

STATEMENT OF BILL VAN LOO, SECRETARY TREASURER
MARINE ENGINEERS' BENEFICIAL ASSOCIATION
TO THE
SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION
OF THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
ON THE
STATE OF THE U.S. FLAG MARITIME INDUSTRY
JANUARY 17, 2018

Chairman Hunter, Ranking Member Garamendi and Members of the Subcommittee,

My name is Bill Van Loo, Secretary Treasurer of the Marine Engineers' Beneficial Association and I am a 3rd generation professional licensed mariner. I am pleased to present testimony on behalf of the American Maritime Officers, the Marine Engineers' Beneficial Association, the Masters Mates & Pilots, and the Seafarers International Union.

Combined, our unions proudly represent the civilian seafaring men and women who operate U.S.-flag vessels in both the domestic and international trades. Our membership works aboard commercially owned and operated U.S.-flag deep sea and domestic trade vessels, domestic ferries, as well as government owned ships. We continue the patriotic tradition of American mariners serving since the founding of our nation – we remain willing to sail into harm's way in order to support and supply our military overseas.

A strong U.S.-flag fleet and the corresponding base of American merchant mariners is imperative to securing America's economic and national security. Unfortunately, the pool of licensed and unlicensed mariners has shrunk to a critical level. Without governmental action, the military will no longer be able to rely on the all-volunteer U.S. Merchant Marine as our Nation's fourth arm of defense. We are pleased that the Subcommittee has called this hearing and has remained committed ensuring the existence of a vibrant U.S.-flag maritime industry.

"In Peace and War" is the motto of the U.S. Merchant Marine and that motto has been demonstrated in every domestic and international crisis in our nation's history. From the Revolutionary War to World War I to Operation Enduring Freedom and from the evacuation of Manhattan during 9/11 to disaster relief in Haiti, the men and women of the U.S. Merchant Marine have consistently heeded the call to duty. In 1992, General Colin Powell, then-Chairman of the Joint Chiefs of Staff stated: "Fifty years ago, U.S. merchant vessels . . . were battling the frigid seas of the North Atlantic to provide the lifeline to our allies in Europe. The sacrifice of those mariners was essential to keeping us in the war until we could go on the offensive . . . In World War II, enemy attacks sank more than 700 U.S.-flag vessels and claimed the lives of more than 6,000 civilian seafarers . . ." It is worth noting that 700 is almost 10 times the size of the current fleet.

More recently, in 2008, Major General Kathleen Gainey, Commander of the Military Surface Deployment and Distribution Command, stated that "The merchant marine has always been there beside us . . . There is no amount of thanks that I could give you, because I am here to tell you, having deployed twice, I know how critical it is that equipment and those supplies are delivered on time . . . You are the fourth arm of defense and you are critical to this nation."

Finally, in May 2015, Rear Admiral Thomas Shannon, Commander of the Military Sealift Command, reinforced the continued need for a U.S.-flag fleet and its American crews to ensure the military security of our Nation. As stated by Admiral Shannon, "It is our U.S.-flag merchant fleet and our mariners that ensure that our soldiers, sailors, airmen, and

marines are supplied. From Inchon to Iraq, our mariners and our maritime industry delivered . . . Let us not as a nation sign away our remaining sealift capacity to non-U.S.-flagged fleets sailed by non-U.S. mariners.”

Unfortunately, despite the constant reminders from leaders in the Department of Defense (DoD) that our Nation needs a vibrant civilian U.S. Merchant Marine in order to meet the needs of the military, the commercial sealift capacity and its pool of highly trained and experienced mariners is reaching a diminished point of no return. In March 2016, then Maritime Administrator Paul Jaenichen testified before the Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security of the Senate Committee on Commerce, Science, and Transportation. In his statement he noted that the number of vessels in the U.S.-flag foreign trade fleet declined from 106 vessels in 2011 to 79 vessels today.

This loss of ships has resulted in a drastic reduction in the pool of available mariners needed to meet DoD requirements. At Congressional hearings in 2017, General Darren McDew, Commander of the United States Transportation Command, warned that there is currently a shortage of approximately 2,000 mariners. He added that the reduced mariner pool puts our industry on the edge of being able to sustain immediate sealift requirements and that it would not be able to meet sustained requirements beyond the first four to five months of a conflict. It should be emphasized that it is very difficult to gauge the number of civilian mariners immediately available to serve aboard vessels needed in times of war. When merchant mariners are not at sea they have a number of professional and personal obligations and may not be able to drop everything in order to sail. Therefore, any assumption on the number of civilian mariners available should be considered a bare minimum and we should seek to enact policies and programs that will increase the pool significantly.

The shortage of U.S. mariners should be concerning to every American. While fewer seagoing opportunities force mariners to find employment in other fields, it must be emphasized that it takes many years for an individual to gain the education, experience, and sea-time necessary to obtain U.S. Coast Guard-issued licenses and credentials. For instance, it takes a minimum of 10 years to accumulate the skills and experience necessary to obtain a license as a Chief Engineer or Captain. Our country and industry will not be able to recover overnight from the continued downsizing of our fleet and the outsourcing of American maritime jobs. When the call goes out for mariners to once again respond to our Nation’s call, we must be prepared to respond.

The maritime unions regularly recruit young people to seek a career in the industry. One program that we are particularly proud of is Military to Maritime where the private industry has worked with this Committee and the military to ensure exiting service members seamless entry into a career at sea. Young people who are considering a career as a merchant mariner must not be discouraged to do so by a lack of government support and recent trends that promise no realistic future for employment.

In order to change course and reverse the downward trend, the U.S. maritime labor organizations vow to work closely with Congress, the Administration and other government officials. We must protect and fully fund existing programs and create new programs and opportunities that will increase the number of vessels operating under the U.S.-flag and the corresponding shipboard jobs for U.S. mariners. In order to remain available in times of war and to support our Nation's economic security, the U.S.-flag merchant marine must be supported during times of peace. In order to accumulate the necessary sea-going experience to maintain their United States Coast Guard credentials and advance their licenses and endorsements, U.S. citizen mariners must be employed on U.S. flag vessels actively engaged in the carriage of government and commercial cargoes.

The development of new meaningful and realistic maritime policies and programs must be accompanied by a strong reaffirmation from both Congress and the Administration that our country is committed to maintaining a viable and competitive U.S.-flag merchant marine owned and operated by American citizens and crewed by American licensed and unlicensed merchant mariners in order to meet the economic, military and homeland security requirements of our nation. That commitment should be accompanied by a coordinated approach to a national maritime policy that starts with ensuring a steady stream of cargo. Consequently, we offer our sincere appreciation to Chairman Hunter, Ranking Member Garamendi and the Members of your Subcommittee for taking the initiative to schedule this hearing and your leadership in working to find ways in which Federal programs and policies can enhance the performance of the U.S.-flag merchant marine.

CARRIAGE OF U.S. GOVERNMENT GENERATED AND FINANCED CARGO

U.S.-flag cargo preference shipping requirements are an essential means to help ensure the continued availability of the privately-owned U.S.-flag commercial fleet. It is the various cargo preference laws that guarantee a minimal level of cargo for taxpaying American companies who employ American mariners and comply with all the relevant laws and regulations. It is the same companies and mariners that have demonstrated a strong commitment to America's national and economic security.

We strongly urge Congress to restore the U.S.-flag share of P.L. 480 Food for Peace cargoes to the 75 percent level that was in place from 1985, after significant legislative compromises, until 2012 when it was reduced to 50 percent. Food Aid cargoes are the single greatest source of preference cargo and its importance will only increase if DoD cargoes continue to decline. It is no coincidence that the size of the U.S.-flag fleet has shrunk by more than 26 percent since the 2012 reduction of the U.S.-flag share of food aid cargoes along with the significant reduction in military cargo transported as a result of the reduced footprints in Iraq and Afghanistan.

It is important to note that the cost of utilizing U.S.-flag ships for Food Aid cargoes accounts for less than one percent of the program's budget. Further, the cost of

reinstating the requirements for food aid cargoes back to 75 percent has been scored at only \$11 million per year.

In May 2011, General Duncan McNabb, then Commander of the United States Transportation Command stated “The movement of U.S. international food aid has been a major contributor to the cargo we have moved under the cargo preference law that our U.S.-flag commercial sealift industry depends on.” Similarly, in July 2015 Jeff Marootian, Assistant Secretary for Administration at the United States Department of Transportation stated “Cargo preference is a pillar that ensures America can activate and sustain a sealift fleet anywhere in the world . . . This program, which benefits both the public and private sectors, is less a burden on the taxpayer than the other options to provide the same capability.”

Unfortunately, the P.L. 480 program is not the only source of diminishing preference cargoes. The Export-Import Bank has historically been an important source of cargo for the industry. Since 2014 though, the Bank has lacked the quorum needed to approve transactions over \$10 million. The effect is that 80-90 percent of the Bank’s activities have been frozen along with the resulting internationally bound cargo subject to U.S.-flag shipping requirements. We implore your colleagues in the Senate to confirm nominees so that the Bank can become operational again.

All too often, federal departments and agencies and government contractors have ignored U.S.-flag shipping requirements for the carriage of cargoes paid for by the American taxpayer and Federal government.

Not only are U.S.-flag vessels denied the cargoes that, by law, should be transported by U.S.-flag vessels, but there is no recourse when it is ultimately determined that the law was violated. We implore Congress and the Administration to reinforce, to all Federal agencies and their contracting officers, strict adherence to cargo preference laws.

In 2008, Congress passed the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009. Section 3511 of that legislation included strengthened cargo preference language that made it abundantly clear that the Maritime Administration was the ultimate arbiter of cargo preference. The law further gave the Maritime Administration penalty authority for when they found violations. Unfortunately, the Administration has failed to fully adopt that language. As an industry and a country we must be concerned that the refusal to implement this law indicates an unwillingness to abide by cargo preference laws.

It is important that the Maritime Administration regularly exercise this responsibility and that Congress monitor that enforcement. To this end, Congress should require that the Maritime Administration submit a periodic report to Congress detailing its efforts and actions taken to ensure full compliance with cargo preference laws. Congress should receive a detailed record of the bills of lading that the Maritime Administration is, by law, required to collect on all cargoes subject to cargo preference. This includes cargo that is

directly shipped by the government, financed by the government, and cargoes shipped by a government contractor.

While opponents of the cargo preference laws may claim that the ships carrying preference cargo have no military utility, they are flatly wrong. Every ship operating under the U.S.-flag provides a vital source of employment for the pool of mariners who serve as our Nation's 4th arm of defense.

It is very simple. Without cargo, our ships do not sail and our mariners do not stand by.

MARITIME SECURITY PROGRAM

Another key component of American maritime policy is the Maritime Security Program (MSP). This program authorizes a maritime security fleet of 60 privately-owned, militarily-useful U.S.-flag commercial vessels that are supported by an annual stipend intended to help offset the cost of operating under the United States flag.

The MSP is a unique public private partnership that ensures that the DoD has the sealift capability and foreign intermodal networks it needs while saving the American taxpayer the billions of dollars it would take for the government to develop and maintain such capacity itself. Developed under President George H.W. Bush and first implemented under President Bill Clinton, each President and Congress has demonstrated strong support for the program since 1996.

Since 2009, privately-owned U.S.-flag commercial vessels and their civilian U.S. citizen crews have transported more than 90 percent of the sustainment cargo needed to support U.S. military operations and rebuilding programs in Iraq and Afghanistan. Significantly, vessels enrolled in the MSP carried 99 percent of these cargoes. Without the assured U.S.-flag sealift capability provided by the MSP, U.S. troops stationed overseas could find themselves dependent on foreign vessels and foreign crews to deliver the supplies and equipment they need to carry out their mission.

In 2015, Maritime Administrator Paul Jaenichen told this Committee that "The most significant challenge facing the MSP is the declining Department of Defense cargo due to the drawdown of operations in Iraq and Afghanistan coupled with the over 80 percent reduction in personnel and military bases overseas."

Echoing the concern that recent developments have threatened the continued availability of U.S.-flag vessels, U.S. crews and the global logistics systems provided by the MSP, General Paul Selva, former Commander of the United States Transportation Command, told the Senate Committee on Armed Services in March 2015, "The reduction in government impelled cargoes due to the drawdown in Afghanistan and reductions in Food Aid . . . are driving vessel owners to reflag to non-U.S.-flag out of economic necessity . . . With the recent vessel reductions, the mariner base is at a point where future reductions in the U.S.-flag capacity puts out ability to fully activate, deploy, and sustain forces at increased risk."

These factors affect the ability of U.S.-flag operators to keep their vessels under the U.S.-flag and to reinvest in new ships which are long term assets and must meet certain specifications in order to be eligible for the MSP. While government cargoes continue to decline, the MSP allows American ship operators to compete for commercial cargo with vessels that fly “flags of convenience” and thus have very low labor, safety, and environmental regulations, and enjoy significant tax incentives along with direct state subsidies. Further, in order to ensure a robust national fleet, other countries often require that a certain percentage of commercial cargo entering or exiting their ports be transported on ships flying their national flag and employing their citizens.

We are extremely pleased that Congress, with strong leadership from the Chairman and Ranking Member of this Subcommittee, recently increased the funding authorization for the MSP. This increase, which provides each vessel operating in the program with \$5 million through FY’ 2022 rather than previously authorized \$3.1 million, represented an important step in ensuring the viability of the 60 ships operating in the program.

While Congress strongly affirmed support of the program by increasing the authorization, it is important to note that the MSP relies on annual appropriations. As noted by Chairman Hunter and Ranking Member Garamendi as well as a bipartisan group of 77 of their colleagues in a letter to the Appropriations Committee last year, “The Program utilizes existing U.S. maritime private sector capabilities at a fraction of the cost of what it would take if the Federal government were to replicate the vessel capacity and global intermodal systems made available to the Department of Defense by the MSP contractors who continuously develop and maintain modern logistics systems for commercial and defense purposes. The cost to the government of replicating the vessels and intermodal system is estimated at least \$65 billion.”

In January 2016, General Darren McDew, Commander of the United States Transportation Command, stated, “As a military professional and senior leader, I think about and plan for what the future may hold and I would tell you we must prepare for the real possibility we will not enjoy the uncontested seas and international support experienced in 1991. If either of those possibilities becomes a reality, and if we remain committed to responding to security incidents around the globe, the only way of guaranteeing we decisively meet our national objectives is with U.S. ships operated by U.S. mariners.”

In order to secure the availability of U.S.-flag ships with American mariners whenever needed to assist and supply the forward deployed warfighter, we ask for your help to secure full FY’ 2019 funding for the Maritime Security Program at its Congressionally authorized level.

THE JONES ACT

The cornerstone of America’s domestic maritime policy is the Jones Act. This body of law requires that vessels engaged in commerce between U.S. ports are owned and crewed by American citizens and built in American shipyards. The oceangoing vessels

engaged in domestic commerce provide important employment opportunities for licensed and unlicensed American mariners who are also ready and qualified to serve aboard vessels needed by the Department of Defense. Without the Jones Act, our country would be reliant on foreign companies and foreign mariners, with unfettered access to our inland river systems, to deliver our domestic cargo.

Congress should continue to support the Jones Act as it is a critically important part of our Nation's maritime policy and our national security.

ENCOURAGING THE USE OF U.S.-FLAG VESSELS FOR INTERNATIONAL COMMERCIAL CARGO

The export of strategic American energy assets presents a tremendous opportunity to increase the size of the U.S.-flag commercial fleet and to provide much-needed employment opportunities for American mariners.

We strongly support the efforts of Congressman Garamendi, Congressman Hunter, and Congressman Duncan and their legislation, H.R. 1240 the "Energizing American Maritime Act" that would require up to 30 percent of exports of strategic energy assets to travel on U.S.-flagged vessels.

Further we ask that Congress and the Administration consider any and all ways to incentivize or mandate other commercial cargoes to be shipped on U.S.-flag vessels. The U.S.-flag fleet is currently responsible for only 2 percent of the global U.S. trade. One way this can be accomplished is through the negotiation of bilateral shipping agreements. Congress should give the Administration whatever additional authority it needs to negotiate meaningful bilateral cargo sharing agreements with America's trading partners to provide U.S.-flag vessels with a greater share our foreign trade.

CONCLUSION

We want to ensure that this industry is viable for generations to come. The important role that the U.S. Merchant Marine serves to safeguard our country's military, economic and homeland security cannot be understated.

We are encouraged that the Administration and Congress seem poised to consider comprehensive infrastructure policy. It is important that a renewal of the U.S. Merchant Marine is considered as a part of that discussion. We stand ready to work with you to achieve these objectives.

Thank you.