STATEMENT OF C. JAMES PATTI, PRESIDENT

MARITIME INSTITUTE FOR RESEARCH AND INDUSTRIAL DEVELOPMENT

ON BEHALF OF

USA MARITIME

TO THE

COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE

OF THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

ON THE

STATE OF THE U.S. MARITIME INDUSTRY: IMPACTS OF THE COVID-19 PANDEMIC

FEBRUARY 9, 2021

Good morning Chairman Carbajal, Ranking Member Gibbs and Members of the Subcommittee:

My name is C. James Patti. I am President of the Maritime Institute for Research and Industrial Development and Chairman of USA Maritime. USA Maritime is a Coalition whose membership includes shipping companies operating U.S.-flag vessels in our nation's foreign trades, including all the U.S.-flag shipping companies having vessels enrolled in the 60-ship Maritime Security Program; the maritime labor unions representing the licensed and unlicensed men and women who crew these vessels; and their related maritime associations. I appreciate the opportunity to appear on behalf of USA Maritime to discuss the current state of the U.S.-flag international merchant fleet.

The development and implementation of programs and policies that support this fleet, enhance its economic viability and enable it to compete for a larger share of America's foreign trade are extremely important to our ability to support the economic and military security of our country. Consequently, we are extremely pleased that this hearing is being held and that we have been given the opportunity to present our views.

As this Committee knows, throughout our history the United States has depended on a strong, active, and militarily-useful privately-owned U.S.-flag merchant marine to protect, strengthen and enhance our nation's economic, homeland and military security. U.S.-flag shipping companies and the loyal, reliable American mariners who crew their vessels are extremely proud of the role they play as our nation's Fourth Arm of Defense, and they are always ready to respond to our nation's call in times of war or other international emergency, providing the commercial sealift readiness capability, intermodal and logistical networks and civilian maritime manpower necessary to support America's interests and to supply American forces deployed overseas.

It is important to understand that the number one priority of the Department of Defense United States Transportation Command (USTRANSCOM) is "warfighting readiness" and its mission is "to project and sustain combat credible forces needed to deter war, protect the security of our nation, and win decisively should deterrence fail." The U.S.-flag maritime industry is a key resource relied upon by USTRANSCOM to fulfill this mission.

As stated by General Stephen Lyons, Commander, USTRANSCOM in December 2020, "When our nation goes to war, so does the maritime industry. Today, as in the past, the Defense Department relies on U.S.-flag vessels, global trade routes and expert mariners to comprise a naval auxiliary in times of crisis."

Of course, the current state of affairs of the U.S.-flag international fleet and its ability to provide the capability our country needs are impacted by COVID-19. As with other segments of the maritime industry, the U.S.-flag shipping companies and maritime labor organizations belonging

to USA Maritime have been affected by COVID-19 and in some extremely important areas continue to be.

We are seeing demand for container shipping remaining at a high level while companies operating Roll-on Roll-off ships and Multi-purpose heavy lift ships are experiencing an improving market. For those operating tankers, however, the market is still somewhat depressed. Of course, with the full impact of the new variants of COVID-19 yet to be determined, it is impossible to predict with any accuracy what the market and demand for shipping services will be in the months ahead.

We appreciate the work done by Committee Chairman Peter DeFazio, former Subcommittee Chairman Sean Patrick Maloney and other members of this Committee and Subcommittee to enact the Maritime Transportation System Emergency Relief Act (MTSERA). This program, once funded, will allow those maritime industry companies and entities and maritime training facilities who need the assistance now or in the future to seek grants from the Maritime Administration in response to COVID-19 or other emergency.

Since the onset of the pandemic, maritime labor and their U.S.-flag shipping companies have been working with each other as well as with a number of Federal agencies and departments, including the Maritime Administration, the United States Coast Guard, the United States Transportation Command, the Department of State**,** the Federal Maritime Commission and others to put in place the measures that help protect the lives of American mariners and ensure that the essential economic and defense services provided by our industry remain available. The support given to our industry by these and other Federal agencies is greatly appreciated.

While over the past eleven months safety practices and protocols have been developed and put in place within our industry there are still COVID-19 related issues that need to be resolved. Most importantly, while we clearly understand and appreciate that there are many segments of the American workforce who need expedited access to the COVID-19 vaccine, it is extremely important that American mariners and cadets working aboard Maritime Security Program vessels and other U.S.-flag vessels in the foreign trades receive such access. Otherwise, with the differences in vaccine administration procedures among the states, it may be months at the earliest before mariners receive a vaccine.

Due to the time spent at sea and the number of countries visited by merchant mariners in the course of their employment, there is a significant and elevated risk of COVID-19. American mariners are continually exposed to individuals in foreign ports who board their vessels who do not follow necessary safety procedures and protocols. If a crewmember tests positive for COVID-19 the vessel**,** depending on the jurisdiction, may be taken out of service and it, along with the entire crew, may be placed into quarantine for an undetermined period of time. The quarantine and cleaning of the vessel is not only time consuming and extremely expensive for the shipping company, but

the delay means that the vessel's cargo will not arrive at its destination when expected and when needed. In the case of commercial cargo, including the delivery of essential medical and other supplies, this may have a detrimental impact on consumers and businesses and, most importantly, on the first responders and other essential workers relying on the delivery of medical supplies and equipment. In the case of military cargo, such disruptions raise the distinct possibility that the lives of American troops overseas may be affected and the ability of the Department of Defense to protect the interests of the United States threatened.

Seafarers live and work closely together in multi-generational settings aboard ship for months at a time. The close contact and risk of exposure is exacerbated by the lack of medical care aboard ship when mariners become infected while underway or when denied shoreside access to medical care in foreign ports, a situation which occurs all too often. One infected crew member may quickly infect the entire ship's crew, most often with no medivac available and frequently with no port of refuge that will allow mariners to disembark and seek medical care. Although mariners are trained to stabilize a sick or injured crewmember, they have always been able to obtain medical care in foreign countries and ports. Since COVID-19 however, mariners are as a general rule not allowed ashore to receive medical attention unless it entails a "life threatening" situation.

As stated by Vice Admiral Dee Mewbourne, Deputy Commander, United States Transportation Command, "The merchant mariners who support the . . . U.S.-flag international shipping industry are vital to our national security and provide the necessary capacity to move forces, supplies, and equipment when needed." Admiral Mewbourne went on to say that "we are well aware of the challenges in mission accomplishment when a merchant mariner has to undergo restrictions on movement, quarantine, or medical treatment due to the COVID pandemic."

Admiral Mewbourne's comments once again highlight the fact that American mariners are a key component of the commercial sealift readiness capability relied upon by the Department of Defense and we appreciate USTRANSCOM's efforts to address the vaccine distribution effort as it pertains to American mariners. We urge Congress and the Administration to similarly consider American mariners in the development and implementation of a strategy and overall plan for the distribution of the COVID-19 vaccine.

In addition, crew rotation, pre- and post-employment quarantine, the repatriation of sick or injured seafarers and travel restrictions are major concerns for the U.S.-flag shipping companies and maritime unions engaged in the U.S. international trades. As stated previously, there is a serious problem obtaining adequate medical care in foreign ports where the local authorities will not allow the mariner to leave his vessel. This is compounded by the difficulty relieving sick or injured mariners and sending them home from locations where there is no established process in place and the government or local authority in question is unwilling or unable to act.

Severe restrictions persist regarding entering or departing from foreign airports and territories for crew changes aboard military and commercial shuttle ships overseas, impeding the ability of

mariners to get to their vessels or to return home, compounding the personal and professional hardships they endure. In addition, mariners like all other travelers are now required, upon entry into the United States, to present a negative COVID-19 test, taken within three calendar days of departure. Overall, while crew rotation delays have been generally reduced, many isolated but nonetheless serious cases still occur.

We appreciate the assistance we have received from Members of Congress, the Maritime Administration, Department of Defense and the State Department to address crew rotation and related issues, especially those involving sick or injured mariners. It is important, not only to the overall efficient operation of our fleet but to the health and morale of American mariners that the crew have access to reliable and professional health care in ports across the globe whether it involves COVID-19 or for other injuries and illnesses that arise during a long voyage. We need to take care of the people keeping the supply chain flowing.

Looking forward, we believe that one of the most important lessons learned to date from the ongoing COVID-19 pandemic and its continuing impact on the U.S.-flag international fleet and the men and women who crew these vessels is that we must continue to address the shortfall in the number of qualified and available U.S. citizen mariners to crew the government and privately-owned vessels used by the Department of Defense in time of war or international emergency. As stated by USTRANSCOM Commander General Lyons in November 2020, "With 85 percent of our forces based in the continental United States, nearly 90 percent of our military equipment is expected to deploy via sealift in a major conflict. In order to deploy those forces, we require safe, reliable and ready U.S.-flagged vessels [and], mariners to crew those ships. . . ."

Without the capability provided by the U.S.-flag international fleet and its civilian American mariner workforce, the Department of Defense would be forced to either dedicate its resources to replicate, at significant cost to the American taxpayer, the commercial sealift readiness capability provided by our industry or to entrust the security of our Nation and the safety and supply of American troops to foreign flag of convenience vessels crewed by foreign nationals who may not support U.S. defense operations. To do so would be to jeopardize the lives of American servicewomen and men who will no longer be guaranteed the supplies and equipment they need to do their job in support of our country.

We can address this shortfall in the American maritime manpower pool by ensuring that greater amounts of government-generated and commercial cargoes move on U.S.-flag ships, thereby increasing the size of the U.S.-flag fleet and the number of American merchant mariners to crew the vessels needed to meet Department of Defense requirements. As history shows, American mariners have never failed to sail into harm's way when needed by the United States. There is no guarantee – no reason to believe – foreign flag of convenience vessels and their foreign crews will do the same. As we go forward, even as we continue to confront the COVID-19 pandemic, it is essential we focus on ways to not only maintain but to increase the number of vessels operating under the U.S.-flag so that we can increase the number of American maritime jobs.

For example:

CARGO PREFERENCE: Without cargo, vessels do not operate and mariners do not have employment. Working in conjunction with the Maritime Security Program, our nation's cargo preference laws ensure that the U.S.-flag international fleet has the base of cargo needed to support U.S.-flag vessel operations. U.S.-flag cargo preference shipping requirements mandate that a percentage of U.S. taxpayer financed exports and imports be transported on privately-owned U.S.-flag commercial vessels, to the degree such vessels are available at fair and reasonable rates. It is important to understand that every U.S.-flag vessel – whether it has been selected to participate in the Maritime Security Program or not – has important military utility by providing the employment base necessary to maintain the cadre of American merchant mariners needed by the Department of Defense. The full implementation of the 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 will not worsen.

To this end, we are encouraged by the recent "Buy America" Executive Order issued by President Biden which includes maritime services within its scope. This affirmation of support from the highest office in the land sends a clear message that U.S.-flag vessels and the jobs they provide and support are key elements of the Administration's economic policy. In addition, legislation initiated by this Committee to require an audit of cargo preference implementation and enforcement was incorporated into the final FY'21 defense authorizations legislation (PL 116-283) and demonstrates continued Congressional support for existing U.S.-flag cargo preference shipping requirements.

We appreciate this support for U.S.-flag cargo preference shipping requirements and ask your help to ensure that all Federal agencies which ship ocean cargoes fully comply with the spirit and the letter of the Congressionally mandated audit. We also look forward to working with this Subcommittee to consider changes to the cargo preference laws that will further enhance and expand U.S.-flag vessel operations and American maritime jobs.

MARITIME SECURITY PROGRAM: The Maritime Security Program (MSP) and its fleet of 60 privately-owned militarily-useful U.S.-flag commercial vessels and their U.S. citizen crews form the backbone of America's commercial sealift readiness capability. Since the inception of military operations in Iraq and Afghanistan in 2002, 98 percent of the cargoes have been transported to the region on either U.S.-flag commercial vessels or U.S. Government owned and/or controlled vessels - all of which are crewed by U.S. citizen civilian merchant mariners. In fact, since 2009, privately-owned U.S.-flag commercial vessels and their civilian U.S. citizen crews transported more than 90 percent of the sustainment cargo needed to support U.S. military operations and rebuilding programs in Iraq and Afghanistan. Vessels enrolled in MSP – all of which are also enrolled in the Voluntary Intermodal Shipping Agreement program, a related sealift

readiness program, and all of which are crewed by United States citizen civilian mariners – carried 99 percent of these cargoes.

Today, the Maritime Security Program provides an employment base for approximately 2,400 U.S. merchant mariners, all of whom are qualified to sail on oceangoing vessels and can be relied upon to crew the privately-owned and government vessels needed by the Department of Defense. In addition, the Maritime Security Program provides the Department of Defense with access to the essential multibillion-dollar global network of intermodal facilities and transport systems maintained by companies participating in the Maritime Security Program.

A 2006 report prepared for the National Defense Transportation Association and Military Sealift Command concluded that at that time "the likely cost to the government to replicate just the vessel capacity provided by MSP dry cargo vessels would be $13 billion." In addition, the United States Transportation Command estimated that it would cost the Government an additional $52 billion to replicate the global intermodal systems made available to DOD by MSP contractors who are continuously developing, maintaining, and upgrading their logistics systems. Instead of the minimum estimated $65 billion it would cost the taxpayer if there were no MSP, a fully funded MSP will continue to provide DOD with the militarily-useful U.S.-flag vessels, U.S. civilian maritime manpower, and the global intermodal systems it needs at a cost to the taxpayer of $318 million in FY'22.

For these reasons, we ask Congress to fund the Maritime Security Program at its Congressionally authorized level of $318 million in Fiscal Year 2022 so that these vessels will continue to operate under the United States-flag with American mariners and provide the commercial sealift readiness capability needed by the Department of Defense.

TANKER SECURITY FLEET: In a letter to Congress in 2019, General John Broadmeadow, then-Deputy Commander, U.S. Transportation Command, warned that today's fleet of U.S.-flag tankers "is insufficient to meet certain war plan requirements." He further went on to say that "As our mobility analysis continues to refine requirements, a 10-tanker program will be a welcome start to begin to address the gap in U.S.-flagged bulk fuel delivery."

Similarly, a report released in February 2020 by the Center for Strategic and Budgetary Assessment noted that the Department of Defense "faces a gap of approximately 76 fuel tankers to meet surge sealift requirements. A Tanker Security Program would be a rapid and cost-effective means to help address this gap . . . ." The report further noted that under a tanker security fleet program, "militarily useful tankers would participate in the Voluntary Tanker Agreement, be equipped with capabilities for delivering fuel at sea via consolidated logistics tanking and would carry crews trained to support military operations during contingencies."

In response, and with the support of Members of this Committee, the FY'21 defense authorizations legislation (PL 116-283) authorizes the establishment of such a tanker security fleet. This fleet

will be comprised of 10 U.S.-flag U.S.-crewed product tankers to help reduce our military's reliance on foreign flag vessels by increasing the amount of fuel supplied and transported by American mariners on U.S. flag commercial vessels, consistent with the priorities of our national defense.

We ask all Members of Congress to support funding for this program as authorized by Congress ($60 million in FY'22). We also look forward to working with Congress to ensure that this program not only enhances commercial sealift readiness and supports the Department of Defense supply chain but that it attracts additional vessels to the United States-flag and increases the number of jobs available to American mariners.

In conclusion, we cannot discuss the state of affairs of the U.S.-flag international fleet without addressing the reality that less than 2 percent of America's foreign trade is carried on U.S.-flag vessels. This has resulted in a precipitous and dangerous decline in the number of U.S.-flag ships engaged in the international trades with a corresponding decline in the U.S. citizen civilian mariner manpower pool.

We believe it is imperative that the downward trend in the number of vessels operating under the U.S.-flag not only be stopped but reversed, and that the outsourcing of American maritime jobs to the benefit of foreign workers be ended. This not only means funding and support for the programs and policies currently in place, including the cargo preference laws, the Maritime Security Program and the Tanker Security Fleet, but requires strong, positive and innovative action on the part of our industry, the Congress and the Administration working together to develop and implement meaningful and effective programs and policies that will increase the number of commercially viable U.S.-flag vessels, increase the number of American maritime jobs, and increase the amount of America's foreign trade carried aboard U.S.-flag ships.

We look forward to working with you and your colleagues not only on the issues addressed above but on other initiatives, including those for example that result in Federal tax policy and laws that incentivize shippers to utilize U.S.-flag vessels and encourage, rather than discourage, investment in the U.S.-flag shipping industry; that promote bilateral shipping and cargo sharing agreements with our trading partners; and that include a greater reliance on U.S.-flag vessels as a means to achieve energy efficiency and a cleaner environment. In this way, our ability to serve as a military auxiliary in time of war will be enhanced, further guaranteeing that the United States will have the U.S.-flag ships with American crews it needs to provide the assured logistics the Department of Defense requires.

On behalf of the organizations belonging to the USA Maritime Coalition I want to again thank you Mr. Chairman, Ranking Member Gibbs and the Members of this Subcommittee for your support and stand ready to provide whatever additional information you may require.