



International Organization of  
**Masters, Mates & Pilots**

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February 16, 2007

Docket Management Facility  
U. S. Department of Transportation  
400 7<sup>th</sup> Street, SW  
Nassif Building  
Room PL-401  
Washington, DC 20590-0001

RE: DOT DMS Docket No. MARAD-2007-26841

Dear Sirs:

We are writing on behalf of the International Organization of Masters, Mates & Pilots (MM&P) and the Maritime Institute for Research and Industrial Development (MIRAID) to convey our strong support for the efforts initiated by the United States Maritime Administration to promote the use of U.S.-flag vessels for the carriage of liquefied natural gas (LNG) to the United States and to encourage the employment of U.S.-citizen seafaring personnel on foreign-flag LNG ships.

MM&P represents American citizen Masters and Licensed Deck Officers working aboard U.S.-flag vessels operating in the foreign and domestic U.S. shipping trades. MIRAID represents U.S.-flag shipping companies that have a collective bargaining relationship with MM&P. MM&P officials and representatives of MIRAID companies comprise the Board of Trustees of the Maritime Institute of Technology and Graduate Studies (MITAGS), which offers customized and standardized training courses that meet the highest quality standards set by national and international government and private maritime organizations, including courses relating to the carriage of LNG and other hazardous materials.

The demand for liquefied natural gas continues to grow in the United States and throughout the world. An increasing number of companies are applying for permits from the United States for approval to own and operate LNG terminals on U.S. coasts. Unfortunately, such applications involve the use of foreign-flag, foreign-crewed LNG vessels, a situation the Maritime Administration is trying to change by virtue of this solicitation and, more importantly, through its unprecedented agreement with SUEZ LNG to provide employment opportunities for American mariners aboard SUEZ LNG's foreign-flag vessels.

We strongly believe that the employment of American citizens aboard LNG vessels can and will serve the economic and national security interests of the United States. As you know, local communities fear fires, accidents and terrorist activities from the operation of foreign LNG vessels – fears that the employment of American seafaring personnel could help diminish. Knowing that LNG transport will not be under the exclusive control of foreign nationals who have not been subject to the same rigorous and thorough background and security checks as are American seafaring personnel would help alleviate some of the public’s concern over the siting of LNG facilities.

In addition, the use of highly trained and skilled U.S.-citizen mariners will help reduce the growing worldwide shortage of professional mariners trained in the operation of LNG vessels, a shortage that is threatening the operation of the worldwide LNG fleet. Providing shipboard employment opportunities for American seafaring personnel will give Americans the experience and sea service needed to qualify as officers aboard LNG vessels and to meet the requisite license upgrade requirements.

We believe the Maritime Administration should continue to strongly encourage applicants for U.S. LNG permits to provide at-sea training opportunities for American personnel. We also believe the Maritime Administration should work to ensure that companies whose applications are approved have agreed to employ a significant number of American mariners on each of their vessels engaged in importing LNG. This would be a positive step in addressing environmental, safety and security concerns.

Equally important, encouraging the employment of American seafaring personnel aboard existing LNG vessels will help create the pool of American mariners needed to fully crew U.S.-flag LNG ships. It is important, in our opinion, that the ultimate goal of the Maritime Administration’s efforts should and must be the development of a U.S.-flag LNG fleet, and not simply the employment of some American mariners aboard foreign-flag ships. As noted in Marad’s request for comments, the Coast Guard and Maritime Transportation Act of 2006 (Public Law 109-241) directs the development and implementation “of a program to promote the transportation of liquefied natural gas to the United States on United States-flag vessels.” The statute recognized the importance of having a fleet of LNG vessels operating under the U.S. flag and in compliance with all applicable U.S. laws and regulations.

We understand that there are those who are concerned about the costs associated with the use of U.S.-flag LNG vessels and the employment of American, rather than foreign, seafaring personnel. We would note first that legislation enacted in 2004 (the Jobs Creation Act of 2004) offers companies operating U.S.-flag LNG vessels in the foreign trade the opportunity to elect to be taxed under a tonnage-based system, rather than under the traditional corporate tax system. This legislation was enacted primarily to give American companies that operate – or seek to operate – U.S.-flag vessels a tax system comparable to that enjoyed by their foreign-flag competitors, thereby eliminating a significant economic condition that discourages the operation of vessels under the U.S. flag. No longer would American-flag vessels competing for the carriage of U.S. exports

and imports be disadvantaged by the application of American tax law. In other words, U.S. tax law is intended to encourage U.S.-flag vessel operations rather than foreign-flag vessel operations. It would also encourage the employment of American mariners rather than foreign mariners.

One of the major economic impediments working against the employment of American seafaring personnel aboard LNG vessels is that many foreign mariners do not pay income taxes on their earnings, thereby reducing the vessel owner's costs for their employment. We have long advocated that section 911 of the Internal Revenue Code (the so-called foreign source income exclusion) be made applicable to American mariners working on vessels in the foreign trades as a way to help narrow the economic gap between the employment of American and foreign seafaring personnel. In the case at hand, and as a means of encouraging the competitive operation of U.S.-flag LNG vessels and of encouraging the employment of Americans on LNG vessels regardless of flag, we believe section 911 should be made applicable to Americans working aboard LNG vessels engaged in the U.S. trades, and we would ask the Maritime Administration's support for this initiative.

It is, in our opinion, necessary to proceed on two separate but equally important fronts to achieve the goals of having a U.S.-flag LNG fleet and securing the employment of American seafaring personnel aboard LNG vessels. First, it must be made clear to all concerned that it is the policy of the United States that those seeking to own and operate LNG facilities in our country and those seeking to import LNG into our country must incorporate into their plans the use of U.S.-flag LNG vessels and the employment of American seafaring personnel. Second, to achieve these goals and better implement this policy, the U.S. government, labor and management must work together to eliminate the disincentives and barriers to the operation of vessels under our flag and to the employment of Americans on LNG vessels, by actively supporting the legislative and regulatory initiatives necessary to create the economic climate that fosters the development and growth of U.S.-flag and U.S.-crewed LNG vessel operations.

We thank you once again for initiating this extremely important dialogue. We stand ready to work with you to achieve these objectives and goals.

Sincerely,

Captain Timothy Brown, President  
International Organization of Masters,  
Mates & Pilots

C. James Patti, President  
Maritime Institute for Research and  
Industrial Development