U.S. Department of Homeland Security

United States Coast Guard

Director
National Vessel Documentation Center

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16713/5/2
November 29, 2012

Mr. Chad Verret
Sr. Vice President Deepwater Operations
Harvey Gulf International Marine, LLC
701 Poydras Street, Suite 3700
New Orleans, LA 70139

Dear Mr. Verret:

We refer to your letter of October 4, 2012, with its enclosures, wherein you reported that Harvey Gulf International Marine, LLC ("Harvey Gulf") is currently constructing four dual fuel offshore support vessels at Trinity Shipyard in Gulfport, Mississippi, which, upon completion, are intended to be Jones Act-compliant and eligible to engage in the coastwise trades of the United States. In that regard, you have sought confirmation of the following:

"[Harvey Gulf] is seeking confirmation that LNG fuel tanks fabricated outside of the U.S., for which (sic) are assembled into the vessel within the U.S., will permit the offshore support vessel to retain its eligibility for coastwise endorsement. Currently, the LNG tanks are being constructed within the U.S.; however the LNG tank fabricator is considering the use of its international facilities to expedite the schedule."

The question as to which you have sought confirmation has presupposed not only that "the LNG fuel tanks are assembled into the vessel in the United States" but also that "the vessel's construction in all other respects satisfies the test of having been built in the U.S." In that respect, the confirmation you have sought is confined to the issue of the foreign fabrication of the LNG fuel tanks.

Your letter correctly reflects that, in order to be documented in the United states with a coastwise endorsement entitling it to be operated in the coastwise trades of the United States, the vessels must be determined to have been built in the United States. Moreover, in order for that to be the case, its construction must satisfy both of the requirements of 46 C.F.R. § 67.97; namely:

"To be considered built in the United States a vessel must meet both of the following criteria:

(a) All major components of its hull and superstructure are fabricated in the United States; and
(b) The vessel is assembled entirely in the United States."

For the purposes of our determination in this case the definition of the term "hull" at 46 C.F.R. § 67.3 must also be considered, in pertinent part, as follows:

> "*Hull* means the shell, or outer casing, and integral structure below the main deck which provide both the flotation envelope and structural integrity of the vessel in its normal operations..."

Your letter was also provided to the Coast Guard's Naval Architecture Division ("NAD") which, at our request, has reviewed your plans with regard to the LNG fuel tanks. A copy of the NAD report, dated November 16, 2012, has been attached hereto as Exhibit A in support of this determination.

The question addressed to the NAD for technical review by the facts presented in this case is straightforward. Would the LNG fuel tanks, as described, form part of the "hull", as defined above, of the vessels? If so, because of their size (your letter estimated the steelweight of the vessels as 1,815 LT and the LNG fuel tank as 105 LT), it is clear that they would constitute "major components" of the hull (the standard for which has consistently been set at 1.5% of a vessel's lightship steelweight) and, as such, would need to be fabricated in the United States in order for the vessels to be considered built in the United States. If not, on the other hand, then, notwithstanding their size, the fact that they might be fabricated outside of the United States would not negatively implicate the first criterion set forth above.

After review, the NAD offered the following findings at paragraphs 5, 6, and 7 of its report, in pertinent part:

> "5....With respect to the fuel tank installation, and consistent with our previous reviews of this nature:
>
> 'Independent' tanks (as opposed to 'integral' tanks) are structurally separate from the hull. This means that primary hull stresses are not transmitted to the tank structure, and the tank structure is designed only to meet the liquid loads (i.e., hydrostatic and hydrodynamic (sloshing)) and does not contribute to the overall strength of the hull.
>
> "6. Based on the description of the fuel tank installation..., the saddle foundations are specifically intended to structurally isolate the hull and the LNG tank from each other. This is necessary not only to isolate the tank from any bending stresses of the hull in a seaway, but also to isolate the hull from any stresses due to thermal expansion and contraction of the LNG tank.
>
> "7. Therefore, we conclude that the LNG tank is not part of the hull..."

Consequently, based upon these findings and conclusions, the LNG fuel tanks described would not comprise part of the hull of the vessels and, as such, are not precluded from being fabricated outside of the United States.

The second criterion of 46 C.F.R. § 67.97, set forth above, requires that the vessel be assembled entirely in the United States. In this case you have indicated that the LNG fuel tanks will, in fact, be assembled into the vessels in the United States at Trinity Shipyard.

The Coast Guard has long held that items not integral to the hull or superstructure of a vessel may be foreign built without compromising its coastwise eligibility. However, if attached or joined to the vessel in a foreign shipyard, the second criterion of the test, the "assembled entirely in the United States" criterion, would be impacted. Because the LNG fuel tanks in this case will be assembled into the vessels in the United States, that is not the case here.

Moreover, the Coast Guard's interpretation that the second criterion of the test refers to the assembly of the vessel itself, and does not require assembly in the United States of every component part of the vessel, has also been upheld. Philadelphia Metal Trades Council, MTD, AFL-CIO v. Allen, 2008 WL 4003380, E.D. Pa., 2008.

For all of the above reasons, we confirm that foreign fabrication of the LNG fuel tanks will not jeopardize the coastwise eligibility of the vessels provided that those tanks are assembled into the vessels in the United States, as has been represented.

Sincerely,

Timothy V. Skuby
CAPT, USCG Retired
Director

Enclosure