

Summary of Impacts From Extending Cabotage Policies

The foregoing evaluation has shown that very little hard data exists to project specific impacts from the several possible changes to cabotage law that have been investigated. However, OTA has taken the limited data, mixed it with some of the more plausible observations that were reported to us, and produced four summary tables. Table 8 shows the potential that appears for increases in seafaring jobs, table 9 the potential for shipbuilding business, and table 10 the potential for some national security enhancements—all from a possible extension of cabotage to those sectors where some data was available. Finally, table 11 shows some of the negative impacts to be expected from these cabotage extensions.

Table 8-Potential Increases in Seafaring Jobs With Extensions of Cabotage Laws

Potential change to cover	Addition to seafaring jobs	
	Low estimate	High estimate
Virgin [stands trade:		
Petroleum products	Nil	100 to 150
General cargo	0 to 50	50 to 100
Cruise ships	Nil	?
Offshore lightering	Nil	250 to 350
Geophysical vessels	0 to 50	100 to 150
Cruises to nowhere	Nil	1,000 to 1,250

SOURCE: Office of Technology Assessment, 1989.

Table 9-Potential for U.S. Shipbuilding With Extensions of Cabotage Laws

Potential change to cover	Shipbuilding potential
Virgin Islands trade:	
Petroleum . . . . .	.Minimal because of existing supply
General cargo . . . . .	.Minimal because of existing supply
Cruise ships	?
Offshore lightering . . . . .	.From 0 to 20,80,000 dwt ^a
Geophysical vessels . . . . .	.Minimal ^b
Cruises to nowhere . . . . .	.From 0 to 10, 800 passenger ships ^c

^aEach shuttle tanker could represent about \$50 million in new building costs. dwt = dead weight tons
^bIf geophysical vessels are built, each could represent between \$7 to \$10 million in new building costs.

^cEach cruise ship could represent about \$120 million in new building costs.

SOURCE: Office of Technology Assessment, 1989.

Table 10-Potential of National Security Enhancements With Extensions of Cabotage Laws

Potential change to cover	Additions to strategic sea-lift
Virgin Islands trade:	
Petroleum . . . . .	.Nil
General cargo . . . . .	.Nil
Cruise ships	7
Offshore lightering	:From nil to a possibility of 20 tanker additions
Geophysical vessels . . . . .	.Nil
Cruises to nowhere . . . . .	.Possibility of additions of passenger ships with troop carrying capabilities

SOURCE: Office of Technology Assessment, 1989.

Table 11—Potential Negative Impacts With Extensions of Cabotage Laws

Potential change to cover	Possible negative impacts
Virgin Islands trade:	
Petroleum . . . . .	.Refinery cost increases could affect Virgin Islands jobs and economy
General cargo . . . . .	.Increase costs of Virgin Islands imports
Cruise ships . . . . .	.Loss of tourist volume
Offshore lightering . . . . .	.Increased cost of oil imports
Geophysical vessels . . . . .	.Industry loss of foreign business
Cruises to nowhere . . . . .	.Increased costs to tourists could shift business elsewhere

SOURCE: Office of Technology Assessment, 1989.

In general, only a few benefits would seem to stem from the changes analyzed, but the investigations point to some findings of interest:

1. Of all the sectors evaluated, the commercial cruise industry—and especially the subsector of 1-day cruises to nowhere—appears to contain some significant benefits for U.S. interests if cabotage laws were applied. The business consequences of such an action are uncertain, but the added costs, if the action were successful, appear to be directed toward a generally healthy industry.
2. Most industry respondents to OTA's inquiries believe that the consequences of extending cabotage laws will take the form of an industry shift to alternatives that just further avoid a commitment to U.S.-built and U.S.-operated

vessels. The results, therefore, would tend to be more self-defeating than enhancing for the U.S. maritime industry.

3. National security enhancements from extending cabotage laws would take the form of a few possible additions to a strategic sea-lift capability and the resulting increase in seafaring employment implied. If the most favorable outcomes are assumed, the results could be U.S.-flag fleet additions of up to 20 shuttle

tankers and 10 passenger ships. Both of these ship types are considered militarily useful.

4. There are some obvious direct costs--to other affected industries and to certain consumers--of extending cabotage laws. There are also some costs that are neither obvious nor certain. All of these must be carefully evaluated in each specific case in order to arrive at a sound policy choice.