

Coast Guard Rejects Industry Petition to Change Jones Act Vessel Rebuilding Regulations

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U.S.-flag vessels eligible for the U.S. coastwise (Jones Act) trade cannot be “rebuilt” outside the United States without losing permanently their Jones Act eligibility. Existing Coast Guard regulations on what constitutes “rebuilt” date from 1996. Two prominent cases which commenced in 2006 and ended, with regard to the rebuild issues, in 2009 (involving the vessel *Mokihana* and two Seabulk tank vessels) brought attention to the adequacy of the existing standard. A broad based industry group petitioned the U.S. Coast Guard in December 2010 to modify the rebuild standard. Despite the receipt of favorable industry comments in May 2011, the Coast Guard announced on March 20, 2012 its decision to reject the petition and therefore leave the existing regulation and the recent court decisions as the applicable guidance. The Coast Guard did not proceed because, among other things, it determined that changing the existing regulations might violate the General Agreement on Tariffs and Trade, 1994 and the Jones Act GATT standstill agreement.

1 Min Read

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