

CONNECTICUT MARITIME ASSOCIATION, INC.

NEWSLETTER

FEBRUARY 2005

One Stamford Landing, 62 Southfield Avenue • Stamford, Connecticut • 06902

UP COMING EVENTS

CMA FEBRUARY LUNCHEON

THURSDAY, FEBRUARY 24, 2005

TIME: Noon

SPEAKER: To be announced

VENUE: GIOVANNI's II
2748 Post Road, Darien,
Connecticut 06820

RSVP: Lorraine Parsons
+1.203.406.0109 ext.3717

MEMBERS: \$35 per person

NON-MEMBERS: \$40 per person

CMA SHIPPING 2005

MARCH 21-23, 2005

WESTIN HOTEL, STAMFORD, CT

For more info or to register:

www.shipping2005.com

PRESIDENT'S NOTES

Whenever I day dream, which I had a chance to do recently while stopped dead on I-95 in Stamford, I often think about what I'd rather be doing when I grow up. It always comes back to the same thing: own a boatyard. Put on my jeans in the morning, feed the dog, and out the door to climb around boats.

I was therefore happy to receive in December an invitation to attend the christening of the M/V CHENEGA, the second of two high speed passenger-vehicle ferries built for the Alaska Marine Highway System by Derektor Shipyards in Bridgeport, Connecticut. The CHENEGA (like her sister the M/V FAIRWEATHER before her), is an impressive boat. At 238 feet, with a capacity of 250 passengers, 50 vehicles and a cruising speed of 32 knots, she is one of the fastest high speed ferries built in the U.S.

Equally impressive is the fact that a state of the art boat the size of the CHENEGA was built in Bridgeport. Less than

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• CMA INFORMATION •

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five years ago there was not much happening on the wasteland where Derecktor Shipyards now stands. Derecktor took over an abandoned building which now serves as the fabrication shop for the cutting and laying out of plates. They then built a massive shed where the boats take form and ultimately spring to life.

From nothing to something in a short span of time.

Derecktor now employs 150 people in Bridgeport, and I had the feeling they were all at the christening with their families, proud of the boat that stood over the dais of invited speakers and dignitaries, while a high school brass ensemble and color guard started off the ceremony. It was a warm feeling in the shed.

I was impressed with the number of people from Alaska who came to mark the importance of the event. From the brief speeches that were given it became clear how vital the Alaskan Marine Highway System is to the transportation and economic needs of the State of Alaska. Mr. Mike Barton, the Commissioner of the Alaska Department of Transportation, spoke of the positive impact the CHENEGA will have on the ferry service provided by the Alaska Department of Transportation. The senior U.S. Senator from Alaska, the Honorable Ted Stevens, underscored the importance of projects such as the CHENEGA to a vast number of Alaskans who live where no roads go. The Mayor of Cordova, Alaska, where the CHENEGA will be home ported, didn't get a chance to speak but it was clear he was genuinely thankful for the good fortune that had floated his way.

Oddly, there was a shortage of representation from the State of Connecticut in attendance, although many were invited. The seat on the dais for Hartford was embarrassingly empty. I refused to believe the transportation needs of Connecticut are taken any less seriously in Hartford than they are in Anchorage. My only guess was that the Hartford delegation got stuck in traffic somewhere on I-95 while on their way to Bridgeport.

After the champagne bottle was smashed, there was a terrific lunch reception with good food and drink during which everyone was allowed to climb around the CHENEGA to see first hand the newest addition to the Alaskan ferry fleet and to celebrate the good things happening in Bridgeport at Derecktor Shipyards. I couldn't think of a better way to spend the day.

Best regards,
Peter G. Drakos

FROM THE EDITOR

Ground Hog Day has come and gone. At least we have the Conference/Trade Show to look forward to.

Can we talk? Johnny K and I write what we think are brilliantly reasoned and insightful articles about shipping and shipping-people each month and we hardly ever hear a peep about how you like them. Even when I went out of my way to stir the pot, so to speak, by writing about the legal tribulations of our good neighbor company last month I only got two comments. The first accused me of coddling law-breakers and the second called me an “astute bastard”. I think I like the second one best. I know there are feelings among you about this topic, but where are the arguments for or against my opinion. By the way, I apologize to the lawyers for my closing quote from Shakespeare’s Henry VI, but it was just too tempting not to use, and it made for a tidy ending.

Changing the focus, but staying with January’s MARKET COMMENTARY general topic, I must note in passing that the issue of who makes the freight rates in a “market” has again surfaced. I recommend to your reading Fairplay’s “LOOKOUT” January 20, 2005 (page 1). This is a follow-up to the on going talks between the European Commission and liner companies as to whether liner conferences should continue their anti-trust immunities. The case spotlights the Indian Associated Chamber of Commerce demanding the “creation of a regulator to control steep increases in freight to protect exporters”. Bravo the “LOOKOUT’s” reply!

However, did you also notice how a mirror image of the same topic popped up in Terry Macalister’s editorial in the January 28th issue of TradeWinds? Coincidental to CMA’s January MARKET Commentary, TradeWinds’ piece centered on the shippers and three European chemical groups who were fined \$280 million for running an illegal cartel and fixing prices for 15 years. I liked his headline “Doth the shippers protest too much” (Hamlet Act III). Notice Terry used Shakespeare also. Aren’t we all so clever?

Fairplay and TradeWinds are commenting on liner trades and of course CMA members are mostly engaged in “tramp” or contract carrier trades. However, should not the lessons the EC learns from their attempt to socialize liner

shipping also apply to tramp shipping? Must we too go through the same process in Brussels? Of course CMA members are mostly engaged in “tramp” or contract carrier trades, not the liner trades.

On to local topics. First off you have to love president Peter Drakos’ comments this month about Connecticut’s transportation system. So smooth, but a hard bite at the conclusion. He is not really being sarcastic. The Co-Chairs of Connecticut’s Legislature Transportation Committee are both from the eastern part of the state and are still in denial that our part of the state’s transportation network is beyond dying. When a 100 or so citizens from Fairfield County (my wife included) journeyed to Hartford in mid-January to tell them first hand of the significance of the reported rail and road problems, the committee’s leaders were not available to listen.

One more pot to stir. Last year I wrote of the conflict between New York State and Connecticut over where to place dredged material from marinas and harbors around the Sound. I wrote then that while the Federal EPA and US Army Corps of Engineers had done their report, that either state could object and stall a decision. That is just what is happening. New York State has been sitting on the EPA report for a year now and if dredging does not start this summer Norwalk harbor will close. This means heating oil as well as sand and gravel for construction work will have to be trucked from Stamford or Bridgeport or New Haven, further choking the roads. The urgency of the matter is further compounded by a law (actually an amendment to a law) that will close all acceptable disposal sites in Long Island Sound to any further material, no matter how benign it is, in about two years.

Senator Lieberman and Congressman Shays have tried to put pressure on EPA Washington, but the system favors New York State’s stalling. I am not sure what can be done, but it might help if Senator Dodd and all of CT’s representatives along the coast get their oar in the water (or mud).

Last topic – On Thursday Feb. 10, 2005 the Hellenic-/Norwegian American Chambers of Commerce will present their 11th Annual Joint Shipping Conference at the New York Helmsley Hotel 42nd Street between 2nd and 3rd). They have an absolutely super program and I recommend that no one miss it. By the time you read this there should be a little time to get a reservation if you move quickly. Call 212-421-1653 (NACC) or 212-629-6380 (HACC).

MARKET COMMENTARY

By Donald B. Frost

Those of you who have attended our annual conference will have noted increased focus on topics that may have been considered outside the purview of an association of commercial shipping people only a few years ago. Besides the market oriented news and the resulting financial market interest in our business, the activities of government at all levels impacting our business have become increasingly invasive. The following commentary addresses the hypocrisy of government when it articulates a policy or policies, in the following case, preserving the environment, encouraging trade and protecting American jobs, and will not spend the money necessary to fulfill those policies. My examples are only a few of dozens that we all can recite.

Oil spills

The past three years have been fraught with more than a few high profile accidents. First the barge spill of some 50 to 90,000 gallons of fuel oil into Massachusetts' Buzzards Bay – home to a mix of the super wealthy, working fishermen, summer shoreline residents, and Native Tribes; next the Delaware tanker spill of last November which hit three states and finally the Alaskan Aleutian Islands Panamax bulker breakup in which 6 men lost their lives during a spectacular USCG helicopter rescue effort, which turned tragic.

Nothing of course the size of the Prestige or Erica but certainly each in its own way has been dramatically influential on the activities of local politicians. Massachusetts passed a law this past summer raising liability limits and adding levels of operational steps that operators have to take when transiting the Bay. Certain aspects of the Massachusetts law are claimed to run afoul of Federal rules as they did in the now famous Washington State Supreme Court battle – won by INTERTANKO. The USCG, which stands head and shoulders above its elected cousins in government, has again gone to bat in the battle of Federal responsibilities versus States rights. It is an important precedent for the shipping industry. Imagine trading to the US and facing different liability and operating environments state to state.

The North East of the US has no refinery capacity between New York and Canada, and pipelines and roads cannot adequately service the area's enormous appetite for fuel and petroleum products. Barges and ships are vital eco-

nomic links. Boston and its environs need the equivalent of a barge and a tanker full of oil every other day to meet normal demand. Jonathan Benner, the attorney who successfully won the Washington State battle, is again leading the charge for the industry in Massachusetts where drafters of the law claim they learned from Washington's defeat in creating their law.

Meanwhile, as the tanker in Philadelphia was spewing oil into the Delaware River last Thanksgiving, New Jersey Senators Lautenberg and Corzine, not bothering to obtain the real facts, and in a knee jerk move that can only be called pandering to special interests and media coverage, said they would introduce a law seeking to ban single hull tankers on a more rapid schedule than provided for by OPA 90 (single hulls still trade the Delaware) and to raise liability limits for ships trading into US waters.

The proposed law is of course in reaction to the Delaware spill where a tanker, under pilotage, maneuvering with tug assistance, in what was a Federally chartered and maintained anchorage, struck a submerged piece of junk which opened a hole in the hull like a church key, spilling crude down the river. The US Army Corps of Engineers charged with maintaining that anchorage swept the area and reported that they could not find anything. With the help of the vessel's master and crew, private divers and later with help from Coast Guard and USACE personnel, found a 16 ton bottom half of a turbine or dredge pump casing (attached to the reported 15 foot piece of pipe) exactly as mapped by the ship's echo sounder and GPS. Later, divers hired by the vessel's P&I club found an abandoned anchor and a multi ton slab of concrete in the same area.

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SHIPPING 2005

MARCH 21-23, 2005 – WESTIN STAMFORD

In mid January the House Sub-Committee on Coast Guard and Merchant Marine, chaired by Representative Frank LoBiondo (R-NJ), held a field hearing in Philadelphia on the accident. None of the agencies testifying denied the anchorage was a Federally maintained anchorage or that the damage to the ship and the resulting spill was likely to have happened while the ship was passing through that anchorage. A result was a recommendation that the USACE should receive additional funds with which to purchase side-scanning sonar which theoretically would spot such debris as found in the anchorage. (Why did they not already have such equipment? --- You guessed it!)

The Owners liability is maxed out at \$45 million by OPA90. The cost to that point was said to be \$94 million and likely will top \$200 million when all was done. In response to a question about what might happen in a future spill, I heard that the Sub-Committee came to the conclusion that they should raise the OPA liability limits so that owners can buy more insurance.

It would seem the legislative premise behind both Senators Lautenberg and Corzine and the Sub-Committee is "It is not your fault but we will make you pay anyway...oh, and we will ignore our responsibilities at the same time!" How could any of them have expressed outrage the owners must feel? It would only have reflected back on their own past failures to fund the work of maintaining the anchorage as chartered! So an incident that is not a ship's fault should still be paid for by that ship – simply because the owner can buy more insurance.

Safe Navigation

A month or so before the Philadelphia accident that was made to happen, the requested budgets for USACE's dredging program and the charting and mapping budget for NOAA were cut. Even the Department of Defense, whose budget had been growing, had to admit after the attack submarine USS San Francisco recently ran into a mis-charted underwater mountain while running at 30 knots 500 ft below the surface of the Pacific off Guam, that its world-wide hydrographic activities are decades behind.

If all of this was not so sad it might be comical. The gang that couldn't find its (insert your own joke). If you think something should be done, why don't you start by demanding action, and not excuses from your elected representatives? Write a letter or two. Only you can prevent further disasters.

North America's pre-eminent Conference and Exposition will take place once again at The Westin Stamford on March 21, 22 and 23, 2005. Don't miss the chance to visit this great event that just happens to be right in your own backyard – what could be better or more convenient!

Exhibit space is almost sold out, however we are committed to being creative with the space that the Westin Stamford offers us, and be assured that if you are interested in exhibiting your products and services, we will find a place for you!

As a special benefit for 2005 we will be offering a space, within the show area, for exhibitors and attendees to schedule short seminars and product launches. We will work closely with you to achieve maximum exposure for your company.

We have just one event sponsorship available at present, the Tuesday Evening Cocktail Reception, and are now pleased to provide some additional sponsorship opportunities in the Greenwich Marine Club, which Johnny has generously offered to create again for this year's show. More on this can be found in this month's newsletter.

The Commodore Gala Dinner is sold-out of sponsored tables and we currently have 10 companies on a waiting list to sponsor a table, should one open up. Seats at the Gala are still available for conference delegates that sign up for the Full Conference or Wednesday Conference with Dinner option, as we keep seats aside for this purpose.

The latest conference program can always be viewed on the show website at: www.shipping2005.com and you will see that it is a topical, dynamic, diverse and relevant program designed to appeal to many.

If you are interested in participating at CMA Shipping 2005 as an exhibitor, conference delegate, sponsor or a visitor to the trade show, please don't hesitate to contact me for additional information and to make sure that you are kept informed of developments as they occur.

We look forward to your support and to another great event in March.

Lorraine Parsons, Event Director
CMA Shipping 2005

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It's Showtime!

It's Showtime! Well almost, another month and a bit and off we go. Shipping 2005! I think the show has absolutely earned the exclamation mark. From its humble beginnings 15 years ago, where it quite possibly warranted more of a "?" it has definitely evolved into an "!" event.

So the question is, what will the CMA Social and Entertainment Committee be organizing for Shipping 2005! Well, with a little over forty days left before the big show the Entertainment Committee has shifted into "high" gear. Several meetings have been convened late into the night and various plans have been forwarded to the CMA Board for approval. Unfortunately they have all failed at the vetting and approval stage, so here's a brief list of things that you will not be seeing at Shipping 2005!

1. Tethered hot air balloon rides from the roof of the Westin during cocktails. It seems Stamford town ordinance will not allow us to operate a balloon from the hotel roof and this applies to helicopter rides as well.
2. The late night lifeboat drill and pool party in the indoor pool at the Westin has also been nixed. After careful measurement it seems a fully enclosed lifeboat will not fit through the Westin health club doors. We had suggested going with the eight person Winslow super-light inflatable offshore life raft but the hotel didn't seem that keen for us to let that baby off in their pool. We're still toying with an aquatic relay race featuring teams wearing Mustang Ice Commander Immersion Rescue Suits. Instead of the traditional baton hand off, contestants will have to get out of the immersion suit and get the next swimmer into it, while the Entertainment Committee lets off McMurdo Pains Wessex Mk 5 SOLAS Orange Lifesmoke Canisters and a thousand watt sound system blasts out Hendrix's "All Along the Watchtower" and "Purple Haze".
3. Also deemed unacceptable by the Board were a number of traditional party games to be played at the Gala Dinner on the 23rd. Our particular favorite, a game of Gala Musical Chairs. For those of you who have never played it, that's the game where there is one less chair than guests, everyone moves around as the music plays

and when it stops you have to grab a chair and sit down. The person who doesn't get a chair is out. It was pointed out that explaining the rules of Musical Chairs to all 800 plus guests might cause the dinner to run overtime and impact on the after dinner cocktails.

4. The same reasoning ruled out Pass the Parcel and Pin the Tail on the Donkey. Though the Committee is working up a feasibility study for Blind Man's Bluff during the cocktail reception. An exciting game that requires a person be blindfolded. This "blind man" is spun around three times while the other players find a place to stand in the room. Once positioned, these players are not allowed to move. The blind man moves about until he touches a person. Having touched that person, the blind man must guess who it is. If the blind man guesses correctly, the tagged player then becomes the blind man. This could make for hours of hilarious entertainment and misidentification!
5. All our very creative themed ideas for the Gala have also been most graciously declined. The "Traditional Hawaiian Luau" theme with hula dancers was nixed, the tiki torches and indoor fireworks were deemed a fire risk and eight hundred plus leis were going to be too expensive.
6. A "Charlie and the Chocolate Factory" Gala was also nixed. It would appear that all the available Umpa Lumpas are presently employed making the latest screen version of the film directed by Tim Burton and starring Johnny Depp. Though there would certainly be a number of shoe-ins for Augustus Gloop and Veruca Salt.
7. My favorite was the "Wild, Wild West Gala" theme, complete with a mechanical bull in the middle of the dinner, especially appropriate as we share the same initials with the other CMA, the Country Music Association! The shipping CEO, who could stay on the bull the longest, would win their very own, only slightly used Mustang Ice Commander Immersion Rescue Suit and already inflated eight person life raft! Entertainment would be supplied by famous country music artists (and very aptly named given the 2004 shipping markets), "Big and Rich". They could perform their classic "Save a horse, ride a cowboy!" to the assembled, Stetson sporting, Daisy Duke cut off wearing, leather chapped and cowboy booted shipping luminaries. Unfortunately no go though, it seems there's not enough room for the mechanical bull and all the sold out Gala tables.....

8. Other Gala theme ideas you won't be seeing included "La Cage aux Folles", "School Girl and Construction Worker", "Cabaret", "Sponge Bob Square Pants" and the old English standby, "Tarts and Vicars".

So it looks like we're going to have to go with the usual Gala theme. Shipping Tycoons, International Bankers, Ship Brokers, Flag States, Classification Societies, Related Marine Service Industry Representatives and "pretty young things" the CMA social chair invited while having dinner at Polpo in Greenwich the night before. I think I'll be coming as an international banker this year.

Hey, you know what they say, if it ain't broke....

That said, Shipping 2005! will of course be unique, exciting and almost certainly extraordinary! We're building the Greenwich Marine Club again at the Westin for your late night cocktail and dancing needs, (see below and opposite for sponsorship opportunities) and of course you know we'll find some way to confound the CMA authority figures, flaunt convention and ensure everyone attending has a jolly good time! I look forward to seeing all of you there March 21, 22 and 23. In the meantime does anyone know where I can rent a two-year old elephant, a chimp and four thousand gallons of foam???

SPECIAL EVENTS



Presents

Unique Sponsorship Opportunity at Shipping 2005

By popular demand and after the overwhelming success of last year's "Greenwich Marine Club", one of the most original sponsorship opportunities in maritime history is back! Designed to complement the already extensive list of speakers, topics, events and gatherings scheduled for Shipping 2005, this exclusive Shipping 2005 sponsorship opportunity is not offered at any other shipping conference or exposition.

The Greenwich Marine Club GMC Maritime Lounge

The Greenwich Marine Club will be an exclusive New York style lounge created expressly for Shipping 2005 at The Westin Stamford Hotel. Seven by five foot walls of LCD back projection will entertain and amuse guests, as DJs spin tunes and guests recline on low sofas, enjoying post conference cocktails. The space will be totally transformed for Shipping 2005 by the CMA Social Chair. The projections will feature candid photos of shipping parties and shipping luminaries, taken at events all over the world. Interspersed with these images will be sponsor logos and congratulatory messages to this year's CMA Commodore, as well as unique film footage.

The GMC will feature a large fully stocked cash bar and will represent an excellent place to meet for an informal drink or just to get away from the hectic pace of the show. With its DJ, projections and New York atmosphere it will be the place to be seen at Shipping 2005 and will be the Social Head Quarters for the shipping press and industry players during the event.

Why sponsor the Greenwich Marine Club?

Sponsorship of the "GMC" will enable participating companies to join a select group, demonstrating their vision and "outside the box" maritime marketing skills. Sponsor companies will be featured in projections and all associated marketing merchandise.

Sponsorship of this part of the event will demonstrate your dynamic support for the Connecticut Maritime Association, the 2005 Commodore, C. Sean Day, and the maritime community as a whole. All sponsorship monies will go toward direct costs associated with this project. Of course sponsors will be invited to any and all special events being held at the GMC over the course of Shipping 2005.

Sponsorship Investment:

Greenwich Marine Club Projection Sponsorship: \$1000

Please don't hesitate to contact us to discuss any questions you might have about this unique sponsorship opportunity and how you can be part of it.

Lorraine Parsons

Event Director, CMA

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MEMBERSHIP NOTES

We are happy to announce the following new members.

Chuck Carmichael, Maryland Nautical Sales,
Baltimore, Maryland

Ravi Dandapani, Morgan Stanley, Greenwich, CT

Thomas Fitzgerald, Jr. Ameron Coatings,
Chesapeake, Virginia

Christopher Foreman, Barnum Financial Group,
Stamford, CT

Rajnikant Ladhav, Lasters Esquire, Inc, Stamford, CT

Cathleen Barber Moran, NYK Bulkship (USA),
Secaucus, NJ

Michael Newman, NYK Bulkship (USA), Secaucus, NJ

Howard Scholl, Intertek Caleb Brett, New Haven, CT

Richard Tam, Hong Kong Trade Development Council,
Chicago, Ill.

Isaac Yohanan, Kyodo USA, Fair Lawn, NJ

Welcome aboard and we hope to see you at a luncheon soon. Please make a point to attend Shipping 2005 in March. It will be a not to miss event.

Evan Galanis
Membership Committee

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WELCOME TO THE CMA

New Member Profile



As a new feature of the newsletter, each month we will profile a new member and find out more about why they joined the CMA, what they hope to get out of it and also present to our readership some facts about them, their company and the services they offer.

**W. FORSTER DARLING, MANAGING DIRECTOR,
FLEETWOOD GLOBAL LTD., BERMUDA**
Member since January 2005

How did you first hear of the CMA?

I've been aware of the CMA for many years and actually attended a few lunches in the past as a guest of Peraco Chartering. At the time I was working for Per Arneberg who was giving me a practical exposure to the shipping business. He sent me to sea where I worked aboard a shuttle tanker on the North Sea and then aboard a ro-ro which was sailing in Wilhelmsen's liner service. Per also sent me to the Ukraine where I worked in the ship yards there. Between postings I would sit in Peraco's office in Greenwich, and as a result I had some good exposure to the Connecticut Maritime community.

Tell us about your background, Fleetwood Global's services and the shipping/offshore environment in Bermuda?

Following my practical exposure to the shipping business, my career took me to Scandinavia where I worked as an S&P broker for three years in Oslo. In 1999 I moved to London and enrolled at City University where I completed

an MSc in Shipping, Trade, and Finance. In 2001 I moved back to Bermuda and for about 18 months worked for a large reinsurance company. I missed the world of shipping and wanting to stay on the island so I looked for a way to combine the two. In the fall of 2003 I started Fleetwood Global Ltd., an offshore management services company with a focus on the shipping industry. As I'm sure CMA members are aware, Bermuda is a premier offshore business jurisdiction and there are a lot of first class shipping companies that are based here. Representation on the island ranges from a simple registered company with local corporate management to the fully-fledged Bermuda based office operation. The largest international shipping company on the island in terms of live bodies would probably be Atlantic Marine, which is headed by CMA member Jens Alers.

There are numerous others that have office setups on the island including: A.P. Moller, Concordia Maritime, Fram Shipping, and Frontline plus some of the P&I Clubs: Gard, Shipowners' Club, and Steamship Mutual to name a few. The most recent addition to the Bermuda shipping community was Arlington Tankers, which set up in Bermuda last fall and listed on the NYSE in November 2004.

Fleetwood Global offers dedicated management services to those that want more than just a registered company on the island, but do not want the expense of setting up and running a local office. We provide a low-cost alternative to gain physical presence by acting as the company's Bermuda "agent" or "representative". In the initial stages we can co-ordinate the complete incorporation process with the attorney's and regulatory bodies. Once the company is set up, we can create a tailored service that meets the day-to-day operational requirements based on the individual needs of our clients. With our local expertise, we know how to get things done!

While there are companies already providing these types of services, what we're doing that sets us apart is to focus wholeheartedly on the shipping sector. With Fleetwood Global's comprehensive knowledge of business management and the shipping industry, we can offer our clients a place of business that provides reliable, confidential, and expedient services.

Fortunately I've made a lot of good friends in shipping over the years, who based all over the world have been very supportive. The key now is to use this support combined with various marketing initiatives to make our services known to the greater shipping community. I think the CMA

will provide some fantastic exposure. We're also planning to establish a representative office in Greece, which I'm very excited about.

Why did you decide to join the CMA and what are your first impressions?

I was recently sitting in Fram's office discussing strategies with Ben Olson (also a member) on how we could gain more exposure internationally and he suggested that I should look into joining the CMA. It so happened that I was having lunch the same day with my old friend and CMA Social Chair Johnny Kulukundis, whose family has strong ties to Bermuda. This all happened at the end of last year and since then I've been working closely with Johnny and Lorraine to learn as much about the CMA and its members as I can. I flew up for the January luncheon, which I found very interesting, and also met a few people with whom I've had some correspondence with on how we can help each other. I'm looking forward to attending Shipping 2005 in March and we are pleased to be sponsoring the "Greenwich Marine Club" which I gather was a huge success at last year's event.

It's funny, I joined the CMA about a year after forming the company and looking back now, I don't know what took me so long! I spend a lot of time in Connecticut; it's a very easy trip from Bermuda. I can leave Bermuda at 8:00 in the morning and be in Stamford for a meeting at 10:30, take the evening flight home and be in bed by 11:00 pm, not bad!

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US TAX LAW UPDATE

Joseph "Joe" Fletcher III, Senior Counsel and Tax Specialist in the San Francisco office of long-time CMA supporters Holland & Knight has submitted the following article, which will provide a useful reference to CMA Members on U.S. tax matters that apply to international shipping.

More about the writer:

Joseph Fletcher's 12 years of tax experience includes advising on all aspects of corporate and partnership taxation as well as advising on significant international tax issues. He has advised both emerging companies and Fortune 500 companies on issues ranging from the establishment of new operations to the cross-border acquisition of foreign corporations by US-based or foreign-based multinational companies. Mr. Fletcher regularly advises on the formation of limited liability companies, limited partnerships and corporations.

The American Jobs Creation Act of 2004 ("AJCA") contains within it two provisions that would significantly alter the current tax rules, as they apply to international shipping, one that will also significantly alter the current tax rules as they apply to international aviation, and a final provision that will reduce the immediate impact of unpopular regulations on non-U.S. corporations engaged in international shipping or aviation. The AJCA was signed on October 22, with effective dates that vary, depending upon the provision at issue.

The United States has, of course, offered the reciprocal exemption for income from certain foreign-owned international shipping and international aviation operations under Section 883 of the Internal Revenue Code and under treaty exemptions contained in many tax treaties and shipping-specific treaties, which often address international aviation, as well. But, the potential enactment of a tonnage tax by the United States represents a significant change in the U.S. tax regime, as it applies to U.S. owned international shipping operations. Further, the changes to the so-called "Subpart F" rules provide significant opportunities for defer-

ral of international shipping and aviation income. Together, these provisions would place U.S. shipowners and operators closer to being on par with shipowners and operators resident in certain key countries. The Subpart F provisions should also be welcome news to U.S.-owned international air carriers. Of course, these provisions are relevant to non-U.S. shipowners and operators as well, as they may reduce the tax burden on competitors.

1. Overview of Changes.

The U.S. tax system taxes U.S. corporations on their "worldwide" income, including income from international shipping operations. In recent years, many European and Asian nations have taken steps to foster their international shipping operations and enhance the appeal of their ship registries against flags of convenience. These efforts, including introduction of favorable tonnage tax regimes by The Netherlands and Norway in 1996 have culminated in a flurry of activity in the last few years with the introduction of a tonnage tax by Denmark in 2002 and India's tonnage tax regime, which was implemented on April 1, 2004. Until the AJCA of 2004, the United States had done little to foster its international shipping operations.

The AJCA provides for an elective tonnage tax regime similar to that adopted by many seafaring nations. The new tonnage tax is elective, alternative, system of taxation for international shipping owners and operators.

The changes to Subpart F raise the possibility of deferral of tax on international shipping and aviation income earned by a "controlled foreign corporation," a foreign corporation with more than 50 percent U.S. shareholders, using special rules for counting ownership, until such income is repatriated to the United States. For purposes of counting, only U.S. shareholders with a ten-percent or greater voting interest in the corporation are counted toward the more-than 50 percent threshold. The foreign corporation is considered a controlled foreign corporation if more than 50 percent of the total combined voting power of the corporation, or more than 50 percent of the total value of stock of the foreign corporation, is held by persons who are such U.S. shareholders. The changes to Subpart F represent a move away from treating international shipping and aviation income in the same manner as more "passive" rather than "active" businesses.

While a discussion of the policies behind these changes are beyond the scope of this article, testimony before Congress regarding the Subpart F rules has generally focused on the need for a strong U.S.-owned merchant marine for sealift capability and economic security and on several significant acquisitions of U.S.-owned international shipping operations in the late 1990s, as well as the shrinking of the U.S.-owned foreign-flagged, fleet, purportedly caused, at least in part, by the tax burden placed on U.S.-owned international shipping.

2. The Tonnage Tax.

As noted above, the AJCA permits corporations to elect a “tonnage tax” on their taxable income from certain international shipping activities, in lieu of the U.S. corporate income tax.

As an overview, the tonnage tax calculates a theoretical or “notional” income based on certain rates and then imposes the maximum corporate tax rate on this notional income. Specifically, the tonnage tax will be imposed at the maximum corporate rate (currently 35 percent) on the corporation’s “notional shipping income.” Notional shipping income is a daily “notional taxable income” multiplied by the number of the days a qualifying vessel is operated in the U.S. foreign trade. Only income from a qualifying vessel may be calculated using the tonnage tax. A qualifying vessel is a self-propelled U.S.-flag vessel of not less than 10,000 deadweight tons used exclusively in U.S. foreign trade (this rule, therefore has no applicability to Jones Act shipping). A corporation will generally be treated as operating a vessel (and therefore that vessel may be subject to the tonnage tax) if the vessel is under a time charter to the operator. However, if the operator chartered out a vessel under a bareboat charter, the vessel owner will only be treated as operating the vessel (and will only be able to elect the tonnage tax with respect to the vessel) if the vessel is either temporarily surplus to the owner’s requirements, is bareboat chartered within the controlled group, or the vessel is used as a qualifying vessel by the person to whom it is ultimately chartered.

The tonnage tax may be elected only for certain “core qualifying activities,” a certain amount of “qualifying secondary activities,” and a de minimis amount of “incidental activi-

ties.” Generally, core qualifying activities are activities from operating vessels in U.S. foreign trade and other activities of an electing entity and an electing group that are an integral part of the business of operating qualifying vessels in U.S. foreign trade. Qualifying secondary activities generally consist of the active management or operation of vessels in U.S. foreign trade and provisions for vessel, container and cargo-related facilities or such other activities as may be prescribed by the Secretary (which are not core activities), and may not exceed 20 percent of the aggregate gross income derived from electing entities and other members of its electing group from their core qualifying activities. Qualifying incidental activities are activities that are incidental to core qualifying activities and are not qualifying secondary activities. These categories of income should cover many of the key activities fundamental to the types of income likely to be generated by vessels in the U.S. foreign trade.

The per ton rate for purposes of calculating daily notional shipping income is 40 cents for each 100 tons for a vessel that does not exceed 25,000 tons, and 20 cents for each 100 tons for the amount the amount of tonnage over 25,000 tons for a vessel that exceeds 25,000 tons (the rate for a vessel over 25,000 tons is therefore applied at the higher rate on the first 25,000 tons, and the lower rate on the remaining tonnage. For a Panamax of 70,000 dwt, the daily notional shipping income would therefore be \$190.00 per day (i.e., $\$0.40 \times 250$ (in hundreds of tons) + $\$0.20 \times 450$ (in hundreds of tons)).

Certain interest deductions are allowed under this regime, but other deductions and credits are not allowed. Net operating losses cannot be carried forward from years prior to the first year of the corporation’s election to be subject to the tonnage tax. Election of the tonnage tax does not result in the loss of any reciprocal exemption that may be available under Section 883 or any treaty exemption that may exist.

In addition to the income tax ramifications on operation of a qualifying vessel, there is a potential deferral of any gain on disposition of a qualifying vessel except to the extent that the amount realized on the disposition exceeds the cost of replacement vessels.

The effective date for the tonnage tax is for tax years beginning after the date of enactment, for most taxpayers the 2005 calendar year will therefore be the first year this election is available. While a tonnage tax is a regime has been adopted by many seafaring nations, the availability of this election represents a major change in the Federal tax system of the United States.

3. Exclusion from Subpart F Income.

Prior to the AJCA, U.S. shipowners and operators and were subjected to current taxation on the foreign shipping income of a controlled foreign corporation, and on gains on the disposition of vessels, even if this income was not repatriated to them. U.S. shareholders of corporations engaged in international aviation were treated similarly. This is because Subpart F of contains rules that tax U.S. shareholders with ten percent or more of the total voting power of a controlled foreign corporation on certain "Subpart F income," even if that income is not repatriated to the U.S. shareholder. Although such a deemed distribution to a U.S. shareholder generally carries with it a foreign tax credit, foreign tax credits are subject to significant limitations. In addition, many controlled foreign corporation structures are deliberately established in a manner that minimizes foreign taxes, thereby reducing the significance of the foreign tax credit.

Prior to the AJCA, so-called "foreign base company shipping income" was included in Subpart F income. The definition of foreign base company shipping income included income derived from or in connection with the operation of the vessel or chartering of the vessel, as well as the operation or leasing of an aircraft in foreign commerce, as gain on the disposition of any such vessel or aircraft. As a result, U.S. shipowners and operators and corporations engaged in international aviation could not defer tax from international shipping or aviation and could generally only reinvest in their international shipping operations with post-tax dollars.

As mentioned above, the Subpart F rules include within them a number of other categories of income that constitute Subpart F income. One of these categories, so-called "foreign personal holding company income," ("FPHCI") provides that certain types of income, generally income of a

"passive" nature, are Subpart F income. Prior to the AJCA, charter hire (from vessels) and leasing income (from aircraft) could fall within the definition of FPHCI company income, and could therefore be Subpart F income as FPHCI. The AJCA provides that charter hire and leasing income may qualify for the "active rents and royalties" exception to FPHCI. The new rules provide a presumption that charter hire or leasing income qualifies for the active rents and royalties exception if the expenses of the lessor are not less than 10 percent of the profit under the charter or lease. This presumption is not the exclusive means by which a taxpayer may meet this exception, a taxpayer may be able to demonstrate that they meet the exception based on all the facts and circumstances surrounding the charter or lease, although that is, of course, a less certain method.

Although the primary significance of the new rules will be to the U.S. shareholders of controlled foreign corporations, the ability to defer income under the new rules will have an impact on the non-U.S. shareholders, as well, since U.S. shareholders will no longer either avoid such structures or require distributions to pay their taxes. As these new rules apply to shipowners and operators engaged in foreign commerce, they have no relevance to Jones Act shipping. The effective date for the repeal of the former Subpart F rules (and their replacement with the new rules) is for taxable years beginning after December 31, 2004, and taxable years of U.S. shareholders with or within which such taxable years of foreign corporations end.

4. Benefits to Non-U.S. Owned Shipping Operations.

In addition to the benefits contained in the AJCA that primarily benefit U.S. taxpayers, there is a significant development for foreign-owned or operated international shipping and aviation corporations that claim the reciprocal exemption under Section 883. The effective date of new Treasury Regulations promulgated under Section 883 that require corporations to obtain a detailed "ownership statement" from all ultimate shareholders, as well as intermediary entities has been delayed. Now, these regulations will be effective for tax years beginning after September 24, 2004, providing foreign-owned shipping and aviation companies more time to implement procedures to comply with these onerous requirements.

JOB MART

The CMA Job Mart is designed to match qualified candidates with good positions. Over the years, this service has proven to be extremely valuable to both job seekers and potential employers. Ads seeking to fill positions will run for two months at a rate of \$100.

Candidates seeking employment must be a CMA member at a rate of \$50 per year.

To become part of the Job Mart please call
(203) 406-0109 or

email: conferences@cmaconnect.com.

The Job Mart is also accessible on the
CMA Home Page at: <http://www.cmaconnect.com>

SITUATIONS WANTED

Candidate 2: A goal oriented, multi-faceted maritime professional with a unique combination of experience in finance, business development, sales, project management and corporate administration. Seeking a management position in a dynamic maritime company where my cross-functional skills can add to your bottom line. A culturally savvy innovator experienced at establishing and managing international operations. Strong communication, leadership, analytical and problem solving skills with a results driven attitude. MBA in Finance.

Contact: scolallied@yahoo.com, tel: (203) 849-8341. (S4-9)

Candidate 3: Experienced boater interested in junior level/trainee position in a ship brokerage firm. Young, smart, energetic and eager to work in any facet of the ship brokerage industry. Experience includes working in all aspects of a successful local marina. Duties range from office work/billing, fuel dock management, yard work to boat maintenance. Other work experience was as a deckhand on a passenger ferry and a sales clerk in a marine supply warehouse. Education is a Bachelor of Arts degree. Very knowledgeable in all computer functions, especially any Microsoft Operating System, the world wide web and Microsoft office. Great communication skills, both oral and written. Excellent interpersonal skills, which allows for great success in sales.

Contact: GPM352@aol.com or 203 442-3069 (S4-11)

Candidate 4: Maritime professional with over twenty years of increasing responsibility with a major petroleum company specializing in marine tanker transportation and marketing of marine fuels and lubricants. Expertise includes commercial, operational, financial, vetting, budgeting, planning and project development. Organized, analytical and dependable, with the ability to work effectively as part of a team. Contact dauscgc@aol.com or 203-748-0441.

Candidate 5: 34-year-old maritime lawyer with a master's degree in Marine Affairs and three years as a tanker fleet operations officer seeks position with shipping firm, preferably on shipowning side, since that is where candidates' experience is. Managed a fleet of nine 30,000 DWT product tankers from Singapore 1995-1998. Experience as a Chartering Assistant - very familiar with commercial operations as well as ship operations, having visited or sailed on all nine tankers. Also provided daily position reports for fleet of 21 vessels, half drybulk, for 3 years. Vetted all charter parties, involved with bunkering the fleet, giving masters their voyage orders, and collecting over \$12 million in demurrage. USCG license Master since 1995 but on small tonnage (mostly yachts). Command experience since age 23 (yachts, trans-ocean). 18 years' experience moving mostly sail yachts over blue water, as well as founding and running a successful yacht delivery firm. Five universities in 3 countries, including Oxford and Lisbon. Citizen of EEC (Sweden) and USA. Fluent English, verbal Spanish, very basic Swedish, French, German. Extensively travelled and well presented/connected. Adaptable to any environment. Analytical, personable, and a proven leader and consensus-builder. Available to interview. Thank you. Eric T. Wiberg, Tel: 617 242 6477, Cell: 401 338 6957, E-Mail: ericwiberg@att.net, Website: www.echoyachtdelivery.com (S4-12)

Candidate 8: Experienced and proven professional in the maritime industry with a set of core competencies that include analytical problem solving, logistical coordination, leadership, client relations and negotiation skills supplemented with a state-of-the-art MBA in finance. Experienced in vessel management and operations, chartering and sales, financial modeling, risk assessment, project management, team leadership and executive-level presentation. Seeking to leverage prior experience into new challenges and opportunities in project/structured finance and business development. Resume and references will be furnished upon request. Phone: 203-536-4425, Email: sm92mma@optonline.net (S5-2)

HELP WANTED

NOTE: two months of running your ad in this newsletter costs companies only \$100 - and it has proven to be THE place to be seen and answered.

Position A: The Jacksonville/Florida representation of a large international ship management group has a requirement for a Technical Management Assistant. This is a starter position with good promotional prospects for a motivated person preferably with recent sea-going experience. The job description includes tasks such as vessel liaison for engineering assistance, procurement, budget control and reporting. If you are interested in joining our organisation, please visit our website www.amlp.bm and send your resume to jalers@amp.bm (HW01-05)

Position C: Sales Engineer

Located: Lower Fairfield County, Connecticut

Fast growing, International Marine Parts Dealer has an open position for Entry Level, Inside Sales. Looking for highly motivated individual to grow and learn with us. Position deals with Customers and manufacturers around the world. Will handle requisitions for spare parts of Ocean going vessels. Responsible for sending Req's out to obtain prices; compare prices and delivery dates to determine the best deal to offer our customer. Quote the requirement to our customer. Dealing with Clients; follow up to obtain orders, updating them about order status, confirming orders have been delivered. Place purchase orders with manufacturers. Track orders until ready and coordinate shipment of same.

Experience: Mechanical Engineering and / or Knowledge of Various Equipment / Parts on board Ocean going Vessels. International Business / Sales Experience

Salary and benefits commensurate with experience.

Please E-Mail Resume to: amsillc@optonline.net or Fax : 203-662-0169 (HW01-05)

Position D: Experienced Chartering Executive

The ideal candidate has a thorough background within the shipping - preferably dry bulk - industry, with strong negotiation skills, and emphasis on ability to work as a member of a young team, constantly looking for new windows of opportunities.

Eitzen Bulk (USA) Inc. operates as the extended arm of the Eitzen Bulk head office in Copenhagen, being responsible for the marketing with special focus on cargo and contract procurement as well as the operational handling of the Eitzen Bulk fleet within North- and Central America as well as the Caribbean Ocean.

Attractive package and benefits will be offered to the right candidate.

Contact:: Henrik Sleimann Petersen

Company: Eitzen Bulk (USA) Inc.

One Stamford Landing, 62 Southfield Avenue, Suite 104 Stamford, Connecticut, USA

Fax: +1 203 964 2127, E-Mail: hsp@Eitzen-Bulk.com

Website: www.eitzen-group.com

Notes: Please forward application with CV under strictest confidence. (HW01-05)

Position E: Demurrage Analyst needed immediately in Ocean

Logistics/Transportation company office located in Darien, CT. Solid working knowledge of charter parties required and a demonstrated competency in handling demurrage from calculation through settlement. Must have strong negotiation skills and be computer literate. Competitive salary and benefits.

Forward resume, cover letter and salary history to marion.pace@heidmar.com. (HW01-05)

Candidate F: Job Description : Assistant – Safety & Quality

The Company: OMI Marine Services LLC operates a fleet of Internationally Flagged Crude and Product Tankers and is based in Stamford, Connecticut.

Responsibilities :

- Assist the Vice President Safety & Quality in day to day operations of Fleet.
- Coordinate with company vessels and Safety Departments located in Mumbai and Houston offices
- Coordinate with USCG and Vetting departments of Major oil companies.

Qualifications:

- Bachelors Degree in Marine Transportation or similar
- Should have atleast 2-4 years sea service on tankers
- Computer Literacy in Microsoft Word, Excel, Access and Powerpoint
- Good communication skills for presentations in front of audience.

Miscellaneous: This is an entry to mid level position in the Safety & Quality Department with potential for growth to mid management level position.

The successful candidate will be a member of the Safety and Quality Team, will have good communication skills, a proactive approach to problems and be willing to take on additional responsibilities.

Job specific training will be provided

Send resume to: Attn: Safety & Quality Dept.

OMI Marine Services

Fax: 203 602 6801

Email mohanm@omicorp.com (HW-105)

Candidate G: ACCOUNTANT II (Vessel Charter Accounting)

Location: Wilton, CT

Great opportunity for a mid-level Accountant at the Fairfield County headquarters of an international commodities firm. This is a highly visible position with a lot of personal and telephonic interaction with others. Duties include maintaining accounting data and tracking P&L movement for individual vessels; reconciling and recording month-end accruals; resolving disputes with vessel owners and vessel charters; generating invoices for final freight for third parties, processing payables and entering them into our accounting system; reviewing and maintaining accounts receivable aging reports (with some collections responsibilities), and preparing wire transfers.

Requirements: Four-year college degree in a business discipline, preferably in accounting. Four years of experience in ocean vessel accounting, job-cost accounting within a manufacturing environment or commodity trading accounting, including experience reconciling General Ledger accounts, performing accounts receivable collections and making adjustments to financial data. Proficiency with MS Word and Excel and preferably with SAP. Strong analytical and organizational skills, including detailed follow-through abilities. Strong attention to detail, including precise accuracy of data entry.

Louis Dreyfus Corporation

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Website: http://www2.openhire.com/onlinejobs/jobs/submit.cfm?fuseaction=dspjob&jobid=65087&company_id=15601&version=1&jobboardid=356

Notes: Please click on the link above (or copy into your browser) to submit your resume. (HW02-05)