WINSTON & STRAWN LLP

BLOG

U.S. Government Report Shows Seriousness of Jones Act Violations

DECEMBER 17, 2020

The U.S. Government Accountability Office issued a Report on December 16, 2020, entitled *Coast Guard – Actions Needed to Improve National Vessel Documentation Center Operations* in which it reviewed the overall operations of the U.S. Coast Guard's NVDC. The Report also contains statistics showing the seriousness of the U.S. Government's approach to vessel documentation and Jones Act violations.

The NVDC is the national registrar of vessels measuring at least five net tons and owned by qualified U.S. citizens. U.S. registration is necessary for a vessel to engage in any of the U.S. domestic restricted trades, such as the transportation of "merchandise" carried between two "points in the United States" so reserved by a section in the Merchant Marine Act, 1920 known as the "Jones Act."

The principle aim of the Report was to assess the processing of vessel documentation applications by the NVDC. In fiscal year 2019 ended September 30, 2019, the NVDC documented 230,000 vessels. The NVDC processed over one million certificates (which includes renewal applications) from fiscal year 2015 through FY' 19 of which about 70 percent were for recreational vessels.

The NVDC, together with Custom and Border Protection, also plays a role in enforcing the Jones Act in its oversight of documentation laws and the issuance of "coastwise endorsements' on vessel certificates of documentation which establish eligibility for the restricted U.S. domestic trades. A U.S.-flag vessel not genuinely entitled to its "coastwise endorsement" engaged in a restricted trade might violate both the Jones Act and U.S. vessel documentation laws.

The Report indicates that from FY'15 to FY'19, the Coast Guard imposed 255 civil penalties for about $120 thousand in fines not including warnings. In addition, CBP imposed 2,896 civil penalties for about $26 million in fines "for violations of coastwise trade endorsement requirements." These totals include violations of the Passenger Vessel Service Act which restricts the transportation of passengers between two U.S. points. The amount presumably includes a $10 million fine which Furie Operating Alaska LLC agreed to pay in 2017 – believed to be the largest Jones Act fine ever incurred.

1 Min Read

Author

Charlie Papavizas

Related Locations

Washington, DC

Related Topics

Jones Act

Related Capabilities

Maritime & Admiralty

Related Regions

North America

Related Professionals

Charlie Papavizas

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.

© 2024 Winston & Strawn LLP.