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Chairman

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Department of Transportation
ATTN: Michael Shapiro
Deputy Assistant Secretary for Economic Policy
U.S. Department of Transportation
1200 New Jersey Avenue SE
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Washington, DC 20590

Re: Request for Comments on America's Supply Chain and the Transportation Industrial Base

USA Maritime, a coalition of maritime labor organizations, maritime trade associations, and ship owning and operating companies, respectfully submits the following comments regarding the above-captioned Request published in the *Federal Register* September 16, 2021. USA Maritime directly or indirectly represents a considerable majority of U.S.-flag oceangoing vessels operating in the U.S.-foreign trade. The vessels and mariners that make up the U.S.-flag merchant marine are a critical part of America's supply chain. We urge the Administration to take all actions possible to ensure the health of this vital industry, a critical resource for this nation.

Maritime transportation is critical to the health of our economy. America is a maritime nation and its economic prosperity and national security depend on having a vibrant merchant marine. According to the United States Coast Guard's report, *Maritime Commerce Strategic Outlook*, 90% of U.S. imports and exports move by ship, generating \$4.6 trillion of economic activity. The report predicts the expected movement of maritime trade to double over the near future, as maritime transportation is the most cost-efficient and the most environmentally friendly way to move goods. It also warns, "Any significant disruption to the [Maritime Transportation System], whether man-made or natural, has the potential to cause cascading and devastating impact to our domestic and global supply chain and, consequently, America's economy and national security."

Despite the importance of maritime transportation to America's Supply Chain, the U.S.-flag fleet carries less than 2% of America's international trade. This minimal participation by U.S.-flag vessels in the carriage of America's foreign commerce is due primarily to the unfair competition from foreign flag of convenience and other state owned and controlled fleets. Not only has this led to a reduction in the number of U.S.-flag vessels but has resulted in "an estimated shortfall of 1,800 qualified mariners in the

event of a full, prolonged mobilization ... ”, as concluded in the Maritime Administration’s *Maritime Workforce Working Group Report*.

The COVID pandemic has brought to light the vulnerability of America’s Supply Chain. The chaos of the pandemic and changes in consumer spending have created a known bottleneck in the maritime industry, creating backlogs for many American exporters and importers. Though this current problem has arisen from an accident of circumstances, it demonstrates the potential devastation to the American economy should a bad actor, such as China, decide to deliberately create economic pressure on the United States. This unspoken threat clearly underpins many of China’s current Maritime Silk Road investments in ports and maritime industries worldwide. The appropriate response is to support and develop for a healthy, vibrant U.S.-flag fleet that Americans know they can depend upon.

Therefore, it is critical for the federal government to invest in and prioritize one of the most important components of the supply chain, the U.S.-flag Merchant Marine. Below, we will address specific aspects of the Request.

1. Identification of major infrastructure or operational bottlenecks and chokepoints across all aspects of the freight and logistics supply chain.

We are currently in a historic bottleneck situation in the maritime industry. Maritime transportation globally is at unprecedented levels, with a record of over 100 ships waiting to enter an American port. The problem does not start with shipping. Rather, it is clear that a lack of transportation workers and upgraded and expanded shoreside facilities and networks have ~~has~~ created backlogs at major ~~raii~~ transshipment centers, which pushes warehouses to capacity, and has left containers waiting to move at the ports before more ships can unload cargo. Clearly, this is not just a shipping problem. America needs a holistic approach to the supply chain that includes a larger U.S.-flag fleet carrying a greater portion of U.S. commerce to meet and protect the economic security of the nation.

4. Major risks to resilience within the freight and logistics sector. What factors help to mitigate or exacerbate these risks

As referenced earlier in this document, the *Maritime Workforce Working Group Report* found an estimated shortfall of 1,800 qualified mariners in the event of a full, prolonged mobilization. The major issue in our industry’s supply chain is the growing shortfall in the number of qualified U.S. citizen mariners to crew the government and privately-owned vessels used by the Department of Defense. In March 2015, General Paul Selva, then-Commander, United States Transportation Command, told Congress that due to the “reduction in government impelled cargoes due to the drawdown in Afghanistan and reductions in food aid . . . the mariner base is at a point where future reductions in U.S.-flag capacity puts our ability to fully activate, deploy and sustain forces at increased risk”—a concern echoed by his successors at the United States Transportation Command every year.

This dangerous decline in the American maritime manpower pool must be reversed as we critically re-examine our national supply chain. American mariners qualified to meet Department of Defense requirements must be put to work aboard U.S.-flag commercial vessels. Otherwise, we will be handing over to foreign flag vessels and their foreign citizen crews the security of our nation and our economic security. As we have seen during the pandemic, being able to rely on maritime shipping is critical for our economy. The Administration must focus on ways to stop the further loss of U.S.-flag vessels and the resultant outsourcing of American maritime jobs, and to increase the number of vessels operating under

the U.S.-flag in order to create more maritime job opportunities for Americans. It is imperative to ensure that our country has the U.S.-flag commercial sealift capability and American mariners needed to support our economic health and military security.

5. *The effects of climate change on transportation and logistics infrastructure and its implications for supply chain resiliency.*

The world's waters and its ecosystems are vital to our future, and maritime transportation is without a doubt the most environmentally friendly mode to move goods. Despite moving 90% of global trade, the maritime industry is only responsible for 2-3% of global CO2 emissions.

Because other modes of transportation release more CO2 and are not as energy efficient as shipping, they have also received more attention and funding for their efforts to become even more energy efficient. However, it is critical that the maritime industry also receives the same amount of federal investment, R&D funds, and tax credits as other transportation sectors. Without healthy oceans, there is no maritime shipping. The U.S.-flag industry is committed to remaining the most energy-efficient mode of transportation and is receptive to new investments to become even cleaner.

6. *Technology issues, including information systems, cybersecurity risks, and interoperability, that affect the safe, efficient, and reliable movement of goods.*

Like investments in climate resiliency, maritime is often ignored in this sector. However, given the maritime industry's role in supporting the Department of Defense, it is critical that maritime receive the same support as other transportation modes. The industry needs better funding, training, and federal attention and support to ensure the maritime sector is as robust as other sectors. Financial relief will also help ensure that the maritime industry is continually able to update to the latest and best cybersecurity practices.

7. *Key opportunities and challenges with respect to the existing and future workforce to ensure a well-functioning freight and logistics supply chain and achieve the President's goal of increasing good-paying jobs with the choice of a union. Are there additional workforce or skill set opportunities and needs currently, or expected in the future?*

The maritime industry is uniquely positioned to meet the President's goals. The overwhelmingly majority of American mariners trained, qualified and available to meet the requirements of the Department of Defense are in unions, including those belonging to USA Maritime: the Seafarers International Union, the Sailors Union of the Pacific, the American Maritime Officers, the International Organization of Masters, Mates & Pilots, and the Marine Engineer's Beneficial Association.

To achieve the President's goal of creating good paying middle-class jobs in our industry, it is essential that the Administration invest in the maritime industry and support those initiatives that increase the share of cargo carried by U.S.-flag vessels in order to attract more vessels to the U.S.-flag and increase the number of jobs for American mariners.

8. *Current barriers that inhibit supply chain performance.*

The biggest threat to the maritime supply chain is an unfair marketplace. The “flags of convenience” system allows the U.S.-flag industry’s biggest competitors to pay sweatshop wages, avoid paying U.S. taxes, and duck regulatory compliance. Given the combination of the maritime industry’s critical role to America’s supply chain, and its biggest threats, the maritime industry finds itself in a uniquely challenging position. It is critical that cargo preference laws are fully enforced and that maritime programs like Maritime Security Program, Cable Security Program, and the Tanker Security Program are fully funded to help fight these challenges. Additionally, the Administration should consider other actions it can take, such as tax relief or similar programs, to incentivize shippers to ship American and invest in this critical resource.

11. *Actions that DOT or other agencies in the U.S. government could take under existing authorities...to address current and evolving challenges within the freight and logistics sector.*

The full implementation of the Ship American or “cargo preference” requirements to transport U.S. government cargoes helps guarantee that American maritime jobs will not be outsourced to the benefit of foreign maritime workers and that the dangerous decline in the number of available American merchant mariners and our national defense sealift capability will not worsen. Though cargo preference applies to 100% of DOD cargoes and at least 50% of civilian cargoes, there is a grave lack of transparency and enforcement of these rules. Shipper agencies waive cargo preference law without oversight or consultation with MARAD and without any disclosing when or why such waivers are issued. USAID is particularly challenging in this regard, unilaterally excluding U.S. carriers from participating in the carriage of food aid to Yemen, its biggest program. Regarding DOD cargoes, many subcontractors fail to comply with U.S.-flag shipping requirements, claiming ignorance of the law. There must be regular training and audits to ensure full compliance with cargo preference.

MARAD should immediately promulgate regulations to enforce cargo preference laws under existing statutory authority granted in 2008 and require shipper agencies to publish their self-granted waivers of cargo preference and justifications for doing so *before* shipping foreign flag. Since being granted sweeping new enforcement authority 13 years ago, MARAD has maintained it cannot use those powers because it has been unable to promulgate implementing regulations. There is little to no transparency regarding waivers of cargo preference and compliance statistics, and consequently stakeholders have no visibility into program enforcement. The Made in America Office should promote transparency and compliance with cargo preference laws across the whole of government, backed up by MARAD’s full statutory enforcement capability.

Existing programs like the Maritime Security Program, the Cable Security Program, and the Tanker Security Fleet, should all be funded as authorized by Congress.

12. *Other policy recommendations or suggested executive, legislative, or regulatory changes to ensure a resilient supply chain that DOT/USG should consider.*

The Administration should consider ways to expand cargo preference, which is currently 100% for DOD cargoes and 50% for civilian cargoes. We recommend 100% for civilian cargoes; American taxpayer

dollars should be used to the fullest extent to not only Buy American but to Ship American and Hire American.

MARAD as our industry's promotional agency must find new and better ways to promote shipping American. It is obligated to promote this critical industry. We need promotion of American maritime strength, power, and influence. We need a Maritime Administration that works with the carriers, with the unions, and with the shippers, to enhance America's position as a maritime nation.

Thank you,

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USA Maritime