat of high bunker fuel prices, even as weekly world prices have begun to show some easing.

Member lines in the Transpacific Stabilization Agreement (TSA) say the next recommended quarterly adjustment to bunker surcharges, to take effect on January 1, 2006, will bring those surcharges to \$590 per 40-foot container, a new high. The reason is record high world prices paid by carriers at nine key global loading points during the 13-week calculation period, from August 26 through November 23, 2005. The steepest rise in bunker prices took place beginning last July, when prices rose steadily each week from \$275 per ton on July 21 to reach \$358 per ton by September 22. Containerization International reported a 25% price increase during third quarter 2005.

TSA adjusts its bunker surcharge according to a weighted average formula that tracks weekly marine fuel prices against member lines' loading and consumption patterns across Agreement trade lanes. The calculation period is timed to give customers 30 days' advance notice of each quarterly adjustment. TSA surcharges are recommended guideline charges based on the calculation formula, as it reflects fuel-related costs. Lines implement the guidelines individually on a voluntary basis.

"Customers understandably ask why surcharges are rising while fuel prices are going down," says TSA Executive Director Albert A. Pierce. "The simplest answer is the calculation delay prevented carriers from recovering true fuel costs as they were going up, and if the current downward trend continues we should all see relief from higher fuel costs in coming months."

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**PRODUCTION BEGINS ON SECOND OF TEN TANKERS AT PHILADELPHIA SHIPYARD***Steel Cutting Marks Start of next Vessel in Series*

Aker Philadelphia Shipyard has begun production on the second of ten vessels in the product tanker build program announced last spring. Steel cutting for the ship, the sixth built by the yard since its opening five years ago, begins just weeks after keel laying for the first tanker in the series. The second vessel is scheduled to be completed in 2007.

The steel plates were cut on one of the yard's two state-of-the-art plasma cutting machines. Once finished, the pieces will form part of the engine room of the 46,000 deadweight ton (dwt) product tanker. Upon completion, the tankers will be owned by American Shipping Corporation, a subsidiary of Aker American Shipping.

"Start of production on the second product tanker marks another important event in the ten ship program," said Dave Meehan, president and CEO of Aker Philadelphia Shipyard said. "With two tankers and one container vessel currently under construction, Aker Philadelphia continues to demonstrate the improved processes and efficiencies with which it operates. More importantly, this moves us one step closer to delivering another modern product tanker to the U.S. Jones Act market."

Aker Philadelphia Shipyard, Inc., formerly known as Kvaerner Philadelphia Shipyard, Inc., is the shipbuilding subsidiary of newly-established Aker American Shipping. In conjunction with affiliated subsidiaries, the state-of-the-art shipyard located on the site of the former Philadelphia Navy Yard is embarking on a project to build, own, and lease product tankers for the U.S. Jones Act market. Aker American Shipping and Aker Philadelphia Shipyard, Inc. are members of the Norwegian-based Aker family of global companies, industry leaders in the fields of shipbuilding, fishery, and technology-based solutions for customers in oil, gas, energy, and process industries.

**TOKO LINE EXECUTIVE IMPRESSED WITH PROGRESS AT PORT OF NEW ORLEANS***Japanese Steel Shipping Line Helps Port Reach 50% of its Normal Activity*

A top executive from one of Japan's leading steel shipping lines recently visited the Port of New Orleans and was impressed with the progress that has been made since Hurricane Katrina struck.

J. Kaji, director of business development for Toko Kaiun Kaisha Ltd. (Toko Lines), said the port is making great strides in its recovery efforts. "The Port facilities in New Orleans are quickly returning to normal. The Mississippi River system is still a great avenue for distributing steel cargo to manufacturers throughout the United States," he said.

Kaji toured P&O Ports' terminal at the Napoleon and Nashville Avenue wharves, and met with key executives from the Port of New Orleans and the New Orleans maritime community.

"We really appreciate the vote of confidence from Mr. Kaji, Toko Lines and all of the shipping companies that have stood by us in our time of need. We will continue to ramp up our operations and provide our customers with the service and convenience they have come to expect by shipping through New Orleans," said Port President and CEO Gary LaGrange.

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Just three months after Hurricane Katrina, the Port of New Orleans has reached 50% of its usual ship traffic activity. Toko Lines was among the first shipping lines to call the Port of New Orleans after the storm. This week, 18 ships will arrive at the Port of New Orleans. In 2004, 36 ships called the Port of New Orleans on an average week.

Although the port facilities along the Inner Harbor Navigational Canal were damaged, the Port's terminals along the Mississippi River did not flood and sustained only minor to moderate wind damage. The Mississippi River terminals normally constitute about 70% of the Port's business.



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