

**CREATING JOBS AND INCREASING U.S. EXPORTS
BY ENHANCING THE
MARINE TRANSPORTATION SYSTEM**

(112-36)

HEARING
BEFORE THE
SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
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U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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June 10, 2011

MEMORANDUM

TO: Members, Subcommittee on Coast Guard and Maritime Transportation

FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation

RE: Hearing on "Creating Jobs and Increasing U.S. Exports by Enhancing the Marine Transportation System."

PURPOSE

On Tuesday, June 14, 2011, at 10:00 a.m., in room 2167 of the Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will meet to examine the current condition of the Marine Transportation System (MTS), as well as explore ways to enhance the MTS to create jobs, improve the flow of commerce, and increase U.S. exports.

BACKGROUND

The Maritime Transportation System

The Marine Transportation System consists of waterways, ports, and intermodal landside connections that allow for the movement of people and goods to, from, and on the water. The MTS includes nearly 25,000 miles of navigable channels, 238 locks at 192 locations, the Great Lakes and St. Lawrence Seaway, over 3,700 marine terminals, over 174,000 miles of rail, over 45,000 miles of interstate highway, over 115,000 miles of other roadways, and over 1,400 designated intermodal connections.

Ongoing maintenance and continued enhancement of the MTS is vital to the U.S. economy. The MTS facilitates nearly all international trade and moves a vast portion of domestic goods and materials. The movement of cargo and associated activities on the MTS add more than \$649 billion annually to the U.S. Gross Domestic Product, sustaining

more than 13 million jobs, and contributing over \$212 billion in annual federal, state, and local taxes.

The MTS provides the backbone for sustainability of the U.S.-flag domestic cargo fleet. The U.S. domestic fleet is made up of 40,000 vessels (mostly tugs and barges) that move over one billion tons of cargo annually on U.S. waterways. U.S. vessels also provide passenger services to over 40 states and territories in the MTS. A total of 220 ferry operators transport an estimated 147 million passengers on an annual basis, generating an estimated \$1.35 billion in yearly revenue.

Expansion of U.S. foreign trade is also dependent on a safe, secure and well maintained MTS. Approximately 99 percent of the volume of overseas trade (62% by value) enters or leaves the United States by water. In 2010, a total of 9,260 individual vessels, from 90 different flag administrations, made 76,372 port calls to the United States. The economic cost of a one week shut down at major U.S. port is estimated by the Congressional Budget Office to exceed \$140 million.

Finally, the MTS transports bulk commodities and manufactured goods critical to our national and economic security. In addition, the ports and waterways moving commercial and consumer goods also move military equipment and supplies essential to national security.

Committee on the Marine Transportation System

Background:

Section 308 of the Coast Guard Authorization Act of 1998 (P.L. 105-383) established a task force to determine the adequacy of the nation's marine transportation system. On December 17, 2004, following the recommendations of the task force and a subsequent interagency committee, President Bush directed the establishment of the Committee on the Marine Transportation System (CMTS).

CMTS is a federal cabinet-level, inter-departmental committee chaired by the Secretary of Transportation. The movement of people and goods through the MTS touches 50 separate federal government programs. The mission of the CMTS is to facilitate interagency cooperation to ensure the development and implementation of national MTS policies that are consistent with national needs and to report to the President its views and recommendations for improving the MTS.

The other members of the CMTS are the Secretaries of Agriculture, Commerce, State, Defense, Labor, Homeland Security, Interior, Energy, Treasury, the Attorney General, the Chairman of the Joint Chiefs of Staff, the Administrator of the Environmental Protection Agency, the Chairman of the Federal Maritime Commission, the Assistant to the President for Homeland Security, the Assistant to the President for Domestic Policy, and the Assistant to the President for Economic Policy.

National Strategy for the Marine Transportation System:

In July 2008, the CMTS released its *National Strategy for the Marine Transportation System: a Framework for Action*. The strategy is a five-year action plan with the goal of addressing issues affecting the MTS over the next decade. It identifies current challenges to marine transportation including:

- increased cargo and passenger traffic over the next decade which will intensify congestion, lead to space and capacity constraints, and could cause infrastructure failures;
- maintaining a safe and secure MTS with unduly affecting the flow of commerce;
- regulating the environmental impacts of increased traffic on the MTS;
- planning for contingencies such as natural disasters, labor-management disputes, foreign political instability and other events which have the potential to shut down significant parts of the MTS;
- determining new and innovative ways to finance MTS infrastructure needs.

To address these challenges, the strategy identifies needs for action in five priority areas:

1. Capacity – to address current and future capacity issues, improve the efficiency of the MTS and reduce congestion, the strategy calls for: improved collaboration among stakeholders in the infrastructure planning process; expansion of shipping on marine highways; incentives for private sector investment in infrastructure and operation technology; improved collection and dissemination of maritime data such as navigation, weather and traffic information for waterways users; and standardized container management procedures.
2. Safety and Security – to ensure the safety and security of the MTS, the strategy calls for: coordination of existing federal navigation programs to reduce duplication and improve efficiency; promotion of navigation technology research and development; enhanced coordination among maritime stakeholders to improve security awareness and reduce accidents.
3. Environmental Stewardship – to protect the environment and ecosystems affected by the MTS, the strategy calls for: supporting MTS infrastructure projects that improve air quality, reduce greenhouse gas emissions and reduce congestion; supporting research to control and mitigate the effect on the marine environment of pollution and invasive species; promoting coordinated regional and watershed management efforts; and harmonizing state, federal and international environmental standards.
4. Resilience and Reliability – to ensure the resilience and reliability of the MTS, the strategy calls for: providing coordination, expertise and resources to ensure continuity of operations and the resumption of commercial marine activities following a disruption; developing capacity and coordinating with industry on response and recovery operations; collaborating on a solution to jurisdictional

issues surrounding abandoned vessels and damaged bridges; and developing strategies to address climate change impacts on the MTS.

5. Finance and Economics – to finance projects to improve MTS infrastructure, the strategy calls for: commissioning a study on alternative approaches to financing the construction, rehabilitation, and maintenance of MTS infrastructure projects; studying ways to prioritize limited federal funding for infrastructure projects; and ensuring project cost allocations to consider environmental and human health costs and promotes economic efficiency.

To implement this strategy, the CMTS established a work plan to define, assign, schedule, and execute the recommended actions.

Growing Jobs and Expanding Exports

The federal government has several laws and programs in place to ensure the U.S. maritime sector can remain competitive in the global economy.

Jones Act:

The Jones Act first came into effect as part of the Merchant Marine Act of 1920 to encourage a strong U.S. Merchant Marine for both national defense and economic security. The Jones Act contains a number of provisions designed to protect U.S. shipbuilding and mariner jobs:

1. U.S. Owned and Flagged - Chapter 551 of title 46, United States Code requires that merchandise and passengers being transported by water between two U.S. points must travel on U.S.-citizen owned vessels documented (flagged) in the United States with a coastwise endorsement.
2. U.S. Built - Chapter 121, of title 46, United States Code requires vessels seeking a coastwise endorsement to have been built in the United States.
3. U.S. Crewed - Chapter 81, of title 46, United States Code requires the master, all of the officers, and at least three-quarters of the crew to be U.S. citizens in order for a vessel to be documented in the United States.
4. Rebuild/Reflag Prohibition - Chapter 121 also prohibits vessels that were once eligible to engage in the U.S. coastwise trade and then later sold to a foreign citizen, or documented under a foreign registry, or rebuilt outside the United States from engaging in the coastwise trade (a vessel may be considered rebuilt when work performed on its hull or superstructure constitutes more than 7.5 percent of the vessel's steelweight prior to the work).

Cargo Preference:

In an effort to ensure essential sealift capacity and guarantee a skilled cadre of U.S. seafarers, Congress enacted several laws beginning in 1904 to require certain percentages of government impelled cargo to be carried on U.S.-owned, U.S.-flagged, and U.S. crewed vessels. Government impelled cargo is oceanborne cargo that is moving either as

a direct result of federal government involvement, or indirectly through financial sponsorship of a federal program, or in connection with a guarantee provided by the federal government. The following is a breakdown of the percentages of cargo required to be carried on U.S.-owned, U.S. flagged, and U.S.-crewed vessels under the Cargo Preference Program:

- Military Cargo - 100% (governed by Military Cargo Preference Act of 1904);
- Export Import Bank - 100% (governed by Public Resolution 17);
- Federal Civilian Agencies Cargo - at least 50% (governed by Cargo Preference Act of 1954); and
- Agricultural Cargoes - at least 75% (governed by the Food Security Act of 1985)

Chapter 553 of Title 46 authorizes the Secretary of Transportation to enforce cargo preference laws and ensure other federal agencies carry out the law as intended. In April 2011, the Department of Transportation reached an agreement with the Department of Energy to ensure certain cargo financed by federal government loan guarantees authorized under Title XVII of the Energy Policy Act of 2005 (P.L. 109-58) complied with cargo preference laws. Prior to this agreement, the Department of Energy allowed renewable energy systems and other cargo financed through these loan guarantees to be transported by foreign flagged, owned, and crewed vessels.

Maritime Security Program:

The Maritime Security Act of 1996 establishes the Maritime Security Program which provides direct financial assistance to the operators of U.S.-owned, U.S.-flagged, and U.S.-crewed vessels to make their vessels available to support military sealift during times of national security or war. Currently, 13 vessel operators operating 60 vessels receive \$2.1 million per vessel per year under the Maritime Security Program.

Domestic Shipbuilding Programs:

In addition to the Jones Act, the federal government directly supports the viability of the domestic shipbuilding industry through a combination of programs including:

1. Capital Construction Fund – First established in the Merchant Marine Act of 1936, the Capital Construction Fund (CCF) enables U.S. vessel operators to defer federal income taxes on their income by depositing the income in a CCF. Income deposited in a CCF may only be used to finance the construction of a vessel built or rebuilt in a U.S. shipyard.
2. Title XI Federal Ship Financing Program – Pursuant to Chapter 537 of title 46, United States Code, the Title XI program provides federal government loan guarantees for (1) vessel operators for the purpose of financing or refinancing the construction or reconstruction in U.S. shipyards of U.S. flag vessels or certain other vessels, and (2) U.S. shipyards for the purpose of financing

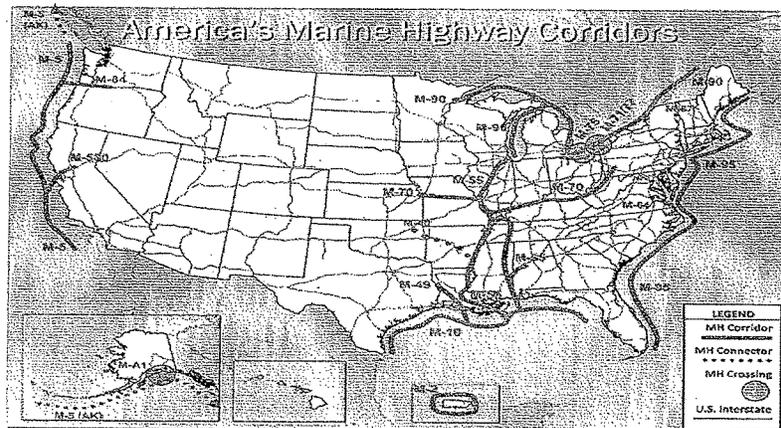
advanced shipbuilding technology and modern shipbuilding technology for a facility located in the U.S.

3. **Small Shipyard Grants** – The National Defense Authorization Act of 2006 established the Small Shipyard Grant Program. Under the program, U.S. owned and operated shipyards with less than 1,200 employees are eligible to receive matching grants from the federal government to finance capital improvements and equipment purchases.
4. **Tariffs** – Under the Smoot-Hawley Act of 1930, U.S. vessel operators are liable for a 50 percent duty on maintenance and repairs performed on their vessels at overseas shipyards.

Marine Highways Program:

Use of the extensive network of “marine highways” (rivers, canals and coastal routes) in the U.S. is the most economical, environmentally sustainable, and safest mode of commercial freight transportation. This is due to the enormous capacity of a barge or ship. For example, a typical inland barge has a capacity 15 times greater than one rail car and 60 times greater than one semi trailer truck. Transporting goods by water moves them off highways and reduces landside congestion.

Section 1121 of the Energy Independence and Security Act of 2007 (P.L. 110-140) directs the Secretary of Transportation to establish a short sea transportation program and designate short sea transportation projects to mitigate landside congestion. Using this authority, the Secretary has designated 11 Marine Highway Corridors, 4 Connectors, and 3 Crossings that can serve as extensions of the surface transportation system.



These corridors represent routes where water transportation presents an opportunity to offer relief to landside corridors that suffer from traffic congestion, excessive air

emissions or other environmental concerns and challenges. Corridors are generally longer, multi-state routes whereas Connectors represent shorter routes that serve as feeders to the larger Corridors. Crossings are short routes that transit harbors or waterways and offer alternatives to much longer or less convenient land routes between points.

The Secretary has also designated eight Marine Highway Projects along the Corridors, Connectors and Crossings. These projects, sponsored by local transportation planning officials and port authorities represent new or expanded marine highway services that offer promise of public benefit and long-term sustainability. Section 3515, of the National Defense Authorization Act for Fiscal Year 2010 (P.L. 111-84) allows designated Marine Highway Projects to compete for grants to enhance infrastructure, acquire equipment and make other improvements to facilitate service along a designated Corridor. To date \$7 million has been awarded to six entities for this purpose, as well as to study other potential marine highway service concepts.

WITNESSES

The Honorable David Matsuda
Administrator
Maritime Administration

Mr. Joseph J. Cox
President & CEO
Chamber of Shipping of America

Mr. Michael Roberts
Chief Counsel
Crowley Maritime Corporation
on behalf of
American Maritime Partnership

Mr. Augustin Tellez
Executive Vice President
Seafarers International Union

Mr. John Mohr
Executive Director
Port of Everett, WA

CREATING JOBS AND INCREASING U.S. EXPORTS BY ENHANCING THE MARINE TRANSPORTATION SYSTEM

TUESDAY, JUNE 14, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, Hon. Frank LoBiondo (chairman of the subcommittee) presiding.

Mr. LOBIONDO. The subcommittee will come to order.

The Subcommittee is meeting today to review the current condition of the Maritime Transportation System, as well as to examine ways to improve the system to create jobs to improve the flow of commerce and increase U.S. exports.

Last month, the subcommittee met to examine the Coast Guard's rulemaking process in an attempt to reduce burdensome regulations that stifle commerce and job creation. Today's hearing is a logical extension of that effort, as we will step back and examine the system as a whole for similar efficiencies.

The MTS is a vast resource that facilitates our robust maritime commerce. It consists of waterways, ports and intermodal landside connections that allow for movement of passengers and cargo on the water. The MTS includes nearly 360,000 miles of navigable channels, railways, and highways, as well as 238 locks and 3,700 marine terminals.

The commerce which moves on the MTS fuels the economy. Approximately 99 percent of the volume of overseas trades enters or leaves the United States by water. The movement of cargo and associated activities on the Marine Transportation System adds more than \$649 billion annually to the U.S. gross domestic product, sustains more than 13 million jobs, and contributes over \$212 billion in annual Federal, State, and local taxes.

Domestic shipping alone is responsible for over half a million American jobs and a \$100 billion in annual economic output. As such, ongoing maintenance and improvement of the MTS is essential to any effort to create jobs and expand exports.

In July of 2008, the Cabinet level Committee on the Marine Transportation System released its "National Strategy for the Maritime Transportation System: A Framework for Action," which identifies current challenges to marine transportation and several

actions to address these challenges. I look forward to hearing about the progress on those actions.

Similarly, I hope that our witnesses will touch on ways to revitalize our marine highways. These rivers, canals and coastal routes are the most economical, environmentally sustainable, and safest mode of commercial freight transportation. I look forward to hearing about efforts to support and enhance the marine highways programs.

As our economy struggles to recover, every agency in the Federal Government must seek ways to promote growth. That means exploring ways to create jobs, increase exports, and save taxpayers money. A robust Marine Transportation System can potentially accomplish all three.

However, as we focus our efforts on ways to maximize the system's potential, it is imperative that the policies we develop promote the transportation of goods on American ships, built in American shipyards, and operated by American mariners.

I want to thank the witnesses for being here today. I look forward to hearing their testimony.

And now I would like to yield to Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

Thank you for holding this morning's hearing on how the Maritime Transportation System, our Nation's network of ports, marine terminals, navigable waterways, vessels, and intermodal rail and highway connections, can do more to create jobs, boost exports, and stimulate economic growth.

For the maritime industries and workers in my district, few issues are as important so I am particularly pleased to welcome John Mohr here today, the executive director from the Port of Everett, my home town, to this morning's hearing.

It is one of the goals of my office to implement a forward-thinking plan for long-term economic growth, Mr. Chairman, that works for all of us through the investment and the skills and knowledge of our people, support for innovation and infrastructure, all in order to maintain our economic leadership in the world.

Last week at home, I spoke at a rail summit held by one of our county executives. The summit made it clear that rail and freight infrastructure is critical to our long-term economic growth. My office has established an export assistance program that connects local small manufacturers with people and resources they need to export their goods and create jobs.

In order to remain competitive in a global economy, improving domestic infrastructure as well is a sound strategy to promote growth and efficiency, support increased manufacturing, feed the American market and serve as an export platform for manufactured goods around the world. Our economic prosperity is closely tied to and heavily dependent upon international trade. Since approximately 99 percent by volume of this overseas trade is moved by water, it underscores how pivotal the Maritime Transportation System is to our goal of supply chains and consequently to our economic and national security.

You have noted the numbers with regard to waterborne cargo, Mr. Chairman, that contributes \$649 billion annually to the U.S. gross domestic product and more than 13 million jobs. An an-

nouncement last week from the Commerce Department reaffirmed these numbers. New trade figures for U.S. exports of goods and services for April revealed a 1.3-percent increase from March to a record \$175.6 billion, still with a trade deficit but causing the trade deficit to decline by 6.7 percent from the preceding month.

However, because of much of the system's infrastructure is aging and constrained by capacity limitations, this projection raises the fundamental question: Will the MTS be able to meet these new demands and continue to provide a seamless, integrated multimodal transportation system.

In response to the 2004 Ocean Action Plan, the Committee on the Marine Transportation System did release in 2008 a national strategy that offered 34 recommendations to maintain and enhance the MTS, especially the system's capacity, safety and security, environmental stewardship, resilience and reliability, and long-term financing.

In general, progress towards fulfilling the national strategy is incomplete at best. Certainly efforts by this Administration to establish a pilot program for marine highways and to designate the marine highway corridors and grants awarded under the Recovery Act to fund MTS infrastructure investments have been positive steps, but they don't seem to be enough and much more needs to be done.

Unfortunately, the prospects don't seem to be very good under present Federal budget constraints for finding new resources to maintain necessary infrastructure investments to maintain, enhance and expand the system to meet its future challenges. Nevertheless, we must find a way forward.

With this in mind, I look forward to hearing the recommendations from our witnesses on how we might creatively and constructively address the needs of the Marine Transportation System. I will learn how we might leverage greater public and private investments to improve the efficiency and reliability of the system and how we can utilize the system to drive job creation and revitalize our maritime industries.

The overarching reality is that our economic future and the Maritime Transportation System are closely intertwined. To think that our economy can fully recover and grow if we fail to invest in this critical infrastructure is both unrealistic and shortsighted. We must summon the world to invest in this system or we risk choking off the very conduit that makes our economy hum, that drives job creation and that ensures the U.S. market remains pre-eminent in global trade. Thank you, Mr. Chairman.

Mr. LOBIONDO. Thank you, Mr. Larsen.

And Rick, thank you for suggesting this hearing.

Our witnesses today include the Honorable David Matsuda, administrator of the Maritime Administration; Mr. Joseph Cox, president of the Chamber of Shipping of America; Mr. Michael Roberts, testifying on behalf of the American Maritime Partnership; Mr. Augustin Tellez, executive vice president of the Seafarers International Union; and John Mohr, executive director of the Port of Everett in Washington. We thank you all for being here.

Oh, excuse me. Do you have an opening statement?

Mr. CRAVAACK. Sorry, Mr. Chairman. That is what I get for being late.

Mr. LOBIONDO. That is what you get for being late.

Mr. CRAVAACK. Thank you, Mr. Chairman.

And thank you Mr. Larsen for holding this important hearing today.

I would like to welcome our witnesses as well to our panel.

I appreciate the opportunity to hear from today's witnesses about ways to create jobs through enhancing our Nation's Maritime Transportation System.

As a representative from Duluth, Minnesota, I understand the critical importance of the maritime transportation to our State and our Great Lakes region. Accordingly, I am very interested to hear how our Nation can further utilize maritime transportation by removing barriers, like double taxation under the Harbor Maintenance Tax.

As a new Member of the House, I was disturbed to find how Congress has failed to use all of the harbor maintenance tax revenues for their intended use; namely, the dredging of our harbors and our channels. Presently, the harbor maintenance trust fund is running a \$5 billion surplus. At a time when our Nation's vessels are unable to carry full loads because of inadequate channel and harbor depths, it is imperative that we better utilize the Harbor Maintenance Trust Fund to increase transportation productivity.

Again, I look forward to your testimony. And I thank you for being here today.

And I yield back, sir.

Mr. LOBIONDO. Thank you very much.

Mr. Matsuda, the floor is yours.

TESTIMONY OF THE HONORABLE DAVID T. MATSUDA, ADMINISTRATOR, MARITIME ADMINISTRATION; JOSEPH J. COX, PRESIDENT AND CEO, CHAMBER OF SHIPPING OF AMERICA; MICHAEL G. ROBERTS, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, CROWLEY MARITIME CORPORATION, ON BEHALF OF AMERICAN MARITIME PARTNERSHIP; AUGUSTIN TELLEZ, EXECUTIVE VICE PRESIDENT, SEAFARERS INTERNATIONAL UNION; AND JOHN M. MOHR, EXECUTIVE DIRECTOR, PORT OF EVERETT, WASHINGTON

Mr. MATSUDA. Good morning, Chairman LoBiondo, Ranking Member Larsen, members of the subcommittee.

Thank you for inviting me here to testify on behalf of U.S. Transportation Secretary Ray LaHood. Before I begin, I would like to pass along my condolences to Congressman Cummings. He and his family are certainly within our thoughts and prayers at the Maritime Administration.

With the subcommittee's permission, I would like to submit my written testimony for the record and summarize it briefly.

Now, let me take the opportunity to speak to you about the Marine Transportation System and its role in creating jobs and increasing exports.

The Marine Transportation System supports millions of jobs, facilitates trade, moves people and goods in a safe, cost-effective, and efficient manner and allows our Nation to be competitive in the global marketplace.

As the members of the subcommittee know, export markets are fundamental to our manufacturing and agricultural industries. And as a result of sustained efforts, exports have rebounded to near 2008 levels within the first year of President Obama's National Export Initiative. With the understanding that the export initiative's success is indelibly linked to the transportation industry, the Maritime Administration continues to execute a number of initiatives and grants to promote the continued growth of American exports.

As one example, I am pleased to report that I recently approved the Federal financing of a \$290 million export project at a shipyard in Panama City, Florida. I recall the subcommittee's interest in this project when I was last before you. This project will result in 300 new shipbuilding jobs as workers construct five new off-shore supply vessels for service in Brazilian waters.

Another way we are supporting export goals is by developing America's marine highway. The comprehensive report on marine highways sent to this committee in April can now be found on the Maritime Administration Web site. As the chairman alluded to, this DOT initiative promotes the use of waterways to move freight, providing shippers with a transportation alternative that reduces oil consumption and greenhouse gas emissions and reduces the wear and tear on our surface infrastructure.

The department has also made targeted investments in our Nation's port and rail lines for the first time ever through the TIGER grant program. Created in the Recovery Act, TIGER plays a critical role in creating jobs and supporting the National Export Initiative. It has been a tremendous success.

As I describe the broad reach and range of these and other programs described in my written testimony and their role in our economic success, please note that these results would not have been possible without the partnership of many other agencies.

The Committee on the Marine Transportation System chaired by Secretary LaHood brings various agency representatives together to facilitate the improvement of the U.S. supply chain through policy coordination, and we are working with our Federal maritime partners, the Coast Guard, the Army Corps, NOAA, a total of 27 agencies, continuing to build on these efforts.

Much is changing in the maritime industry and may increase export opportunities. Larger ships, more calls on America's ports, and potential shifts in trade lanes due to expansion of the Panama Canal, as well as other factors, will all change the way in which we ship goods. In May, Agriculture Secretary Tom Vilsack reported that farm exports reached an all-time high of \$75 billion during the first half of fiscal year 2011. In fact, every dollar in exports generates \$1.31 in economic activity.

At the same time, we are focused on improving our U.S.-flag fleet's international competitiveness. That is why we are studying the various impediments to the use of the U.S.-flag registry, and we are expecting the study to be completed the summer of 2011. We are also focusing on cargo opportunities for U.S. carriers both at home and abroad. And by partnering with agencies like the Department of Energy, we will continue to strengthen these opportunities.

As I hope you can see, we are fully committed to utilizing the Marine Transportation System to increase our exports and support our domestic maritime industry. We believe that while it is critical to our economy today, it has the potential to create even greater economic growth tomorrow.

At this time, I am pleased to take any questions you have.

Mr. LOBIONDO. Mr. Cox.

Mr. COX. Good morning, Chairman LoBiondo and Ranking Member Larsen. I appreciate the opportunity to be here.

With your permission, Chair, I will submit my testimony and just make a few comments relative to it here.

Marine Transportation System, as I look at this, gentlemen, I wonder if our Marine Transportation System as we describe it shares an equal status with our rail and road brethren, and I do think that is an important question that we in this Nation are going to have to face if we are going to move cargo and people in the future.

In the past, the Maritime Administration was engaged in something called the Marine Transportation System National Advisory Council. We participated in that. We did not have a high degree of confidence in what came out of that. We would hope that the new Committee on Marine Transportation System does a better job than we did in the past.

I am pleased to say that as president of the Chamber of Shipping of America, I am also chairman of the Marine Highways Cooperative, a public-private partnership among the Government, Maritime Administration, that is, and the private sector. And I should say that the private sector does fund at this point a little bit more than half the money that goes into the cooperative. It is a very modest budget, Mr. Chairman, but at the same time, we are dedicated to educating our own community about the benefits of what we call short sea shipping.

And as I speak, we are putting on our Web site a calculator which shippers, the marine community, those who desire to have an investment in the maritime industry, and others can plug in the numbers into that system, which would include road and rail modes of transport, to see what is the most beneficial choice. We think one of the more useful aspects of it is carbon.

We know carbon currently doesn't have a price tag associated with it. I don't want to get started with the politics of carbon. But at the same time, I think the public is becoming aware of the issue and so carbon is going to be an important consideration, we think, among the retailers of America. And this tool will enable them to utilize that when they make their decisions relative to transportation logistics.

And Chairman, I am going to talk quickly about the harbor maintenance tax. Sir, you are not the Ways and Means Committee, I understand that. But the harbor maintenance tax is a major psychological impediment, in my opinion, to the furtherance of a review of short sea shipping, and there could be arguments as to whether it should be or not, but I think those arguments can be had behind doors. I think in the eyes of the industry, the taxation, if you will, a double taxation on shipping cargo through short sea

shipping modes is simply something that is inappropriate and ditto, Mr. Cravaack. Thank you for your earlier comments.

Sir, I am going to talk quickly about business expectations because no one invests in anything in this country without an expectation of what they are going to have to face in the future relative to their cost structure. And I think that two items spring to mind. There may be others.

But the first one in the maritime industry is ballast water and controls. We have a regrettable situation now where we do not have that necessary ingredient for us to consider what our investments are in shipping because the investment in ballast water technology controls is not an inconsequential one. So a decision in this area is certainly very important to the industry. And we need a uniform national standard.

Now, I don't know how strict it can or can't be, but it should be as strict as technology permits with upgrading available as technology becomes more available. I think that we owe it to ourselves as a Nation to have a single uniform national standard.

The second area is national ocean policy. There is a deliberation among the Administration where they have called the agencies together to involve a consideration of national ocean policy. This is geospatial planning, marine spacial planning. We are very concerned with whether or not that is operating to the full effect of what would be to the benefit of our sector of the usage of the oceans. And we certainly invite any oversight that the legislature might want to engage in with respect to the national ocean policy.

Chairman, I don't make any public comments unless I make this comment, and that is about piracy. Piracy is active. It is in place. It is a growing phenomenon in the Indian Ocean. Our seafarers are exposed. Other seafarers are exposed, and I believe, sir, that the U.S. should take and should continue to take a leading role in combatting piracy.

And in conclusion, sir, our thoughts and prayers are also with Mr. Cummings and family during these difficult times.

Thank you.

Mr. LOBIONDO. Thank you.

Mr. Roberts.

Mr. ROBERTS. Good morning, Mr. Chairman, Mr. Larsen, members of the subcommittee.

My name is Mike Roberts. I work for Crowley Maritime. I am here today as a representative for the American Maritime Partnership, or the AMP. Thank you for holding this hearing and inviting us to testify.

With your permission, I would like to offer brief comments and ask my written testimony be included in the record.

Let me first briefly introduce the American Maritime Partnership. We believe it is the largest maritime coalition ever formed. It includes companies that build ships in U.S. shipyards using union labor and non-union labor. It includes companies that operate U.S.-flag ships using union and non-union labor. It includes virtually all labor unions touching the maritime industry, other transportation industry stakeholders, defense groups, such as the Navy League of the United States. It is a very large and comprehensive organization.

We came together in 1995 around the simple proposition that the American domestic maritime industry should stay American; that the vessels should be built in the United States; that they should be owned, controlled, and crewed by American citizens; that those vessels should be fully subject to the laws of this country and not the laws of Liberia or the Marshall Islands or any other country that may be chosen by the ship's owner.

They always have been true-blue American vessels, and nothing we have seen suggests that should change.

This structure supports half a million American jobs, a \$100 billion in economic activity, as your opening comments noted, and at the same time, provides our military, the seafarers, the ships, the shipyards they need to get support to our troops around the world.

Domestic shipping is the mainstay of the American maritime industry. This is partly because international shipping is overwhelmingly dominated by foreign—low cost—foreign—lowest cost foreign ships. While there are always ways to make American ships more competitive, the gap between American living standards on the one hand and lowest cost foreign shipping on the other is too large so that the only realistic way American ships with fully American crews can stay involved in international trade is through promotional programs like the Maritime Security Program.

Those programs should be expanded, perhaps radically expanded, to assure there is a broad enough base of American skills and assets in this indispensably important industry. Simply put, America needs to have American sailing commercial vessels and Naval vessels all over the world.

And as we draw down our budgets and look for smarter, more cost-effective ways to achieve national security goals, the MSP and other programs are proven performers that should serve as a model for other public-private partnerships.

Viewed in that context, the very notion that we should allow foreign workers to take over our domestic maritime industry ought to be a nonstarter. And thanks to your leadership and the leadership of others on this committee, we have not faced the kind of existential threats that initially brought us together.

Your support for the Jones Act is vitally important to maintaining a strong domestic maritime industry. It encourages private sector investment and keeps jobs in American hands.

Our industry has faced serious concerns but more of a technical nature. It is possible for clever lawyers to define the cabotage laws out of existence without many people recognizing it. It is possible to create exceptions to the laws that are so broad or so frequent or so unjustified that those of us who invest in U.S. shipping begin to wonder whether that is a very smart business strategy.

The fact that we genuinely believe in the American maritime industry, that we are willing to risk literally billions of dollars building ships in American shipyards, providing tens of thousands of jobs to American workers in the shipyards and on the vessel, that is a good start. But it is vitally important that those who make and enforce the rules support those decisions.

Again, we appreciate support from this committee and from the Administration in helping making sure that these very real threats are properly addressed.

In terms of what the Government can do to help create jobs and grow the American maritime industry, our message is fairly simple. Our Government needs to pay more attention to this committee and the opportunities that this committee pursues. We desperately need to modernize our maritime infrastructure, our rivers, and harbors. Money has always been the issue. We can provide jobs to Americans instead of handouts. We can transform our infrastructure at a fraction of what it would have cost 5 years ago. We can take the money we are borrowing from our children and make an investment that would actually pay dividends to our children.

We know that that is an agenda that you have promoted, and we want you to know that we wholeheartedly support you in that endeavor.

And I will end at this point.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Thank you.

Mr. Tellez.

Mr. TELLEZ. Good morning and happy Flag Day, Chairman LoBiondo, Mr. Larsen, and the rest of the members of the committee. On behalf of the Seafarers International Union of North America and our fellow maritime unions, the master mates and pilots, marine engineers, and American maritime officers, I thank you for conducting this hearing, for the opportunity to testify, and for your continued support for the U.S. Merchant Marine. On their behalf also, I would like to offer our collective condolences to Congressman Cummings and his family for his tragic loss.

As the organizations that represent merchant mariners, we have a deep interest in our Nation's economy and national security. Our organizations are focused on jobs, increasing the size of our U.S.-Flag Merchant Marine and seeking opportunities for workers across America to obtain good-paying, secure American jobs that keep our economy moving forward. And we will do our best to make sure that Mike Roberts is proud to state that he is 100 percent union the next time he testifies.

We strongly support the National Export Initiative and will work with Congress and the Administration to ensure its success. Doubling exports is an ambitious goal, but we believe it is an achievable one. However, in order for us to meet that goal, we must ensure that the American maritime industry remains strong both at home and abroad. We must ensure that our ports and infrastructure can handle the additional capacity needed to meet these goals.

We must defend programs that support the Merchant Marine, like the Jones Act, the Maritime Security Program and cargo preference. We must innovate and expand our capacity by developing our coastwise trade through America's Marine Highways Program. We must reform the harbor maintenance tax, expand the tonnage tax, and create a national regulatory regime for vessel discharge. Only by supporting our existing programs, reducing the regulatory burden on the industry, and seeking opportunities to expand the industry will we be able to create jobs and increase U.S. exports.

Congress and the Administration must support the Jones Act and our cargo preference laws. Both have been under considerable attack recently, and losing either one of them would destroy the United States Merchant Marine. The Jones Act ensures we have

the domestic job base in peacetime that we need to support our troops in wartime. And our cargo preference laws provide the cargo we need to keep our ships moving.

Put simply, the maritime industry's lifeblood is cargo. It is what creates jobs, and it is what will help continue our Nation's economic recovery. Though we cannot just simply defend the Jones Act and our laws, we must actively work to expand the industry. We must redevelop and recreate our coastwise trade industry.

Europe has already discovered that using feeder vessels to move cargo between ports is an economical and fast way of getting goods and people from place to place. They have done it, and their model will work well here in America. It is time for America to redevelop our coastwise trade. It will not only create thousands of jobs, but by utilizing the latest technologies offers an opportunity to provide an effective green solution to the dangerous overcrowding of our highways and infrastructure and the serious issues this situation represents.

We hope Congress will work with the industry to make the Marine Highways Program a reality.

We also need to defend our cargo preference laws and ensure that they are being enforced. The efforts of some to cut PL 480 Food for Peace Program, if successful, will harm many of our ships operators beyond repair. We must not allow that to happen, and lax enforcement of the programs in place has resulted in many preference cargoes being shipped on foreign vessels, which also hurts our operators and our mariners. We need strong enforcement of the cargo preference laws.

In terms of enhancing the Maritime Transportation System, a simple means of doing so is regulatory reform, not only to help the ship operator but the mariner as well. Today, mariners have to jump through dozens of hoops just to enter the industry, and that is a deterrent to attracting new mariners. When a mariner goes for her physical of drug screening, they need to bring roughly a 100 pages worth of supporting documentation for review. Hundreds of pages of documentation, and that is before they apply for a TWIC, a Merchant Mariner credential and an STDW certificate and whatever else may be required for the job. We need to seriously consider how to make it easier for potential mariners to enter our industry.

In conclusion, maritime labor believes the best way to enhance our Maritime Transportation System and create jobs is to protect our existing programs, expand the ones that work well, redevelop our coastwise trade, and ensure that our existing laws are enforced. Doing so will keep America competitive, put mariners to work, and allow us to help us meet the goals of the National Export Initiative.

I thank the committee for allowing me to testify today. And I will be happy to answer any questions.

Thank you, sir.

Mr. LOBIONDO. Mr. Mohr.

Mr. MOHR. Good morning, Mr. Chairman and distinguished members of the subcommittee. My name is John Mohr, I am the executive director of the Port of Everett in Washington State. I have submitted my written testimony and will briefly summarize my remarks.

It is my pleasure to be here today to discuss how Federal policies can help Washington State ports and ports throughout our great country create jobs and facilitate increased U.S. exports. From our earliest history, the United States has been an exporting country, adding strength to our economy. Worldwide, countries have learned from our example and have in some ways have gone us one better.

In a country as large as the United States, public ports are critical gateways for international trade and drivers of economic activity. American seaports are responsible for \$3.2 trillion in annual trade value and support nearly 13.3 million family wage jobs. U.S. customs collections from waterborne commerce or waterborne cargo imports also provide tens of billion of dollars a year to the Federal Government.

In fiscal 2008, Customs duties from waterborne cargo contributed \$24.1 billion to the Federal Government. In Washington State, one of four jobs is tied to trade, making Washington State the most trade-dependent in the United States.

Everett is home to the Boeing company's largest manufacturing facility. The port serves a critical function in support of our Nation's manufacturing and construction base, especially in the aerospace industry. The Port of Everett handles all of the oversize oceangoing parts for Boeing 747, 767 and 777 airplanes. Given that Boeing is the Nation's number one exporter by value, it is not surprising that in 2010 the Port of Everett Customs District was attributed with more than \$9.2 billion in exports, according to the U.S. Customs Report.

Naturally, we support the National Export Initiative to double exports over the next 5 years. However, to accomplish this goal, we will need major investments in our freight transportation system nationwide. In the U.S., ports have tended to be viewed more as a private industry so State and Federal governments have limited their participation in promoting and investing in port facilities.

For an alternative example of promoting international trade activity, let me focus on the Canadian challenge. In 2006, Canada kicked off its Asia Pacific Gateway and Corridor Initiative with a commitment to invest nearly \$1 billion to make British Columbia ports a viable alternative for U.S.-bound cargo. Other Western Hemisphere countries, governments are also investing in their ports, such as Brazil, Panama, Colombia, and Mexico.

With this background, we believe there are four steps the U.S. Government can that would enhance our Maritime Transportation System so it can achieve a doubling of U.S. exports while increasing our competitiveness with Canadian and Mexican ports.

First, the U.S. Government can help streamline permit requirements to expedite the construction of port facilities. In Washington State, it can take up to 10 years to build a new terminal facility and up to 25 years to deepen a shipping channel, depending on State and Federal regulatory requirements and related litigation. These delays result in high costs to U.S. exporters and cargo opportunities lost to our foreign competitors.

Quite simply, regulatory agencies must look for ways to partner with project sponsors to successfully build a terminal and deepen channels instead of simply saying "no."

Second, the Federal Government must continue to invest in port infrastructure. The TIGER program is the first Federal program that I am aware of that allows ports to propose waterside projects for funding consideration. The program was so popular that U.S. DOT received \$1.6 billion of grant requests from the ports in the first round. We support the effort to support a permanent and adequately funded port infrastructure grant program in the upcoming Surface Transportation Reauthorization Bill.

Third, the Federal Government should change the current harbor maintenance tax system. The Federal Government should ensure equal treatment by taxing all U.S.-bound cargoes with an exemption for cargoes arriving by the marine highway but including cargoes that arrive by rail.

We also support the effort to make sure that all funds collected through the HMT are spent on harbor maintenance. If all of the HMT taxes that were collected each year were reinvested in harbor maintenance, an additional half billion dollars would have been invested in U.S. port infrastructure in 2010 alone.

Finally, the Port of Everett supports a high-speed rail corridor modeled after the Canadian Asian-Pacific gateway to increase the speed at which U.S. manufacturers and farmers can export their products overseas. In 2009, the Great Northern Corridor, which serves ports in Washington and Oregon among other regions, moved over 124 million tons of freight.

In conclusion, Mr. Chairman, to double our exports, U.S. ports need Federal Government help to increase capacity and to keep ports competitive by reducing our permitting burden, modifying the harbor maintenance tax to increase revenues and to establish a level playing field, and finally, investing in port and high-speed rail infrastructure.

The time for a passive Federal role is behind us. We need the Federal Government to make the policy changes necessary to ensure that the U.S. Marine Transportation System, including rail, road connectors and the marine highway, is efficient, effective and competitive.

Thank you.

Mr. LOBIONDO. Thank you.

We will go to Mr. Larsen first for questions.

Mr. LARSEN. Thank you, Mr. Chairman.

And not surprisingly, my first questions are for Mr. Mohr from Everett, Port of Everett.

Could you just again compare maybe briefly historically the Canadian Government's model of investment in their port infrastructure, rail infrastructure, to how we have done it in the U.S. and then where that puts us sort of in relative development terms.

Mr. MOHR. Up until the early 2000s, the Canadian system was much like the U.S. In fact, they provided much less support to their facilities than we did in the U.S. With the initiation of the Pacific Gateway, they made the determination that they would bring together all of their facilities to improve their marine terminals, improve their rail connections and actually make strategic purchases of U.S. Rail to be able to extend their cargoes down into the U.S. from Canada.

As a result, the majority of the containerized cargo growth on the West Coast since these improvements began being made in Vancouver and in Prince Rupert has been in the Canadian area.

The recognition that a continuous system of freight movement that is modern and efficient can be competitive with the U.S. was a real revelation in Canada. It is my understanding that there is a similar port being considered in the northeast in Nova Scotia that would also then compete with our northeast ports to provide higher speed cargo and rail access movements into the U.S. and, frankly, out of the U.S. in terms of our exports.

But there is a distinct advantage currently in moving cargo. Much of the cargo that comes in through Prince Rupert does not pay a harbor maintenance tax, therefore my reference to equally taxing all of the rail cargoes that come in. And in talking actually with leaders in Mexico, and although they are in real disarray right now, there is a similar plan in Mexico to bring cargoes in through Mexico and then into the Southwest via rail.

Mr. LARSEN. So with regards to financing infrastructure investment in ports, what are your alternatives?

Mr. MOHR. Currently the financing in terms of infrastructure of ports, really our only opportunities are through private investment, through port-generated investment and to eliminate the harbor maintenance tax. There is no specific connection at this point between the ports and rail, that rail is—the rail services of course, the track beds are owned by the private rail, and there is real confusion once that rail gets off the main line and then is moved into the ports in terms of how that is best and most efficiently handled.

Mr. LARSEN. And the role of the TIGER grants?

Mr. MOHR. TIGER grants did provide a real funding source for ports in the United States. Mr. Matsuda mentioned the investment that was made in the shipyard in Florida. There are a number of other investments that have been made through the TIGER program to improve port infrastructure. This is the first program that I am aware of, and I believe I am correct, the first program where actual infrastructure investments have been funded through Federal grant programs.

Mr. LARSEN. My questions have focused on infrastructure, and I am going to continue that for Mr. Matsuda, and I will have questions about other aspects that have been brought up by other members of the panel on the second round.

But Mr. Matsuda, the CBO has estimated the U.S. needs to spend about \$20 billion more a year just to maintain its infrastructure at current and, I would say, inadequate levels. Do you know how U.S. investment in the Marine Transportation System compares to other nations and is adequate to the CMTS? Have you considered that question?

Mr. MATSUDA. I can tell you they have not considered that question, but it is something we can certainly take to have the committee take a look at.

The other countries have different geography, different needs. We certainly would like to think that the needs of the Maritime Transportation System here in the U.S. fit within a broader range of investments within the National Transportation System. I think the TIGER program is one that clearly demonstrates that because

you have got port projects that are eligible to be competing against rail projects or transit projects or road projects and that the port projects seem to compete very well.

Mr. LARSEN. The economist last week did a report about U.S. investment and transport and water infrastructure overall and showed that as a percentage of GDP, it has fallen in the U.S. since—in the last 40 years or so, but doesn't really break it out by particular aspects of infrastructure.

Meanwhile, Europe as a continent is about 5 percent of GDP, and China is about 9 percent of GDP; 9 percent of their GDP is invested in infrastructure.

So just to give us comparisons of where we stand relative to the other areas of the world, but getting that number regarding Marine Transportation System would be especially helpful. And I would appreciate it if you could take a look at that.

And finally, just for Mr. Matsuda, and I will turn it back over, I understand that the Department of Transportation intends to develop a national trade policy. We have legislation that has been introduced by, I believe, Mrs. Richardson, which I am a cosponsor of, to develop a national freight policy and try to see what we can do to include that in a final surface transportation bill. Is that in fact—is that a fact that the department intends to develop a national freight policy, and how would you estimate that policy would help create jobs and increase exports and answer the questions that we are asking today?

Mr. MATSUDA. I think that having a more coordinated freight policy would help on a number of levels. Currently, the Administration is examining those types of activities that can bring Federal agencies closer together to look at—for instance, let me give you a specific example, and this is one where the Committee on Marine Transportation System is actually working together to solve the problem for a particular project. And it is a railroad bridge in Iowa.

This is a privately funded bridge by a railroad that would very much help alleviate a bottleneck in the supply chain. Given the various permitting requirements and the Federal agencies that are involved, the committee has provided a place where we can come together and actually help accelerate the process for clearing the permitting of this bridge. And I think it is a good example, one spurred by the Deputy Secretary at the department to really show how we can help improve and facilitate supply chain effectiveness.

Mr. LARSEN. Thank you, Mr. Chairman. I will wait for a second round.

Mr. LOBIONDO. Thank you, Mr. Larsen.

Mr. Matsuda, the National Strategy for Marine Transportation System, what is the status of the work plan that you developed as a result of the National Strategy for this Marine Transportation System.

Mr. MATSUDA. Well, it continues as we are trying to tackle it. As you know, we have limited ability with limited funds. There is no specific funding provided for the committee. All of it is basically taken from individual agencies. So we are trying to make as best progress as we can on the strategy.

Mr. LOBIONDO. So the strategy calls for 34 different actions. Can you tell us how many have been completed or implemented, and how many do you plan to complete prior to 2013?

Mr. MATSUDA. I can give you a full report card on that. I would have to follow up with my staff.

Mr. LOBIONDO. Do you have any examples of specific actions taken as a result of the National Strategy for the Marine Transportation System?

Mr. MATSUDA. Again, I will have to follow up with you as far as specific examples of what the committee has accomplished.

Mr. LOBIONDO. Can you tell us how often the Cabinet level committee meets?

Mr. MATSUDA. I can tell you the Cabinet level committee does not meet very regularly. I believe the last meeting was 2007. But there is a coordinating board that meets, and that is made up of more agencies that come to the table that get more hands-on opportunities to deal with the direct issues involved. And that is quarterly meeting.

Mr. LOBIONDO. OK.

MARAD set the rules for the use of capital construction fund at a privately held tax-deferred ship construction finance account plan. Does the capital construction fund—it is limited to construction or acquisition activities only as it stands now is my understanding. Would MARAD support the extension of the program to cover long-term lease payments or vessel repair projects?

Mr. MATSUDA. That is something we are evaluating because it could have the potential to stimulate shipbuilding in the U.S., but the Administration does not have a position on it at this time.

Mr. LOBIONDO. OK.

Mr. Cox, shipping is one of the most highly regulated industries in the world. Vessel operators comply with a whole host of big, long 9 yards that you have got to comply with all kinds of State, Federal, international regulations. Has the industry identified current or emerging Federal regulations that may be duplicative, outdated or overly burdensome that we could focus on and try to get relief with?

Mr. ROBERTS. Thank you, Mr. Chairman. I think I referred in my testimony to this ballast water issue that we have before us. I think that would be a rather critical one for our Government to solve on a national basis. I think with respect to—we say a lot of things about the degree to which this industry is regulated, but I must tell you that we comply with all of those regulations, and I think all of our people are trained to comply with those regulations. And I think the vast majority have a very good intent.

And I think that over the years, we have been able to fine tune our compliance with the requirements so that we are operating, in my opinion, sir, probably the most safe and environmentally protective industry that we possibly can for the American people.

So when you say, what is a duplication, I think that currently my main concern that I would talk to my members about is that the States are becoming more active in areas where they in turn are duplicating what we feel are Federal jurisdictional requirements. And I think that we are trying to get the message out to them but perhaps the message to you and this committee is that

in the maritime industry, there is a need for a national uniformity with respect to regulations and requirements. And to the degree to which there isn't—to which there is duplication of effort among the various States, I am not saying they have a negative intent. They have a positive intent. But at the same time, it is not beneficial for the industry to go from port to port, region to region and be faced with various different requirements that they have to meet. The captain of the ship, then, the gentleman is not engaged then in navigating his vessel to the utmost. He is engaged in trying to make sure that he is in total compliance and therefore not putting himself at personal danger of being arrested for being in non-compliance with some requirement.

Mr. LOBIONDO. Mr. Robert. On the Jones Act, the Jones Act requires merchandise and passengers moving between two points in the United States to be carried only on U.S.-flagged, U.S.-crewed, U.S.-owned, and U.S.-built vessels, something I strongly support. In your opinion, do you feel the Jones Act is being adequately enforced?

Mr. ROBERTS. Thank you, Mr. LoBiondo.

I think, as Joe put it, by and large, people comply with the law, and we see—we don't have major issues most of the time. Where we do have exceptions, where we have compliance problems, the agencies have not uniformly responded forcefully, as forcefully as we would like. And it is, as I mentioned in my testimony, it is very concerning to make the kinds of billion-dollar investments that we are making based on an assumption about what the law requires and to see exceptions come through.

So we believe it is very important to have enforcement. And generally we are getting good enforcement, but there are exceptions that we have to be vigilant about.

Mr. LOBIONDO. Well, I thank you for that.

I will speak for myself and I think for at least some members of the committee. I feel very strongly about this. I hear rumors from time to time about ideas or suggestions that can be advanced either legislatively or otherwise that would dramatically change or weaken the Jones Act. I can assure you that as chair of this committee, I'll do everything in my power not to allow that to happen.

One more question for you, Mr. Roberts, on the shipbuilding programs, the capital construction fund that we have talked about. Do you believe the shipbuilding industry supports the expansion of the program to cover long-term lease payments or vessel repair projects.

Mr. ROBERTS. Yes, sir. Generally speaking, I believe we do support that proposal.

Mr. LOBIONDO. OK. Thank you.

Ms. Hirono.

Ms. HIRONO. Thank you, Mr. Chairman.

And thank you for your strong support of the Jones Act. Like you, I am a strong supporter of that Act and I just want to note for the record that in Hawaii, Jones Act shippers provide—Jones Act activities, I should say, provide for 23,000 jobs just in Hawaii and approximately \$1.1 billion in wages and benefits to Hawaii's economy.

And a number of you have testified as to the impact of the Jones Act in terms of job creation, 40,000 Jones vessels, 500,000 jobs nationwide, a \$100 billion in annual economic output. And yet practically not a year goes by where the Jones Act does not come under attack.

Most recently, former OMB Director Peter Orszag stated in a recent Newsweek article that the Jones Act represents a “operating tax on all of us” and that “the solution is to rescind the law to get an efficient and cost-effective mode of shipping.”

Now those of you who are testifying in support of the Jones Act, which perhaps is all of you, would you like to comment on this most recent assault on the Jones Act? Any of you?

Mr. ROBERTS. Well, I will take a shot at it. I think there is a—there is a perception. There is a group of people who wake up in the morning and think about expanding international trade, and that that is all they focus on. They may have a certain perspective on the Jones Act that is not the same as those of us who worry about American jobs, American productivity, American economic growth and our national security interests. And if you focus on those other issues, the American jobs and so on, you support the Jones Act. If you are more wake up and think about something different, then you may question it.

Ms. HIRONO. Yes, go ahead.

Mr. COX. As the Chamber of Shipping of America, Ms. Hirono, we represent American companies that own and operate ships. And they operate both foreign flag and U.S. flag, and they are engaged in domestic shipping as well as international shipping. And we do support the Jones Act, and our members recognize that.

And the question comes to mind when this is raised, and I just wonder why water is considered somewhat different when we are dealing with American cargoes moving between American ports; why are we being treated differently than the railroads or trucking or airlines? Would anybody at all suggest that we should have foreign truck operators moving our cargo because after all, it would be cheaper. Yet, when it comes to water, this seems to just likely be thrown out there, why are Americans moving cargo between American ports using American equipment run by Americans? It is a bizarre question in my opinion.

And I operate internationally in many areas. And on one committee, I have to keep telling my friends and colleagues in the international community, Europe in particular, saying well, you look across the river, and you are making an international movement. Here, you look across the river and you see another State. That is why we treat ourselves in a particular way, and the Jones Act is used by some as sort of this pejorative reference as to how we are operating. I look at it as an American way of operating.

Ms. HIRONO. Mr. Cox, you make a very good point, and I wish that more of our community and people who continue to raise the issue of the Jones Act adding to consumer costs, they should hear from you.

And I also want to make sure, Mr. Matsuda, I would like to know what the U.S. DOT's position is on the Jones Act for the record.

Mr. MATSUDA. Absolutely supportive. It is the lifeblood of the Merchant Marine, the U.S. maritime industry, and it helps not just with the economy, but there are so many ways in which it supports our national security.

Ms. HIRONO. Thank you. And as we are focusing on creating jobs and making it in America, I do have some—I have a wish that our shipbuilding industry in this country becomes much more robust, and it is really gone from what used to be a much more—a very robust industry, manufacturing, in our country to something far, far less.

And Mr. Tellez, you mentioned that you would like to support the shipbuilding industry in our country and enhance opportunities for domestic shipbuilding, do you or any of the others have a big idea on what we can do to promote our domestic shipbuilding industry?

Mr. TELLEZ. Big ideas? First of all, Aloha and Mahalo, for your recent support of the Jones Act on the floor. We thank you very much for that.

We talk about the marine highway and short sea shipping as one of the vehicles to achieve this overall expansion and creation of jobs. That is going to require a tremendous—if left alone for the private sector, that will require a tremendous private investment. And there will be no private investments if there is no proof of life. No one is going to invest that kind of money without proof that there is going to be a trade there for them to get their return on their money.

So to start to initiate it, I hate to use the word stimulate, but to stimulate it and to get this project started, this marine highway project started, it is going to need and require Federal support. And to be frank and honest, the recent—the \$7 million thrown at the idea by the Federal Government by DOT is, frankly, a paltry sum in the face of bigger investments in other trades. You are talking about a major shipbuilding initiative. You are talking about major port infrastructure initiatives. So it is going to require a major, major investment.

On another point to that matter, the short sea shipping takes care of a lot of ills created by the overcrowding of the highways. Anyone who has taken a family trip down to Disneyland by car will testify to the problems they face. Short sea shipping can alleviate and take care of a lot of those problems in a very green and environmentally safe manner.

Again, it is going to take investment. And it is also going to take not competing the truckers but becoming an adjunct and a partner to the truckers by taking a long-haul industry and converting that to a short-haul industry. We think we can get that done.

Ms. HIRONO. Mr. Chairman, thank you for your indulgence. My time is up. I yield back.

Mr. LOBIONDO. Mr. Cravaack.

Mr. CRAVAACK. Thank you, Mr. Chairman.

I appreciate the testimony today. It has been very enlightening.

Being a retired Navy captain, I understand the importance of a maritime industry, and how important it is to have a U.S.-flag, U.S.-crewed vessel ensuring that when we do have to go over the horizon, we have the proper assets to do it and the proper people

that have been trained in a way that we need to make sure that they will be able to carry the flag when the rubber starts hitting the road. So I highly support U.S. Vessels and the U.S. Jones Act as well.

But how do we get there? That is the big thing for me. I am seeing a lot of challenges.

Lake Superior, for example, the harbor maintenance tax. Mr. Cox, can you help me help us making sure that the right money gets to the right projects to start making sure that our vessels can get into our harbors to start exporting product? But also, expound upon that a little bit more, and just like we were talking about shipping within the United States, the double taxation that occurs as well. We need to get commerce rolling. That is how we get good shipbuilding. I don't think we have had a salty or a laker built in Superior for decades. So what we need to do is get the economy rolling, get jobs rolling. That is how we start inspiring our shipping industry. Mr. Cox, if you would, sir.

Mr. COX. Thank you, Mr. Cravaack.

I am going to stay away from which ports need dredging and support therefore. But I think your point about the harbor maintenance tax is an important one, and the double taxation. We have never spent what we have collected in the harbor maintenance tax. So it sits in a pot; and I understand we borrow from that pot, and we put an IOU in it so it is a convenient repository for cash flow purposes.

But at the same time, if we are talking about removal of a double taxation, I think that it is very small right now and I can't give you numbers, Chairman and Members, but it is very small because we are trying to initiate short sea shipping. In fact, as we sit here, I think there is some short sea shipping in California that is occurring right now. There is, I believe, the Richmond barge ship movement is happening. And I know that the American Feeder Line, in fact yesterday, just started their initial short sea shipping.

So I think we have to try and support that. I think that the elimination of that double tax might be one of those little prods that lets everyone in the industry know that yes, our Government is behind us, that they are supportive of us. Does that mean that we look to you for the answers to everything? No, but at least take an impediment out of our way. I think that signal would be important to the industry with respect to the harbor maintenance tax.

I am going to stop because I will get into which ports deserving dredging and which don't, and I am going to stay away from that.

Mr. CRAVAACK. I appreciate that. We do have \$5 billion sitting in that account. And you are right, they have been used as offsets. One of the chief concerns I have, especially coming from the Lake Superior region, is the locks and dams. Even going down the Mississippi as well. The locks and dams associated with the age of these, they are well over their actual life span. So I am very concerned with that, and making sure that we start spending the money to support our shipping industry because I, like Mr. Tellez says, I strongly believe that this will be part of a component of getting commerce rolling here in the United States.

Mr. Cox, if I can just ask you about another thing, a proposal has been introduced where the House would exempt nonbulk, primarily

containerized cargoes from the harbor maintenance tax if it is transported between U.S. ports and Canada and U.S. ports of the Great Lakes and the St. Lawrence Seaway for the purpose of reducing costs of container movements by ship and barge. Do you think this would be a good proposal in getting traffic rolling on the seaway?

Mr. COX. Yes, sir. That would be the removal of the double taxation that I'm speaking of. Focusing on containerized cargo, of course, is focusing on the more valuable cargo. And since harbor maintenance tax is ad valorem, then you are getting the bulk of the coverage that we expect. I think with bulk trade, we are not quite as—the value there probably doesn't have the same meaning as the containerized movement would. In fact, my thought begins to say we are moving a lot of bulk in containers now, too. Grain is moving in containers because of ease of movement.

But I think we ought to also review the bulk area. I think a lot of bulk is included now in the double taxation. So I am not sure how much more we would have to change that language to include the totality of cargo movement in the country.

Mr. CRAVAACK. I am trying to get containerized vessels on Lake Superior. That is one of my main objectives.

Mr. COX. I am fully supportive of that, sir.

Mr. CRAVAACK. Thank you.

Mr. Chairman, I yield back.

Mr. LOBIONDO. Mr. Harris.

Dr. HARRIS. Thank you, Mr. Chairman. I thank the panel for coming here to testify today.

Mr. Matsuda, let me ask, we heard a lot about the harbor maintenance trust fund. I know it is a big issue for the port of Baltimore. What is the position of the Administration on the use of that harbor maintenance trust fund? Does the Maritime Administration feel that if we used all of that \$1.3 billion, we could work through our backlog of dredging projects which would permit our ships to be at least fully loaded coming into our ports? It seems it is pretty inefficient if 30 percent of our vessels can't carry a full load because of a dredging backlog?

Mr. MATSUDA. Well, the Administration doesn't have a formal position other than fiscal year 2012 budget proposal for use of the harbor maintenance.

Dr. HARRIS. Do you agree with that proposal that doesn't fully use all of the funds submitted for the harbor maintenance trust fund for dredging projects?

Mr. MATSUDA. It is the position of the Administration.

Dr. HARRIS. What do you think, within the shipping community, is it a reasonable request, do you think, that they have to use those taxes that they pay for the purpose for which they are collected?

Mr. MATSUDA. Well, certainly there is that expectation. I think that there are—

Dr. HARRIS. You can see the reason behind that expectation, I guess?

Mr. MATSUDA. Yes.

Dr. HARRIS. OK. Thank you very much.

Mr. Mohr, you have mentioned some of the regulations that may keep us from being competitive with regards to I guess permitting

regulations, things like that. Can you be specific about any regulations that as a subcommittee we should be looking at where the Federal Government is at a competitive disadvantage, America is at a competitive disadvantage to other countries with regard to shipping?

Mr. MOHR. Thank you very much.

Particularly when you look in Asia, they can take a port from concept to operation in about 5 years. They are able to meet their demands. They are able to focus on their exports. In the U.S., we tend to go through a number of layers of regulatory review, having separate reviews at the Corps of Engineers, at EPA, and at U.S. Fish and Wildlife and so on. These reviews are all done independently and then combined, and if there is an issue with one, it is an issue for the entire process.

Frankly, the permit process tends to be almost a fetch rock sort of an effort. You bring in your rock, and they tell you if they like it or not. And if they don't, you go get another rock.

Dr. HARRIS. Well, thank you. Let me just ask you, because Mr. Cox testified that some of the issues and regulations with regards to the different States having different regulations, but your impression with regard to at least port enhancements, that a lot of these problems are Federal level?

Mr. MOHR. I think there are issues at all levels. Certainly I agree with Mr. Cox that certain issues need to be dealt with entirely at the Federal level. The ballast water issue is one where we don't want to balkanize the process and have different requirements for different shipping regions. There needs to be uniformity on issues such as this.

But I think a more collaborative approach, particularly from the Federal regulators on how we address the construction of a facility or the deepening of a channel is much more productive, in which we could, in fact, work together to be able to define a reasonable response rather than trying to meet a standard that can change actually over the period of time that the permit is in play.

Dr. HARRIS. When that process becomes long, I'm sure that can happen.

Mr. Roberts, what is AMP's vision for the marine highway? This projects seems like a project that is worthwhile idea. Of course, in the fiscal year 2012 budget, I believe that feasibility moneys have been eliminated. But what does AMP think about this?

Mr. ROBERTS. Yes, the AMP certainly supports the marine highway system. We stand united with our brothers on this panel in that regard. It already exists in certain respects. If you consider there are 40,000 vessels in domestic commerce operating now, there is a lot of cargo that moves in coastwise trade.

The focus of the marine highway is on intermodal cargoes that now currently move predominantly on the highways. Getting those cargoes off the highways and on the waterways makes abundant sense and would be a great project to do.

I have to say that we have not been asked by our customers to create such a system, and that leads to the suggestion that is sort of consistent with the harbor maintenance tax reforms that are being discussed, that the harbor maintenance tax falls on the customers. If you can remove that disincentive that the customers

have to using the waterways, and focus on providing incentives for customers to use the waterways, we think that may be a very effective way of stimulating demand and then allowing the private sector to respond to that demand.

Also, continue making the Government investments in infrastructure. Those are critically important, and the harbor maintenance tax is there to support that.

Dr. HARRIS. Thank you very much, Mr. Roberts.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Thank you.

Mr. Cummings, we first offer you our deepest sympathy and wish you and your family peace and strength during this difficult time.

You are recognized for 5 minutes.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Matsuda, as you know, last year I convened two hearings in this subcommittee to examine the state of U.S.-flag vessels in the foreign trade. According to data provided by MARAD and compiled in part by contractors engaged by MARAD to assess the U.S. maritime transportation system, the U.S.-flag fleet, which was comprised of 94 vessels as of March 2010, was carrying less than 2 percent of the U.S. foreign trade. How many vessels are currently in the U.S.-flag ocean-going fleet, and what percentage of U.S. foreign trade is it carrying?

Mr. MATSUDA. Currently there are about 120, or slightly below that, in U.S. ocean-going trade; but there is also about the same amount of cargo, relatively speaking, carried on those vessels versus overall foreign trade of the U.S.

Mr. CUMMINGS. So what steps has MARAD taken in the last year to increase the number of vessels in the U.S.-flag ocean-going fleet?

Mr. MATSUDA. Well, our strategy was multifaceted. First, we wanted to make sure that we got a full understanding of the situation and that is why we launched the study in cooperation with the subcommittee last year. That study is nearing conclusion. We are getting work back from our contractors. And, obviously, we want to make sure that it is accurate and are satisfied with the result.

But secondly, it is securing the cargoes that are necessary to build the industry. That starts with the cargo preference program. As you know, we have made headway with a number of our agencies that ship Federal products—or finance Federal shipments recently with the Department of Energy. Also, we held the first ever Federal shipper forum, where we brought these agencies together and started the conversation about how we can more effectively run this program to make sure that they are complying with the law and that cargoes that are federally financed are going on U.S.-flag vessels.

Mr. CUMMINGS. Now you said the report is due soon?

Mr. MATSUDA. Yes. We expect this summer.

Mr. CUMMINGS. This summer. Can you give us a date? We like deadlines.

Mr. MATSUDA. I do, too, sir. We always want to make sure that we are releasing the best quality product.

Mr. CUMMINGS. Give us a date. Give us some kind of date now. Don't take us into the winter. When are you talking about?

Mr. MATSUDA. Our best estimate is September 1.

Mr. CUMMINGS. Well, see if you can get it by September 15. That would give you 2 extra weeks; how about that?

Mr. MATSUDA. Thank you, sir.

Mr. CUMMINGS. Sure. What trends do you project regarding the size of the U.S.-flag fleet in the foreign trade over the next 5 years?

Mr. MATSUDA. Well, it largely depends on cargo. As we heard from a number of the witnesses today, the support that the Federal Government provides this industry is what largely dictates what cargo opportunities will be there. It is not just a matter of subsidies. These companies in return are providing a very useful, in fact vital, support to the U.S. military and other parts of the Government. We respond to humanitarian missions, carry food aid, and do a number of things that carry out the Government's mission. So it largely depends upon whatever kind of support the Federal Government can provide.

Mr. CUMMINGS. How many MSP eligible vessels are currently documented in the U.S. but are not receiving payments because the MSP program is fully subscribed?

Mr. MATSUDA. Approximately 55.

Mr. CUMMINGS. On another note, what steps has MARAD taken since the President established his export initiative to ensure that U.S.-flag ocean-going fleet is part of and benefits from that export initiative?

Mr. MATSUDA. Well, we have met with the Export-Import Bank. We have also participated in meetings with the National Export Council. As you know, Secretary LaHood serves on that council.

It is true that the United States maritime industry does provide an export service, whatever we are carrying that is not something that a foreign flagship is carrying or a foreign company is carrying, so working within this system and trying to make sure that these opportunities exist to carry the Nation's export cargo as it continues to grow, make sure that we can help provide more opportunities for the fleet as a whole, and grow the industry.

Mr. CUMMINGS. Mr. Chairman, I yield back. Thank you very much.

Mr. LOBIONDO. The gentleman from coastal Louisiana.

Mr. LANDRY. Thank you, Mr. Chairman.

Mr. Matsuda, we have been following closely the efforts of MARAD's ship disposal program. The National Maritime Heritage Act requires you all to dispose of vessels at the least cost to the Government and regardless of whether a vessel is disposed of through a procurement contract or sale to a private party for recycling. Each contract, and I quote, "shall use full and open competition." My concern is that you all recently awarded a contract on a noncompetitive basis totaling \$3.1 million to a California recycler of you all's choosing, even before the recycler's yard was fully operational. Why was this facility given these contracts, and why did your agency not utilize a fully transparent process when awarding this contract?

Mr. MATSUDA. First, I can speak to that. This was the contract awarded to ADR Systems in Vallejo, California. ADR is a certified facility that meets all of the regulatory and environmental requirements in order to operate a ship recycling facility in the U.S.

The process for awarding this contract was followed whereby we do publish in the Federal Register a rationale for awarding it. The bottom line is that, frankly, if we had not done this, we would be stuck working with sole-source contracts to clean up and dispose of ships in the Suisun Bay fleet for the time to come. We needed to end that cycle of sole-source contracts by, unfortunately, presenting a sole-source contract.

Mr. LANDRY. Well, in order to participate, and I am glad you brought up the certification of facilities because I am also concerned with that, too. There is a facility in my district whose certification has languished in your agency for more than a year while evidently other facilities have been certified. Even facilities that have had questionable environmental histories, have seen their certifications kind of fly through your agency.

I received a letter from a particular company in my district who has been trying to get their certification done. This facility is specifically in Amelia, Louisiana, and if you are not familiar with it, if you can send me some information as to why that facility has languished in its certification, I would appreciate it.

Mr. MATSUDA. I am happy to follow up with you on that, sir.

Mr. LANDRY. OK, thank you.

Mr. Chairman, I yield back.

Mr. LOBIONDO. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

We talked about infrastructure and the Jones Act. We talked about a variety of things, but I want to talk about the people.

Mr. Tellez, you noted that the present paperwork required for mariner licenses is an impediment to expanding the maritime job market. Has your organization and others approached the Coast Guard about this?

Mr. TELLEZ. Yes, sir.

Mr. LARSEN. Can you talk about what you recommended—

Mr. TELLEZ. As I mentioned, one of the big impediments has been the recent NVIC on medical requirements instituted by the Coast Guard. It was causing a major problem. The commandant called a meeting of all the maritime unions and training centers. We met. To their credit, one of the actions that they took part in was to kind of focus on the medical review process. They added some folks at the National Maritime Center. They created a dedicated 800-telephone number just to handle folks who have problems with the medical review. That has somewhat alleviated the problem; but the problem still exists.

It is caused mainly by the myriad number of various kinds of documents that are required to support whatever application you are submitting. Unless those documents, that documentation comes in beforehand, or rather with the application, you are going to run into a lot of delays. The word we are getting out there is it is up to a couple of months, maybe even longer if that documentation isn't fully submitted with the initial application.

Again, they are trying, but I would suggest that even their correction and their improvement still leaves a major hold up of folks trying to get their licenses.

Mr. LARSEN. If you could keep us up to speed on your thoughts and your evaluation of the progress, we would appreciate it.

Mr. TELLEZ. Yes, sir.

Mr. LARSEN. Mr. Roberts, we haven't asked about Title 11, Federal ship financing. It provides for a full faith and credit guarantee by the U.S. Government to promote the growth and modernization of the U.S. Merchant Marine and U.S. shipyards. Does AMP have any recommendations for changes to Title 11 amending the act to raise the cap on the overall amount on guarantee, smaller scale programs to be more responsive to the needs of smaller ports and harbors, has AMP taken positions on those or other reforms?

Mr. ROBERTS. No, Mr. Larsen, we have not considered those issues. We do support the Title 11 program. We believe it is basically sound, that the valuation criteria make sense, and that they are consistent with commercial underwriting requirements. And we would encourage an efficient processing of applications. I know there are challenges there sometimes, but generally we very much support the program. We would be glad to take a look at some of the suggestions that you have presented.

Mr. LARSEN. Excellent. I would appreciate if you would do that.

Mr. Mohr, at least one of your tenants at the port is a shipyard, a smaller shipyard, and I know they have been a recipient of an assistance to small shipyard grant to be able to expand their facilities and improve the footprint and efficiency of the facility. Can you comment on your view, the port's view of the effectiveness of this grant program as it applies to the shipyard?

Mr. MOHR. I can, Mr. Larsen. The yard you are referring to, Everett Shipyard, a subsidiary of Vigor Marine, has increased its employment by about 30 percent since the grant has been received. The facility that we are referring to largely does U.S. ferry work for the Washington State ferry system and also Navy work and has been able to add, in addition to that some—as a matter of fact, Crowley tug boats have been in there recently and some barge work and other things to fill in.

But the grant that they received added stability to the overall organization. Prior to that, they were largely kind of a boom-bust kind of an operation. When they received bids, they were busy; when they didn't, they were virtually empty. But the work that has been done to date, and I believe they are continuing to apply for these grants, has added substantially to the stability of the employment, and they are able to additional facilities and take on additional work as well.

Mr. LARSEN. Can you provide, Port of Everett being an example, and obviously you are not a larger port like a Seattle or Tacoma or L.A.-Long Beach on the West Coast, but you do have a variety of niche markets you are serving so your infrastructure needs would be smaller than your larger ports. But as an example, for your capital plan, what are your infrastructure needs in terms of total amount of dollars you need every year, if it is a 1-year or 5-year timeframe, whatever you use?

Mr. MOHR. Our current infrastructure plan requires just over \$100 million in investment. It includes the strengthening and expansion of our facilities. Our community is a historic industrial community; and as such, included in that money, there is a substantial amount for cleanup for past pollution that has taken place by the manufacturing facility that was located there previously.

Mr. LARSEN. When you say previously, give us the timeframe of previously?

Mr. MOHR. From about 1930 to 1981.

Mr. LARSEN. And you are still cleaning it up?

Mr. MOHR. We are cleaning it up, yes. It was the site of a former pulp and paper mill.

We also are deepening our facilities in recognition of the—we do have natural draft at our port and require very little dredging. But by moving our docks out just another 100 feet, we are able to pick up another 5 feet of depth at dockside, which adds substantial advantage.

Our port really serves a very narrow market in our support for the aerospace industry, but we also handle a lot of value-added type of products and manufactured products, windmills and such. But we export large pieces of machinery because of our specialty in handling very expensive, one-off types of equipment. So we move a lot of mining equipment, a lot of farm equipment, and a lot of critical path equipment into Asia and into the Arctic Circle area of Russia.

Mr. LARSEN. Equipment manufactured in the United States?

Mr. MOHR. Equipment manufactured in the United States.

Mr. LARSEN. But the point I want to make is you are a smaller port, you serve niche markets, and your capital plan is still \$100 million?

Mr. MOHR. It is. In fact—any time you talk to any port in the United States that is doing a serious infrastructure upgrade or expansion, it is always in the hundred million dollars. Even a small barge dock that we built to handle aerospace parts was a \$30 million endeavor.

But having said that, we also support 31,000 jobs in our community directly from the products that we do handle.

Mr. LARSEN. Thank you.

One final question. Mr. Roberts, I think maybe this question has been asked a little bit, but how likely is it that an expansion of U.S. exports would trigger cargo preference requirements to increase the demand for U.S.-flag vessels and U.S. crews?

Mr. ROBERTS. Can you ask that again? I'm not sure I got your question.

Mr. LARSEN. How likely is it that an expansion of U.S. exports would trigger cargo preference requirements to increase the demand for U.S.-flag vessels and U.S. crews?

Mr. ROBERTS. I am afraid I haven't thought about that. I would be happy to do so and get back to you.

Mr. LARSEN. Mr. Tellez?

Mr. TELLEZ. Although the initiative has been created to double the exports over 5 years, that doesn't happen just because somebody says it. The Government has to basically start that off. One of the major players in starting that off is going to be Ex-Im Bank projects, which are projects funded by taxpayer dollars that by law have to be carried on U.S.-flag ships.

If the national initiative is going to be a very real effort, that is where it is going to start. When those Ex-Im Bank projects get going, you will see an expansion, and we have already seen expansion. We have seen at least four new U.S.-flag vessels flagged in

to take advantage of this cargo. The more that those Ex-Im Bank cargoes are generated, you will see more U.S. jobs, more ships re-flagged to take advantage of those that are in that business get full employment for at least the next 5 years.

Mr. LARSEN. Thank you.

Thank you, Mr. Chairman.

Mr. LOBIONDO. Mr. Tellez, do you feel that the cargo preference laws are being adequately enforced?

Mr. TELLEZ. Anecdotally, I can only say no. I don't have any numbers or proof. But just from the industry and from what we hear from the industry, no.

Mr. LOBIONDO. If you come across anything that would be specific, if you can pass it on to us, I would appreciate it.

Mr. TELLEZ. Again, other than what we have already spoken about, the Department of Energy cargoes and some of these Ex-Im Bank cargoes, that I know specifically, if those laws are enacted—or, rather, enforced, as I just mentioned, we will get our full share of employment and of U.S.-flag vessels employed.

Mr. LOBIONDO. Thank you.

One last question. Mr. Matsuda, help me understand this. You needed to end sole-source contracting by awarding a sole-source contract? I don't get it.

Mr. MATSUDA. This was a particular problem with the ship disposal program. We have got a number of vessels in the Suisun Bay reserve fleet which are required by court order to be disposed of within a certain time schedule. To meet that time schedule, we needed to add capacity to help either recycle those vessels locally or have their hulls and cleaned of invasive species and transported to other recycling facilities around the country.

Unfortunately, we were dealing with only one single shipyard which was large enough to process these vessels before they could be transported around to other facilities, and we had to deal with them on a sole-source basis for a number of contracts.

By certifying and working with the new facility in the Bay Area Region, we now introduced competition so that there are in fact two shipyards that can compete for that work.

The reason we issued it as a sole source, it still was within the limits obviously and in accordance with the law, we had to have a fair and reasonable price, and it turns out that the price that was negotiated was lower than the average of all of the other ships that had been disposed of.

Mr. LOBIONDO. I am not sure that I fully get it, but OK.

I would like to thank all of the panel members for being here today. I think this was helpful and informative. The committee now stands adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned.]

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COMMITTEE ON EDUCATION AND THE WORKFORCE
 SUBCOMMITTEE ON EARLY CHILDHOOD DEVELOPMENT AND SECONDARY EDUCATION
 SUBCOMMITTEE ON WORKFORCE PROTECTION
COMMITTEE ON ETHICS
 DEMOCRATIC STEERING AND POLICY COMMITTEE
 HOUSE DEMOCRACY PARTNERSHIP

Congresswoman Mazie K. Hirono
Remarks as Prepared for the
Coast Guard and Maritime Transportation Subcommittee Hearing
“Creating Jobs and Increasing U.S. Exports by Enhancing the Marine Transportation System”

June 14, 2011

[Remarks as Prepared for Delivery]

Thank you Chairman LoBiondo and Ranking Member Larsen for convening today’s hearing.

Creating jobs in the maritime industry is so important to the economy and security of my home state of Hawaii.

We rely on marine transportation for 85 percent of our state’s food, and more than 90 percent of the petroleum we need to power our cars, homes, and communities. Maritime transportation also provides 23,000 jobs in Hawaii, and generates approximately \$1.1 billion in wages and benefits that help to further drive Hawaii’s economy.

The cornerstone of this industry in Hawaii has been the Jones Act. The Jones Act ensures stable, efficient shipping service, while also providing jobs with good wages and benefits. For 90 years, the Jones Act has operated as exactly the type of policy we should institute elsewhere—one which benefits the public as well as private sector.

Today, 40,000 Jones Act vessels contribute \$100 billion in economic output annually, and approximately 500,000 people are employed in the industry. However, I am concerned that some may look at repealing the Jones Act as a way to generate exports and create jobs. For example, former OMB Director Peter Orzag recently stated that:

“If U.S. made and manned ships were the lowest cost option, the law would be unnecessary. The solution: rescind the law to get an efficient and cost-effective mode of shipping.”

This is a short-sighted view which fails to take into account the critical national security element of our nation’s cabotage policies. However, based on statistics from the U.S. International Trade Commission the Jones Act has been estimated to increase the cost of goods by only \$5.52 in Hawaii— a sum well worth the benefits of efficient, reliable, secure shipping for basic necessities.

Aside from the economic benefits, there is a significant national security benefit to the Jones Act. In fact, every President since Ronald Reagan has vocally affirmed their support of the Jones Act—not just because of its economic benefits, but also the role it plays in strengthening our national security.

The U.S. Navy has frequently pointed to the Jones Act as vital to U.S. shipbuilding industrial capacity, a strong merchant marine, and our ability to meet strategic and sealift requirements in the face of national emergencies

As we look at ways to expand exports and create jobs, we must focus on measures that will enhance our U.S. flagged maritime industry—like making key investments in infrastructure and programs that support our U.S. flagged vessels and crews.

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TESTIMONY OF

MR. JOSEPH J. COX
PREIDENT & CEO

CHAMBER OF SHIPPING OF AMERICA

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

HEARING

ON

“CREATING JOBS AND INCREASING U.S. EXPORTS

BY

ENHANCING THE MARINE TRANSPORTATION SYSTEM”

ON

TUESDAY, JUNE 14, 2011

AT

10:00 A.M. IN ROOM 2167 OF THE RAYBURN HOUSE OFFICE BUILDING

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Chairman LoBiondo, Members of the subcommittee, ladies and gentlemen. As President of the Chamber of Shipping of America (CSA), I am pleased to testify before the subcommittee today on the issue of "Creating Jobs and Increasing U.S. Exports by Enhancing the Marine Transportation System."

CSA (under various names) has represented U.S. owners, operators and charterers since our inception in 1917. We have long contended that the U.S. is a maritime nation and has a large footprint in the domestic and international maritime communities. A very large percentage of the world's trade is dependent on access to the U.S. market. While we are currently going through a time of economic downturn and feeble recovery, we should recognize the issue of trade volume will not stagnate; it will begin to grow at some point. Our question today is really to what extent we can position our maritime transportation sector to take advantage of that growth thereby creating jobs in that. The ancillary and just as important issue is increasing the efficiency of our transportation sector so that exports will be priced to attract an international customer base. Mr. Chairman and Members, I am not a macro economist, or a micro one for that matter, and can't provide you with definitive testimony regarding the impact of our dollar value on the international market place. However, I can intuit that a lower cost of transport for U.S. made goods will be reflected in the final cost of the goods so a lower transport cost can only be a positive factor for our exports. In the following, I will comment on the efficiency of the maritime transportation sector and the value of uniform legal and regulatory expectations.

Marine Transportation System

Mr. Chairman and Members, over the years, I have experienced any number of groups, discussions and varied pronouncements regarding the marine transportation system. The highlights are the same; i.e., we are recognized as an efficient, low cost transport mode. I add that we are also regarded as having the lowest environmental impact. Is marine slower than some other transport modes? Yes. Do we get there? Yes. Do we burn hydrocarbons? Yes. Are we less polluting than some other modes? Yes. Because the answers to many questions regarding the U.S. maritime industry are positive, we should take any opportunity to develop a course ahead that allows the natural benefits of marine transportation to take effect. A few years ago, we along with many others engaged in the initiation of the Maritime Transportation System National Advisory Council (MTSNAC). We attended many meetings and engaged in many discussions among council members over time. Regrettably, while there were findings and papers developed, we did not see specific actions. Last fall, the Maritime Administration published a call for prospective members of a renewed MTSNAC. There is always the expectation that new members will bring a new focus on the usual problems; let's hope the new is more effective than the old.

I am convinced that a renewed focus on the maritime industry as an equal partner among our transport brethren will result in more efficient transport logistics, increase the number of jobs for our maritime community, both seagoing and shoreside, and make our exports more competitive in the international markets.

Marine Highways Cooperative

Several years ago, I was asked by the Maritime Administrator to assist in initiating what we then called the short sea shipping cooperative which was a partnership among private sector participants and the federal government; it subsequently was named the Marine Highways Cooperative. I am currently the Chairman of

the Marine Highways Cooperative. When we started the cooperative, we knew that trade would be increasing and the need for an innovative look at how we transport goods was necessary. The web site for the Marine Highway Cooperative has a succinct description of the benefits:

"Marine Highways offer many benefits including fuel savings and congestion relief on crowded roads around and between urban metropolitan areas. Since the United States is the worlds' leading importer, it is important that there be as many options as possible for imports to move from our ports to their final domestic destinations. U.S. international trade is likely to double in the next 20 years, compounding already-existing demands on the Nations surface transportation system. Americas Marine Highways is an important part of this system."

Today, we should place the word "exports" into the description. What we perceived several years ago as a necessity to handle increases in imports will serve equally to the benefit of America's exports. Our principal role as a cooperative is to educate. We have funded a number of studies that indicate the benefits of including the maritime mode as a part of a transportation logistics scenario. Currently, we are very pleased with the development of a web based calculator which can be used by shippers to review various transport scenarios and see what the various costs are for specific transport decisions. The calculator includes among its parameters a portion that details the carbon emitted for the various decisions taken regarding transportation modes. Earlier in this testimony, I noted the relative benefit of maritime transportation regarding pollution, specifically air pollution. The calculator will allow a shipper, or anyone for that matter, to plug in parameters and receive a finding on the costs, including carbon emitted. While the financial cost of carbon emissions is emotive and elusive, we recognize the need for many to be able to indicate an environmental sensitivity which may impact their transportation decisions. The calculator will be ready for public use shortly; this week, our team is engaged in a final analysis. We will be pleased to notify the subcommittee when the calculator is on the web site available for use. We at the Marine Highways Cooperative are pleased with the calculator. I point out that while we are very modestly funded, the majority of our funds are from the private sector part of the partnership.

Mr. Chairman and Members, the industry has not been standing still waiting for our studies to be completed and absolute positives to be in place. The simple fact is that large ships have a cost to run and they make a profit when they are crossing oceans, not stopping at multiple ports. For example, there is an attraction to having containerized cargo collected at one place and the large ship makes one stop versus multiple stops to discharge or take on cargo. The model is called a feeder service; smaller ships make shorter runs to transport cargo to a central location where the larger ship loads for a trans-ocean run. The model works also for bulk commodities, e.g. grains. We are aware of feeder services currently running in California between Sacramento and ocean ports. There is also a barge to ship operation connecting Richmond to Hampton Roads and just yesterday, American Feeder Lines (AFL) started a feeder service linking Boston to Halifax. Yes, these are modest beginnings. What we have to focus on is the concept and the benefits to the U.S. Mr. Chairman and Members, I am positive that our seafarers and longshoremen, among others, see the benefits of the marine highway and we view them as partners in bringing a robust marine highway concept into being.

Harbor Maintenance Tax (HMT)

We believe the marine highway is a potential benefit to the nation and we regret there is one obstacle in the tax area. I recognize this is not the Ways and Means Committee; nevertheless, I will take advantage of the opportunity to address this topic. HMT is the ad valorem tax placed on cargo transported via maritime. The funds generated are used to pay for dredging U.S. ports. While there are many concerns with when and how the trust fund is used for dredging, and I note there are valid concerns along those lines, I focus here on the fact that the tax is applied to cargo transported within the maritime industry regardless of the number of times it is paid. Therefore, a cargo which has paid the tax once for a maritime movement pays again if it goes onto another maritime transport mode. So a cargo arrives at one of our ports and pays the tax and then pays again if it is transported by a ship/barge. I suggest we look into this situation. I have heard some say this is only a low hurdle along the maritime way although it is a hurdle nonetheless. To those who believe this is some type of tax relief, I point out that the trust fund has billions in excess now and will continue growing; that is one of the concerns I refer to above, although it will not grow as much if the extremely modest amounts currently collected for multiple maritime movements is removed. I suggest we strongly consider deleting this double taxation. As I said, this is not the Ways and Means Committee although your reaction and findings regarding the patent unfairness of this double taxation will undoubtedly have an influence among your colleagues.

Business Expectations

While we focused above on the marine highway system, we should not ignore the impact of other issues on business decisions. Investment decisions are based on business models that rely, in turn, on the expectation of legal and regulatory requirements. One of the most unsettling aspects for a business to take decisions is to rely on a less than firm expectation for what may or may not be required at some future time. Today, we have a chorus of voices saying very different things about ballast water requirements. These include the international voice at the International Maritime Organization, our own two U.S. regulatory voices, the U.S. Coast Guard and Environmental Protection Agency, and regrettably, several individual states. We need one ballast water requirement for the nation; we do not need squabbling among those who would require us to meet differing objectives. We believe we should focus on achievable requirements. Last week, I heard a radio interview of a head of a state environmental agency who said the state was going to require performance "one thousand times better than the international standard". Given that we are just seeing the technical capability to conform to the international standard, I wonder what magic is available to meet a standard which is "one thousand times" more strict. I suggest we would be well served with a consistent, achievable standard that is reviewed over time and made more strict based on technological capability. The effect on a marine highway program in complying with multiple jurisdiction requirements is clear.

The industry is also observing and participating when permitted in the National Ocean Policy initiative established under Executive Order. We agree with the overall objectives established by the council and made several comments during development debate that individual agencies of the government have various responsibilities under law that cannot be relegated to secondary consideration. We do not know to what extent the council and their deliberations have been subject to Congressional oversight. We do know organizations such as the Coast Guard have been active regarding the council. We would welcome your review of the developments. Once again, this may not be your specific area of jurisdiction although the activity involves areas of your jurisdiction, my opinion I point out, and I believe there would be benefit to the marine highway if you decide to review what is taking place.

Piracy

Mr. Chairman and Members, I do not speak publicly anywhere on any topic without saying the word piracy. Ships are being pirated as we speak although the ships and cargo are insured. We have a great concern with the thousands of seafarers who have been held captive as hostages for months at a time. Now, they have the added concern not only with when they will be released but also with whether they will survive. We understand only too well what seems to be the intractable nature of the piracy occurring in the Indian Ocean. Great problems require great responses. Through this hearing, we renew our call for robust government action.

Thank you for listening to my testimony. I am pleased to answer any questions now and will address any further questions the subcommittee may forward to me.

**Department of Transportation
Statement of the Maritime Administrator
David T. Matsuda
Before the
Sub-Committee on Coast Guard and Maritime Transportation
United States House of Representatives**

**On
Creating Jobs and Increasing U.S. Exports by Enhancing the Marine Transportation
System**

June 14, 2011

Chairman LoBiondo and Ranking Member Larsen, thank you for the opportunity to present testimony to the Subcommittee regarding the creation of jobs and increasing exports through enhancements to the Marine Transportation System. I am David Matsuda, Maritime Administrator, testifying on behalf of U.S. Transportation Secretary Ray LaHood, Chair of the U.S. Committee on the Marine Transportation System or "CMTS."

Before I begin, I would like to note that today, Flag Day, we remember our Nation's history and the many people who struggled, and sometimes perished, to ensure the freedom we enjoy today. Less than a month ago, on May 19, we observed National Maritime Day, and were privileged to honor the memory of Richard Oliver Kelleher of New Jersey. He joined the merchant marine during World War II to help preserve our Nation's freedom. He was just 19 years old when he died in a torpedo attack. Richard's story is an example of the courage and commitment to serve that still exists in the men and women who go to sea today. I was proud to present six posthumous awards to Herb Kelleher, Richard's brother, with gratitude for Richard's courage in time of ultimate sacrifice.

The emphasis of today's hearing is on the MTS, which accommodates 78 percent of U.S. exports and imports by weight and 48 percent by value.¹ In addition to supporting the needs of U.S. exporters and industry, it is an important source of employment in its own right. The scope of the system is huge, as it includes Federal navigation channels, harbors, port gateways, service industries and users, and intermodal connectors. The MTS supports millions of American jobs, facilitates trade, and moves people and goods in a safe, secure, cost-effective and energy-efficient manner. In addition to supporting the needs of U.S. exporters and industry, it is an important source of employment in its own right.

More than 95 percent of the world's consumers live outside U.S. borders, representing a marketplace in which our Nation must compete successfully if we are to sustain and improve our quality of life during the coming decades. Export markets are particularly important for our manufacturing and agricultural industries. Transportation, including highways, rail, and water,

¹ An Evaluation of Maritime Policy in Meeting the Commercial and Security Needs of the United States, prepared by IHS Global Insight, Inc. for the U.S. Department of Transportation, Maritime Administration, January 7, 2009, pages 8-9

provide an integrated system to support the movement of our exports. In 2010, the first year of the National Export Initiative (NEI), coordinated by the Department of Commerce's International Trade Administration, exports rebounded to near-2008 levels and have contributed to our nation's overall economic recovery. According to Secretary of Commerce Locke, after dropping 14.6 percent in 2009, exports grew 16.6 percent in 2010, compared with an average annual rise of 11.2 percent during 2002-2008. Exports of goods and services in 2010 reached \$1.83 trillion, the second highest annual total on record and the largest year-to-year percent change in over 20 years. In 2010, exports contributed to nearly half of the 2.9 percentage point growth in real GDP.² In 2008, when exports of goods and services reached \$1.84 trillion, U.S. goods and services exports supported an estimated 10.3 million jobs in the United States, of which goods exports supported 7.5 million jobs, including 3.7 million manufacturing jobs (27 percent of all jobs in the manufacturing sector) and 1 million jobs on and off the farm.³

MARAD continues to carry out a number of initiatives and grants as part of our efforts to support American exports. I am pleased to report to the Subcommittee that I recently approved the Federal financing of a \$290 million export project at Eastern Shipbuilding in Panama City, FL. This project will result in the creation of 300 new shipbuilding jobs for skilled workers as they construct five new offshore supply vessels in the coming years for service in Brazilian waters. Working closely with the shipyard and project sponsors to complete the financing package, the MARAD team pulled together to create a deal which satisfied Federal requirements and beat vigorous competition from foreign countries offering to build these ships.

MARAD is also implementing DOT's program aimed at increasing the use of our system of inland waterways and coastal ports to move freight. This program, America's Marine Highway, will directly support the National Export Initiative. For example:

- The California Green Trade Corridor project will establish a vessel service to shuttle containerized cargoes between the inland ports of Stockton and West Sacramento and the seaport of Oakland. When this service becomes operational early next year, shippers of agricultural exports throughout the Central San Joaquin Valley- one of the world's most productive agricultural regions- will be able to load cargo for export closer to the place from which it is produced. This could lower the transportation cost to export their goods, thereby making the region more competitive in world markets. DOT is investing \$30 million to help this project become a reality.
- Similarly, a Marine Highway solution could open the door for even more trade with Canada, our largest trading partner, through the potential for waterborne-enabled exports offered by the Great Lakes. In 2010, U.S. agricultural exports to Canada were valued at \$16.8 billion.

Furthermore, these services offer a transportation solution that consumes less oil, generates fewer green house gas emissions and causes less damage to our roads, bridges and tunnels than the highway alternative – all the while helping open markets for export opportunities.

² Statement from U.S. Commerce Secretary Gary Locke on December 2010 U.S. International Trade in Goods and Services, February 11, 2011, <http://www.commerce.gov/news/press-releases/2011/02/11/statement-us-commerce-secretary-gary-locke-december-2010-us-internati>.

³ Benefits of Trade, Office of the U.S. Trade Representative, <http://www.ustr.gov/about-us/benefits-trade>.

The President understands that continued economic growth and competitiveness in the global economy will require the significant expansion of U.S. exports. To achieve this goal, the President launched the NEI with the goal of doubling U.S. exports by the end of 2014.

American exporters cannot participate as effectively in the global economy if they cannot get their products to foreign markets in a cost-effective, reliable, and expeditious manner. America's highways, railways, bridges, waterways, runways, and ports represent the beginning of a very long global logistics chain that reaches almost every market in the world.

The 2009 American Recovery and Reinvestment Act (Recovery Act) provided billions that supported MTS-related projects including small shipyard grants, ferry boat discretionary grants, bridge alterations, port security grants, and civil works projects. Congress's creation of the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program under the Recovery Act has increased the nation's port and rail investment. This program has been subsequently reauthorized under the FY 2010 and 2011 Appropriations Acts. Prior to TIGER, these sectors were difficult to reach with Federal dollars, even when we knew of major public benefits that would result from Federal investments in them. DOT has used the TIGER program to fund major improvements to the MTS, making 14 port investments totaling more than \$215 million in the States of Alaska, California, Florida, Hawaii, Illinois, Maine, Mississippi, Oregon, Rhode Island, Tennessee, and Washington.

DOT has also made major TIGER investments in intermodal rail projects that link ports to the interior of the Nation. Multimodal, multi-state projects to improve freight rail capacity were among the biggest recipients of TIGER investment. The Crescent Corridor (Tennessee and Alabama), CREATE (Illinois), and National Gateway (Ohio, Pennsylvania West Virginia, and Maryland) freight rail projects each received about \$100 million. Many other important rail projects have also been funded under the two completed rounds of TIGER grants (a third round is ready to start).

The Federal investments in these port projects alone may ultimately generate approximately 2,300 job years of employment for Americans during their construction (of which two-thirds will be direct and indirect jobs).⁴ More importantly, however, many of these projects will facilitate the production and export of products from U.S. factories and farms to markets throughout the globe and will play a critical role in supporting the NEI and long-term employment in the United States.

America's Marine Highway program, although aimed primarily at the domestic movement of freight, will also serve to move containers with export cargos to U.S. ports and will provide jobs for mariners who will be accessible to the United States for crewing sealift capacity during times of national emergency. With grant authority established by the National Defense Authorization Act for Fiscal Year 2010 and with \$7 million in funds appropriated by the Consolidated Appropriations Act of 2010, DOT announced the award of three Marine Highway project grants and funding for three research studies of potential Marine Highway services.

⁴ Assuming the Council of Economic Advisors' estimate average of 1 job year for every \$92,000 in spending of Recovery Act funding.

MARAD's Title XI and Small Shipyard Grant (Assistance to Small Shipyards) programs provide loan guarantees and grants, respectively, supporting the industry, which can be an engine for efficiency and capacity improvements and economic growth.

Congress created the Small Shipyard Grant Program in the National Defense Authorization Act of 2006 to support capital improvements to qualified shipyards. Congress first funded the program with \$10 million through the Consolidated Appropriations Act of 2008, followed in 2009 by \$117.5 million in funding through the Omnibus Appropriations Act of 2009 (\$17.5 million) and American Recovery and Reinvestment Act of 2009 (Recovery Act) (\$100 million), \$15 million in funding in the Consolidated Appropriations Act of 2010, and \$9.8 million in funding in the Department of Defense and Full-Year Continuing Appropriations Act of 2011. This program is intended to improve the ability of domestic shipyards to compete for domestic and international commercial ship (including tug and barge) construction.

Overall, for the first 3 years of this program, MARAD awarded a total of 120 grants to 105 different shipyards (awards for the 2011 program are still pending). These shipyards are located in 28 States and Guam. Grants have been used to fund floating drydock construction and modernization, acquisition of large Travelifts (up to 1,000 tons), material handling equipment such as cranes and forklifts, steel working machinery, shipyard infrastructure improvements, and training of shipyard employees. To date, the 70 small shipyard projects funded through the Recovery Act have generated a total of more than 800 job years, with about 650 of these being in direct and indirect jobs. By the time all of the \$98 million in Recovery Act small shipyard grant funds are expended (sometime in 2012), a total of almost 1,100 job years of work will have been generated.

The Department of Transportation (DOT), the U.S. Coast Guard (USCG), U.S. Army Corps of Engineers (USACE), National Oceanographic and Atmospheric Administration (NOAA) and many other Federal agencies all have a role in the MTS. These agencies are working individually and in concert to ensure that the MTS continues to meet the present and future needs of our nation. They meet to discuss issues under the auspices of the CMTS, an interagency forum comprised of the Federal agencies that have a role in the MTS. The CMTS is actively engaged with the National Export Initiative Trade Policy Promotion Committee (TPCC) to facilitate the improvement of the U.S. supply chain. CMTS individual and interagency efforts will focus on maintaining ports and waterways to support export trade through improving our supply chain competitiveness, and ensuring a safe and reliable MTS.

Examples illustrating this effort include integrating NOAA's coastal ocean forecast modeling with its navigation data and USACE channel depths to allow bulk cargo and container vessels to load more heavily and to time arrivals and departures more accurately. NOAA Physical Oceanographic Real-Time System (PORTS®) in particular is a very useful tool—available at a relatively low cost, but with substantial benefit to the environment and the economy. NOAA and the USCG have collaborated to provide PORTS® information to mariners through the USCG Automated Identification System. Given the limited channel depths available in most U.S. ports, port operators can use PORTS® integrated with other navigation data to maximize throughput and economic gain with less risk of running aground and injuring the environment or vessels.

This adds to U.S. supply chain efficiency and competitiveness, and the benefits also add up quickly for U.S. exporters. Every additional inch of water draft available to a container ship means more containers on a larger vessel and a better value. For example, an inch of draft can mean 9,600 more laptop computers, at a value of \$8.5 million.

The Army Corps of Engineers makes considerable investment into our water infrastructure including locks, dams, and Federal channels. The annual budget for its commercial navigation program is approximately \$1.6 billion for FY 2012. In allocating these funds, the Corps gives priority to investments in the assets that will provide the greatest economic return to the Nation, and to the maintenance of existing waterways with highest levels of commercial use. In addition, NOAA is leading an interagency team to facilitate the coordination of Federal navigation services to the mariner in order to facilitate safer and more efficient marine transportation.

The International Trade Administration has been engaged with DOT in a proactive program to address national transportation supply chain components of the NEI as a drive of pricing and U.S. competitiveness. ITA and DOT have joined in a series of transportation stakeholder listening sessions that are helping to define the foundational issues that shippers find help or hinder their ability to compete in the global marketplace. This work complements the five pillars of the NEI which include improving trade advocacy, increasing access to credit, removing trade barriers, enforcing trade rules, and promoting balanced trade policies. In a letter to the President, dated March 11, 2011, the President's Export Council, which includes CMTS members, noted that a "robust, reliable, and efficient domestic transportation infrastructure is the critical 'first-step' on the road to more exports." The DOT and all CMTS member Departments and agencies recognize that the MTS is a critical cog in the U.S. supply chain between the navigable waterway and landside connectors to the stores and shelves of America's heartland.

Shipping capacity to carry U.S. exports has been increasing. In 2010, 7,579 oceangoing vessels made 62,747 calls at U.S. ports, accounting for nearly eight percent of vessel calls globally, a 13 percent increase over 2009.⁵ The vessels making these calls include bulk ships carrying iron, coal and grain for export; heavy-load vessels carrying cargo such as large airplane wings for Boeing 747 jets; containerhips carrying general export and import cargo for markets around the U. S. and the world; tankers carrying oil and gas used to power our cars and heat our homes; and roll-on roll-off vessels carrying General Motors, Chrysler, and Ford vehicles for export. These statistics, alone, emphasize the value of CMTS efforts to coordinate and integrate navigation services to provide the best information in support of best navigation practices and to reduce duplication of effort.

Bulk cargo exports, such as grain, are a significant contributor to the U.S. economy. The U.S. Department of Agriculture recently reported that farm exports alone will support more than one million jobs in America this year.⁶ In May 2011, Secretary of Agriculture Tom Vilsack reported that farm exports reached an all-time high of \$75 billion during the first half of Fiscal Year 2011.

⁵ Maritime Administration, *Vessel Calls Snapshot*, May 2011, www.marad.dot.gov.

⁶ Secretary of Agriculture Vilsack in Long Beach, California to Highlight Strong Farm Trade, Press Release, March 16, 2011, U.S. Department of Agriculture.

This is 27 percent higher than the same period last year.⁷ Further, the U.S. Department of Commerce reports that for every \$1 billion in overall goods and services we export, 5,000 U.S. jobs are supported.⁸ For ocean exporters, grain producers, manufacturing, and other industries, the MTS is a nexus between the United States and the global economy.

In 2010, the 10 largest U.S. ports by volume accounted for 58 percent of oceangoing vessel calls. Houston was largest for tanker calls; Los Angeles/Long Beach was the largest for container ship calls, and New Orleans was the largest for dry bulk calls. The other 42 percent of cargo was spread among the 173 other commercial deep draft ports along the Atlantic, Gulf of Mexico, Pacific, and Great Lakes coasts, as well as ports in Alaska, Guam, Hawaii, Puerto Rico, Saipan, and the U.S. Virgin Islands.

Current MARAD programs, including the Maritime Security Program and the cargo preference programs, play a part in sustaining approximately 90 U.S.-flag ships in international commerce. In addition to commercial cargoes that support our economy, in 2009 these vessels recently carried over 3 million metric tons of petroleum and over 8 million tons of general and containerized cargo for the Department of Defense (DOD); shipped household goods for approximately 78,000 military overseas moves; and transported over 770,000 measurement tons of privately-owned vehicles for the military. Additionally, U.S.-flag vessels carried about 2 million metric tons of humanitarian food aid worldwide annually in recent years. Each vessel in the international trades supports upwards of 20 seafarer billets (equal to more than 40 full time equivalent officers and crew per vessel) or 3,000 – 3,700 seafarer jobs overall.

MARAD is committed to improving the international competitiveness of the U.S.-flag fleet. To that end, MARAD is conducting a study to obtain and analyze the broad range of impediments to the use of the U.S.-flag registry. The study will help MARAD ensure that U.S. maritime policies are based, to the maximum extent possible, on the current state of international waterborne transportation markets. MARAD is currently reviewing the Final Report and expects the study to be completed in the summer of 2011.

Meanwhile, MARAD is working with other Federal agencies to increase the competitiveness of U.S.-flag vessels, for example:

MARAD is updating its cargo preference regulations in consultation with the shipper agencies. Two weeks ago, MARAD brought together all of the U.S. government agencies involved in cargo preference for the first ever Federal shipper forum on cargo preference. It gave Federal agencies a chance to discuss the implementation of cargo preference programs. This feedback will help MARAD make improvements to the program.

⁷ Record Agricultural Exports for First Half of Fiscal Year 2011, Press Release, May 11, 2011, U.S. Department of Agriculture.

⁸ Speech to the American Association of Port Authorities, March 22, 2011, Courtney Gregoire, Director for National Export Initiative, U.S. Department of Commerce.

As you can see, much is being done within the Administration to ensure that the essential supply chain requirements are available to enhance the Marine Transportation System, create jobs, and support the National Export Initiative. At this time, I will be pleased to answer any questions the Subcommittee may have. Thank you.

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TESTIMONY OF
JOHN M. MOHR
EXECUTIVE DIRECTOR
PORT OF EVERETT

ON

**"CREATING JOBS AND INCREASING U.S. EXPORTS BY ENHANCING THE
MARITIME TRANSPORTATION SYSTEM"**

BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

June 14, 2011

INTRODUCTION

Good morning, Mr. Chairman and distinguished members of the subcommittee. It is my pleasure to be here today to discuss how federal policies can help Washington State ports create jobs and facilitate increased U.S. exports

For many years, Puget Sound and other West Coast seaports have financially benefited from the size restrictions of the Panama Canal and insufficient port infrastructure in Canada. This competitive advantage resulted in Puget Sound emerging as the third-largest container load center in the country (U.S. Maritime Administration, 2009, p. 22-23).

Recent game-changing investments by Panama and Canada, however, have created a real threat of the Puget Sound losing thousands of jobs and business opportunities to other regions of the U.S. and the world.

After a brief background on Washington State trade and the Port of Everett, I am going to discuss how streamlining the regulatory environment, investing in port infrastructure, modifying the harbor maintenance tax policy and investing in rail infrastructure will improve Washington state's and the nation's ability to compete in the global marketplace.

ABOUT THE PORT OF EVERETT

The U.S. public ports are critical gateways to international trade and drivers of economic activity. The vast majority of U.S. trade comes through our nation's shipping terminals, carrying all the goods you need and want every day. America's seaports are responsible for \$3.2 trillion in annual trade revenue, providing nearly 13.3 million people with family-wage jobs (Knatz, 2009).

In Washington State, ports are an essential lifeline for our state's economy, as it is the most trade-oriented state in the nation, with one in four jobs tied to trade.

According to an independent study by Martin Associates¹ the Puget Sound ports provide:

- Jobs: 334,000 per year

¹ The report's author, John C. Martin, has prepared more than 500 economic and planning studies for U.S. ports.

- Construction Jobs: 21,352,000 man-hours of construction jobs through its capital programs per year
- Revenue: \$22.2 billion per year
- State and Local Taxes: \$1.2 billion per year

Seattle and Tacoma are the consumer goods ports of the region, while the Port of Everett serves a critical function in support of the manufacturing and construction base. The Port of Everett is the third largest deep-water port in Washington State. It is located 25 miles north of Seattle.

While not as large as Seattle and Tacoma, the Port of Everett is just as important for the role it plays in support of the local aerospace industry. Everett is home to The Boeing Company's largest manufacturing facility and Naval Station Everett. The Port handles 100 percent of the oversized oceangoing parts for the 747, 767 and 777 airplane programs for The Boeing Company. Boeing is the largest exporter in the nation by value. And in 2010, the Port of Everett was attributed with more than \$9.2 billion in exports according to the U.S. Customs Report.

The Port of Everett's major trading partners are Japan, South Korea, Russia and China. Our primary imports are aerospace parts, pipe, machinery, wind energy parts and cement. Our major exports, which is the bulk of our business, includes wind energy parts, oil and gold mining equipment, aerospace containers, logs, and other miscellaneous breakbulk cargoes.

WHAT IS THE PROBLEM?

The Canadian government's infrastructure investments create a real threat of cargo being siphoned off from the Puget Sound region, and taking the jobs and revenue associated with it. According to a 2009 report from the U.S. Maritime Administration, "In the long-term, they (Panamanian and Canadian trade expansion) will limit American job growth opportunities, negatively impact our economy and reduce our own strategic port capacity." According to the 2009 Marine Cargo Forecast, more than 76 percent of the goods that come through Puget Sound ports head east to areas like Chicago.

To the north, the Canadian government is taking a proactive approach to capture U.S.-bound cargo. The government kicked off its Asia-Pacific Gateway and Corridor Initiative projects in 2006, with a commitment to invest nearly \$1 billion in infrastructure projects to make British Columbia a

viaable alternative to the U.S. West Coast (British Columbia Press Release, 2006). Further the Canadian government has invested significantly in the Canadian National Railroad, which gives Canada a high speed rail corridor directly into the U.S. heartland – bypassing U.S. ports.

We are in intense competition with the Port of Prince Rupert and Port of Vancouver in British Columbia. They are currently winning that competition because of the strong partnership they have formed with the Canadian Government. Canada’s Pacific Asia Gateway strategy has involved national, provincial and local investment in freight movement infrastructure. Canadian government officials accompany Canadian port officials to marketing meetings in Asia.

The question we keep asking ourselves, “is the United States prepared to double exports from a seaport and freight rail perspective,” and the answer is **no**.

The world governments have taken an active role to ensure their place in the global trading market. In the U.S., however, ports are struggling to find funding mechanisms for our aging port infrastructure. Historically, trade has been viewed as a private industry in the U.S. This perception has limited the state and federal government’s active participation in promoting and investing in our trade facilities.

Furthermore, ports are unable to fully benefit from trade taxes. For example, the total harbor maintenance tax (HMT) collections and interest in 2010 came to \$1.363 billion. Of that amount, \$828 million was disbursed for navigation maintenance. According to a Congressional Research Service study earlier this year, Puget Sound ports, because they are natural deep-draft harbors, receive “just over a penny for every dollar that import shippers who use their port pay in HMT” (Fritelli, 2011).

What is the solution?

We greatly appreciate the Administration’s National Export Initiative to create 2 million jobs by doubling U.S. exports over the next five years by 1) expanding federal export promotion efforts; 2) improving access to credit, especially for small- and medium-sized businesses that want to export; and 3) increasing the government’s focus on knocking down foreign trade barriers to U.S. exports.

The World Bank estimates that \$40 million of additional exports is generated for every \$1 spent on export promotion, so this effort could be very successful. Bringing more import-export

balance to our international trade isn't just good for our balance of payments and our domestic employment picture; it will also bring more rationality to our logistics system, which is currently plagued by empty railcars on their return trips to ports and empty import containers stacking up on port property. If this initiative is to be successful, we will need major investments in freight transportation infrastructure – for example, intermodal connections at our ports – to handle these increased trade volumes.

Here are four steps the U.S. Government could take to enhance our marine transportation system so it can handle a doubling of U.S. exports, while also increasing our competitiveness with Canadian ports and the expanded Panama Canal:

1. **Regulatory reform;**
2. **Federal port infrastructure investments;**
3. **Modify the fee structure of the Harbor Maintenance Tax; and**
4. **Investment in rail infrastructure.**

REGULATORY REFORM: The U.S. government can help streamline permit requirements to expedite the construction of waterside trade facilities. The Port just completed its Marine Terminals Master Plan, which spelled out expansion plans. In Washington State, and probably throughout the U.S., a new terminal facility can take anywhere between five to 10 years plan, permit and construct. A deepening of a shipping channel typically takes upward of 25 years, depending on federal and state regulatory requirements and related litigation.

These delays result in higher costs to U.S. exporters and lost cargo opportunities to our foreign competitors. Shipping terminals and channels are considered facilities of statewide significance in Washington state, and as such, the permitting of terminals must be streamlined and redundancies removed. Quite simply regulatory agencies must look for ways to successfully build a terminal and deepen a channel instead of just saying no.

Right now, the sad truth is that with the time required to fund, permit and build terminal facilities, our region loses cargo opportunities to competitors from the north and south.

FEDERAL PORT INFRASTRUCTURE INVESTMENTS: In 2009, as part of the American Recovery and Reinvestment Act (ARRA), the Transportation Investment Generating Economic Recovery (TIGER) grant program was developed. For the first-time, that I am aware of, a transportation grant

opportunity allowed ports to submit projects that were “within the terminals” for funding consideration.

This program was so popular, the U.S. Department of Transportation received \$1.6 billion worth of grant requests from the port industry alone in the first round. This grant program highlighted the need for ongoing investments from the federal government in our marine highways, and the American Association of Port Associations (AAPA), along with other port industry leaders have been working to establish a port infrastructure grant, similar to the TIGER grants, in the Surface Transportation Reauthorization bill. This is critical, because, just to modernize one berth at the Port of Everett’s existing terminal facility comes with a price tag of nearly \$100 million – and this does not include equipment.

HARBOR MAINTENANCE TAX (HMT): The U.S. Government has imposed the HMT, which unfortunately doesn’t help us at all, because Everett, Tacoma and Seattle are natural deep-draft harbors. However, it does hurt our competition with Canadian ports because they don’t have such a tax – a fact they advertise to customers. The current HMT distorts the flow of trade and puts U.S. ports at a competitive disadvantage.

We would like to see the federal policy modified to ensure equal treatment of all U.S.-bound cargoes regardless of how they arrive in the U.S. For cargoes arriving at U.S. seaports, the HMT would remain the same. For international cargoes arriving via a land border, a new account would be created for investments in cargo-specific infrastructure improvement projects.

The Port of Everett would also support the effort to make sure that all the funds collected through the HMT are spent on harbor maintenance. If all the \$1.3 billion dollars collected from taxing the value of cargo imported into the U.S. in 2010 was reinvested in harbor maintenance, an additional half-a-billion dollars would have been invested in U.S. ports. This would increase efficiency, lower costs to U.S. manufacturers and support U.S. construction jobs.

As noted earlier, the federal government collects far more money in harbor maintenance taxes than it expends on harbor maintenance. As a result, the HMT fund has a balance of more than \$5 billion while important dredging needs go unmet. The taxes collected for harbor maintenance should be spent on harbor maintenance.

RAIL INFRASTRUCTURE: Finally, the Port of Everett supports a high speed rail corridor modeled after the Canadian Asia-Pacific Gateway to increase the speed at which US manufacturers and farmers can export their products overseas. In 2009, the Great Northern Corridor, which serves

ports in Washington and Oregon moves over 124 million tons of freight. It would take over 4.9 million long-haul trucks on highways to move that much freight.

The Great Northern saved over 570 million gallons of fuel and over 6 million tons of greenhouse gases (BNSF Railways, Corridors of Commerce). Further, the U.S. Department of Transportation forecasts that freight rail demand will rise 88 percent by 2035 from 2005 levels. BNSF Railroad states, "Capacity investment now is essential to meet projected demand and will prevent future strain on the nation's rail corridors and avoid a modal shift to the highways system" (BNSF Railways, Corridors of Commerce). Lastly, according to the U.S. Department of Commerce, for every \$1 invested in rail infrastructure \$3 is returned to the U.S. economy.

Conclusion

In conclusion, Mr. Chairman, to double our exports, U.S. ports need the federal government's help to increase export capacity and to keep ports competitive by:

- Reducing our permitting burden
- Modifying the harbor maintenance tax to increase revenue and establish a level playing field; and
- Investing in port and high speed freight rail infrastructure.

Right now, U.S. ports are not prepared for the shake-up in trade patterns across the Western Hemisphere that is likely to follow the expansion of the Panama Canal and significant Canadian investment.

The earlier our leadership begins addressing these issues, the earlier ports, like us, can show the international community our nation is ready to compete for trade. The days of passive involvement at a federal level are behind us, and now it is incumbent upon our political leadership to make the policy changes necessary to support our marine highways.

Thank you for your continued support and the opportunity to testify before you today. I will be happy to answer any questions you may have.

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TESTIMONY OF MICHAEL G. ROBERTS,
SENIOR VICE PRESIDENT AND GENERAL COUNSEL,
CROWLEY MARITIME CORPORATION, AND
REPRESENTATIVE OF THE AMERICAN MARITIME PARTNERSHIP

Before the Subcommittee on Coast Guard and Maritime Transportation of the
Committee on Transportation and Infrastructure,
U.S. House of Representatives

Creating Jobs and Increasing U.S. Exports
By Enhancing the Marine Transportation System
June 14, 2011

Thank you Mr. Chairman for the opportunity to testify today about the important role of the U.S. maritime industry in job creation in the United States. We are aware of this Committee's and Subcommittee's longstanding interest in transportation as an economic engine of our economy, and are grateful for the chance today to tell our story.

My name is Michael G. Roberts, and I am senior vice president and general counsel of Crowley Maritime Corporation, one of the largest American maritime companies. Crowley's headquarters are in Jacksonville, Florida. We have employees in about 20 states, and substantial operations from the Alaska North Slope to south Florida. Crowley provides diversified services including container shipping, energy transportation and distribution, logistics, offshore development support, emergency response, and other services. While the majority of our business involves domestic markets, Crowley is a worldwide company with offices throughout Latin America, and in Europe, the Middle East, and Asia.

I am also here today as a representative of the American Maritime Partnership – "AMP" – an organization representing the domestic American maritime industry. AMP's membership includes ship operators like Crowley, American seafarers, ship construction and repair yards,

dredging and marine construction companies, passenger vessel operators, and pro-defense groups like the Navy League.

Let me start with a basic statement that is well known to the Members of this Subcommittee, but may not be obvious to others.

Like aviation, trucking and other more visible modes of transportation, the maritime industry is a large and critically important component of the transportation circulatory system that sustains our national and international economy. In international trades, 95% of the imports to and exports from our nation move on ships. That includes everything from the most sophisticated electronics to plastic toys to essential commodities like petroleum, grain and iron ore. Between 2004 and 2009, U.S. domestic and foreign waterborne trades amounted to an average of over 2.6 billion metric tons per year.¹

The American domestic maritime industry includes those who own and operate vessels, as well as those who build and repair them at hundreds of large and small shipyards on all coasts and in the Great Lakes. These vessels may carry cargo on our inland river systems and in Great Lakes trades, along our coasts, and connecting Alaska, Hawaii, Puerto Rico and Guam to the U.S. Mainland. The industry also includes vessels that provide a variety of non-transportation services in domestic waters, from tugboats and ferries to highly sophisticated offshore support vessels. The single most active maritime region in our nation is the Gulf of Mexico, as the State of Louisiana has more economic activity related to the domestic maritime industry than any other.

¹ United States Department of Transportation, Maritime Administration. (February 2011). *U.S. Water Transportation Statistical Snapshot*. Washington, DC.

Taken as a whole, the American maritime industry is a large and vitally important part of our domestic economy. We generate about \$100 billion per year in economic activity, and provide jobs to almost half a million Americans. Maritime is also the most efficient and environmentally friendly mode of transportation. By one measure, the American maritime industry moves about one-quarter of our domestic commerce for about 3% of the domestic freight bill. The industry has a low environmental footprint, as it emits less than one-half ton of nitrogen oxide per million ton-miles, resulting in less air pollution and reduced climate change effects.²

With that background, let me first say that we appreciate your leadership in looking for ways to improve our maritime transportation system and create more jobs along the way. A good starting point for considering this is to define the role of government in the commercial maritime industry, and I would make brief comments in three areas – government *regulation*, government *spending*, and government *promotion*.

Regulation. First, the government clearly has the key role to play in setting and enforcing the rules under which the commercial industry is to operate. In this regard and not surprisingly, our principal request would be your continued support for the Jones Act. This is the law that requires that cargo moved between U.S. points be transported on American vessels. Virtually identical laws apply to dredging, towing and the transportation of passengers. Very similar laws apply to the U.S. aviation industry, and to the maritime and aviation industries of many foreign nations.

² Government Accountability Office. (January 2011). *Surface Freight Transportation: A Comparison of the Costs of Road, Rail, and Waterways Freight Shipments That Are Not Passed on to Consumers* (GAO-11-134). Washington, DC.

This fundamental maritime law provides important national security, homeland security and economic security benefits to our nation. As mentioned, a recent study by PricewaterhouseCoopers for the Transportation Institute shows that the domestic American maritime industry includes about 40,000 vessels, contributes about \$100 billion in economic activity, and provides about 500,000 family wage jobs to Americans each year. We are proud to be a part of this industry.

This Subcommittee's support for the Jones Act is greatly appreciated. During the Gulf Spill, some individuals suggested that the Jones Act impeded the cleanup by keeping out foreign skimmer vessels. Fortunately, thanks in large part to this Subcommittee, the record has been corrected. On February 11, 2011, Admiral Thad Allen stated unequivocally before this Subcommittee that not a single foreign ship was turned away because of the Jones Act. His statement echoes statements now by every relevant federal government official as well as the two major reports that have been completed evaluating the causes and responses to the spill.

In fact, it is clear now that rather than inhibit the cleanup, the American domestic maritime industry distinguished itself in the cleanup. The presence of a strong domestic industry showed itself in ways ranging from the initial, heroic rescue of employees on the rig immediately after the explosion, to providing the largest maritime activation since D-Day in responding to the ongoing environmental disaster.

But that experience served as a reminder to us about the importance of public education about the domestic maritime industry and the Jones Act. Billions of private sector dollars have been invested – and billions more need to be invested – to maintain and renew our commercial domestic maritime fleet. These investments rest in no small part on confidence that the laws

governing this industry will be properly enforced, and will not be changed in ways that undermine the value of the investments. We are doing what we can to make sure all Members of Congress and other public officials are fully aware of the important national, homeland, and economic security benefits of the Act.

Many other regulatory matters too numerous and complex to discuss at this point can have a positive or negative effect on the maritime industry. However, I will mention one additional regulatory issue here, because it is a potential near-term game-changer. We are confident that thousands of maritime jobs would be created or restored if the government would resume the normal pace of considering and approving energy development permits in offshore locations. This includes drilling permits as well as permits to establish wind farms and other renewable energy installations on the Outer Continental Shelf. We also believe it is self-evident from a legal and practical standpoint that the jobs associated with these projects must be filled by American workers.

Spending. Turning next to government spending, similar to aviation, trucking and most other transportation modes, most government spending in connection with the commercial maritime industry has properly been focused on creating and sustaining infrastructure – the waterways, seaports, safety systems, and other assets needed to have a safe and efficient maritime system. In tandem with this government infrastructure investment, the overwhelming majority of investment in vessels, equipment, training, and other resources needed to provide services using the infrastructure comes from the private sector, and is based on the normal expectation that such investment will produce a reasonable return.

As Members of this Subcommittee well know, government revenue to build and maintain the federal maritime infrastructure comes from both dedicated taxes and general revenue. Dedicated tax revenues from maritime commerce and industry include the Harbor Maintenance Tax and inland waterways fuel tax, which are deposited in trust funds. General revenue such as tariffs on imported goods and user fees, comes from several sources, including from maritime commerce and industry; this revenue is not deposited into trust funds. In 1999, the GAO found that maritime commerce and industry paid more than \$20 billion annually in tariffs, fees and dedicated federal taxes (not including income taxes).³ This is several times more than the annual federal costs to construct and maintain U.S. maritime transportation infrastructure. Unfortunately, almost half of the annual revenue coming into the Harbor Maintenance Trust Fund is diverted to other uses. Consequently, harbor navigation channels are becoming shallower and narrower as they silt in.

Developing and maintaining a world-class maritime infrastructure, such as harbors that can accommodate the world's largest ships, modern lock-and-dam systems, are *precisely* the kind of stimulus projects that should be going forward in this tough economy. They provide jobs to people today. They represent a much-needed *investment* in our children's future, helping America to keep pace with its global economic rivals. The cost of doing these projects today is relatively cheap compared to boom times. The projects would generate economic activity and federal revenue to offset their costs over time. In the case of harbor maintenance, the money needed to do these projects has already been paid into the government. Not expanding and maintaining our maritime infrastructure will cost the U.S. economically by making transportation

³ Government Accountability Office. (September 1999). *Commercial Maritime Industry: Updated Information on Federal Assessments* (GAO/RCED-99-260). Washington, DC.

less efficient and U.S. exports less competitive, which will result in communities and industries losing economic activity and jobs to more accessible locations.

The maritime industry strongly supports your efforts to recapture the maritime infrastructure funding that has been diverted to other uses, and to cut through red tape and break down unreasonable regulatory barriers to going forward with these projects.

Promotion. Government has an important role to play in promoting the American maritime industry. That role includes not only educating the public as to the importance of the industry, but also supporting and updating several specific programs designed to foster a more vibrant maritime industry. From an education standpoint, your involvement in highlighting the important role of maritime transportation in our nation is vitally important. In many respects, maritime is the forgotten mode of transportation. For example, the *Wall Street Journal* recently published an entire section addressing transportation policy in the United States – *there was not a single mention of the maritime industry.*

We recognize that Members of this Subcommittee are well familiar with the maritime industry, but many Members of Congress and other federal decision-makers are not. Hearings like this, where we can have a conversation about the important role of the maritime industry, are important. And Chairman Mica's announced plan to include a maritime title in the transportation authorization bill is another welcome recognition of the importance of the maritime industry. Such recognition is essential to maintaining and growing the American maritime industry.

In terms of support for specific promotional programs, we urge you to continue to do what you do best – review and support federal programs that are key to the expansion and

growth of the maritime industry. The Maritime Security Program and cargo preference laws, for example, provide the framework for a model partnership between the private sector and the government. These programs help keep the American flag flying in international trades while meeting a critical defense sealift need at a very small fraction of the cost that taxpayers would otherwise have to pay. Similarly, the Title XI loan guarantee program, when administered using sound underwriting criteria and efficient procedures, provides important financial backing for economically sound projects at American shipyards at little or no cost to taxpayers. These and other programs, as well as a commitment to maintain an internationally competitive tax policy, are vitally important to maintaining and growing jobs in the American maritime industry.

Thank you for the opportunity to appear today, and for your continued support of the American maritime industry. I look forward to answering your questions and to a continuing dialogue about these issues.

TESTIMONY OF AUGUSTIN TELLEZ
EXECUTIVE VICE PRESIDENT, SEAFARERS INTERNATIONAL UNION

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE

HEARING ON CREATING JOBS AND INCREASING U.S. EXPORTS BY ENHANCING THE
MARINE TRANSPORTATION SYSTEM

JUNE 14, 2011

Good afternoon, Chairman LoBiondo, Ranking Member Larsen and members of the subcommittee.

On behalf of the Seafarers International Union as well as the American Maritime Officers, the International Organization of Masters, Mates & Pilots, and the Marine Engineers' Beneficial Association, I thank you for conducting this hearing; I thank you for the opportunity to testify; and I thank you for your continued support of the U.S. Merchant Marine.

As organizations that represent merchant mariners in both the domestic and international trades, including deep sea, inland and the Great Lakes, the Seafarers International Union and our fellow maritime unions have a deep interest in our nation's economic and national security. Our organizations are focused on jobs, increasing the size of our U.S.-flag merchant marine and seeking opportunities for workers across America to obtain the good paying, secure jobs that keep our economy moving forward.

President Obama announced his National Export Initiative in the January 2010 State of the Union address, and signed Executive Order 13534 in March. Through this initiative, the President intends to improve conditions that directly affect the private sector's ability to export, and he has set an ambitious goal of doubling exports in five years. We in maritime labor have welcomed the President's initiative and continue to support it.

However, in order for us to meet that goal, we must ensure that our U.S.-flag merchant fleet remains strong and viable in the international and domestic trades. We must ensure that our ports and infrastructure can handle the additional capacity needed to meet these goals. We must defend programs like the Jones Act and Cargo Preference that have been under attack. And we must innovate and expand our capacity by redeveloping new sectors of the industry, such as the Maritime Administration's Marine Highways Initiative. It is only by defending our existing programs, reducing the regulatory burden on our operators, ensuring the tax system is fair and competitive internationally, seeking opportunities to expand the industry both internationally and domestically and maintain the key government programs that keep the fleet afloat that will be able to create jobs and increase U.S. exports. It is through both innovation and the stalwart defense and support of our existing programs that we can effectively enhance the marine transportation system.

Increasing exports will require a focus on our international fleet in foreign commerce. From labor's perspective, the state of the U.S. merchant fleet in foreign commerce may be described as limited but effective, but also in need of more support. It is limited in the sense that the fleet has shrunk, and the percentage of international commercial liner cargo carried by American-flag ships is dangerously small

– somewhere around 3 to 4 percent. It is effective in the sense that our reliability and performance are second-to-none, particularly when it comes to productivity and safety. And it is in need of more support because such backing is entirely consistent with the stated goals of the Defense Department (DOD), the rest of the administration and Congress, and because what's good for the American-flag fleet is good for America.

For too long, we have allowed foreign competition to undercut the American-flag fleet and our ship operators. This foreign competition is often supported by generous tax regimes, little or no cost health care, and tax exempt wages for foreign seafarers by a number of foreign governments that make the international playing field far from even.

I mentioned the small percentage of commercial cargoes carried by U.S.-flag ships. The statistics change dramatically when one considers the fleet's performance in Operations Iraqi Freedom and Enduring Freedom. In those vital missions, American-flag ships carried the overwhelming majority of materiel to support our troops overseas. All of these vessels are commercial ships, most of which are enrolled in the U.S. Maritime Security Program (MSP) and carry commercial cargo when they are not being utilized by the military.

One way to ensure that we can handle an increase in exports is by having the organic, American capacity to support those increased exports. Our position is that the MSP program should be expanded. The current version of the program is effective, but by increasing the number of vessels, it could do more. It would cost literally billions of dollars to replicate or replace the tonnage and infrastructure currently available to our military through MSP. And that's just for the ships – the cost of replicating the manpower pool is incalculable. Put it all together and you've got a program that's been described over and over by our nation's military leaders as a bargain. Additional investment in the program would cost the treasury far less over time than the Defense Department receives in added value. DOD believes MSP is critical to their sealift capacity and has been effective.

They aren't the only ones measuring MSP's success. The Office of Management and Budget has given the Maritime Security Program the highest possible marks in the four categories it gauges.

Additionally, this program is an important part of our working partnership with DOD. Because of MSP and other sealift-readiness programs, such as the Voluntary Intermodal Sealift Agreement (VISA), our partnership with DOD is strengthened by allowing us the opportunity to be fully apprised of our military's requirements. As a result, we as an industry can prepare, plan and make the appropriate changes and investments to fully meet DOD's needs.

One other point on MSP: The program has successfully met one of its critical, intended goals, which was to recapitalize an aging fleet. There is no doubt about that success when one looks at our current international fleet, the vast majority of which has been replaced with newer tonnage.

We believe that in addition to expanding MSP, there are some other basic steps that will help maintain and grow the U.S. commercial fleet, which in turn will create good jobs for American mariners and help ensure that the U.S.-flag fleet plays a significant role in support of the President's export initiative. These steps include reviewing the tax code and looking for creative ways to develop more opportunities for U.S-flag shipping. They also include vigorously enforcing our nation's cargo preference laws;

American-flag ships simply must receive their rightful share of international cargoes, especially as we move to increase exports.

Recently, one of the largest sources of government impelled preference cargo has come under considerable attack. The PL-480 Food for Peace program is the largest non-defense source of cargo for American-flag ship operators. A program that has enjoyed bipartisan support for decades, it has recently come under attack from a number of sources for a variety of reasons, mostly fueled by the current state of the economy and the federal budget deficit. In the most recent round of budget cutting, PL-480 was subject to massive proposed cuts that would have effectively ended the program as we know it. Too many people apparently consider PL-480 to be a foreign aid giveaway program and don't recognize that it is, in reality, a domestic jobs program. Under the program, food grown by American farmers, stored in American grain storage facilities, is transported on American ships by American citizen crews from American ports to hungry people across the world. The program has saved countless lives and has employed thousands of Americans in a variety of industries, including maritime. It is critical that the PL-480 program remain fully funded so that it can continue to support our domestic and international fleets.

It is also imperative that Congress and the administration continue to support the Jones Act. While it's true that the Jones Act applies only to domestic commerce, as the members of this subcommittee know, many of the companies involved in the Jones Act trades – and certainly much of the manpower pool – are intertwined with the international side of the business, both in terms of commercial activity and military support. The Jones Act is part of our industry's foundation; we simply cannot survive without it. Further, much of the cargo that will eventually be exported from the United States is transported on our inland waterways.

In that regard, we have been actively countering the most recent round of attacks on the Jones Act that began during the cleanup of the Deepwater Horizon last year. The non-partisan National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling confirmed the Jones Act did not in any way hinder the clean-up effort. Their report, "Deep Water: The Gulf Oil Disaster and the Future of Offshore Drilling" was prepared by the independent Commission at the request of the President. In addition, the United States Coast Guard confirmed that the Jones Act played no role in delaying the clean-up efforts, a fact to which Admiral Thad Allen has stated in testimony before this Committee. The USCG bolstered this unequivocal fact in its Deepwater Horizon comprehensive investigative report released in April 2011. Despite these undisputed facts, some in Congress and in the media have advocated for a repeal of the Jones Act. This is both misguided and dangerous. A repeal of the Jones Act would threaten our national, homeland and economic security. It would cost hundreds of thousands of maritime and related jobs across America and would weaken our ability to maintain our Armed Forces abroad through our sealift capability. And it would open the river arteries of our country to foreign workers, raising concerns about homeland security and illegal immigration. The Jones Act is too important to America to allow it to be sacrificed upon the altar of political expediency. We thank the many members of this committee who continue to remain stalwart defenders of the Jones Act.

But we cannot simply defend the Jones Act. We must actively work to increase the flow of cargo by ship domestically. Doing so would ease traffic congestion, reduce fuel consumption and air pollution, strengthen our merchant marine, enhance opportunities for domestic ship building and – most importantly – create thousands of American jobs here at home. Europe has already discovered that

using feeder vessels to transship cargo from one large entry port to smaller ports is an economical and fast way of getting goods and people from place to place. It's time for America to redevelop our coastwise trade. Redeveloping our coastwise trade will provide a much needed enhancement to our marine transportation system.

Doing so requires a number of regulatory and legislative fixes. First, the double taxation of containers under the Harbor Maintenance Tax (HMT) must end. The HMT is an ad valorem tax assessed on every container that enters a U.S. port, with the taxes ostensibly to be used for dredging and harbor and port infrastructure programs. If a container enters a U.S. port and then is transshipped to a second port, the tax is assessed again. This creates a disincentive for shippers to move their containers by sea rather than by truck or rail, where such double taxation does not exist. We support on-going efforts to fix this double taxation issue.

The use of the Harbor Maintenance Tax is another issue – and one that directly impacts our ability to meet the President's export initiative goals. Right now, over \$5 billion sits in the Harbor Maintenance Trust fund and those dollars aren't being spent on our harbors and rivers. This means that our navigation channels and harbors have been accumulating silt and sediment that make it more difficult for deeper draft vessels to navigate. The U.S. Army Corps of Engineers has reported that almost 30% of commercial vessels calling on American ports cannot carry full loads because of inadequate depths. Ships cannot transit our harbors fully loaded, which is inefficient and costly, both for exports and imports. We must use this trust fund for the purpose for which it was created – ensuring our ports, harbors and navigable rivers are dredged and able to handle the traffic they need to handle.

Mr. Chairman, no testimony on this subject from maritime labor would be complete without mentioning another part of the industry's foundation, which is the manpower pool. You and many other members of this subcommittee have been quick to recognize the U.S. Merchant Marine's patriotism, dependability and value to our country. I sincerely thank you for that well-earned credit to the civilian men and women who answer our nation's call time after time -- in the first Persian Gulf War, on 9/11, in Operations Enduring Freedom and Iraqi Freedom, during the tsunami in Indonesia, in Haiti, during the "Miracle on the Hudson" in January 2009, on our own Gulf Coast after hurricanes Katrina and Rita and the Deepwater Horizon, the Libya operations and the list goes on and on.

Just as our mariners can't go to work unless there's a fleet, those ships can't sail without capable seafarers. In the SIU, we're doing our part to help maintain a manpower pool of well-trained, loyal, reliable U.S. citizen seafarers. Much of those efforts are directed via our affiliated school in Piney Point, Maryland – the Paul Hall Center for Maritime Training and Education. We recruit all over the country and we conduct comprehensive training for different segments of the industry, both military and commercial, and for deep sea, inland and Great Lakes. The Paul Hall Center features a renowned trainee program, a separate entry program for military veterans, dozens of upgrading courses for experienced mariners, and an academic department through which seafarers may earn their GED and even a college degree. Our fellow unions also operate their own training schools in Easton, Maryland, Baltimore, Maryland and Dania Beach, Florida, ensuring that we have a solid base of knowledgeable and trained merchant mariners – both licensed and unlicensed – available at all times to support our national and economic security.

Those mariners don't distinguish between an MSP ship or a Jones Act ship or one carrying food-aid

cargo. They are ready to go to work no matter what, and they're always ready to answer their nation's call. But they are sustained by many different programs, all of which again contribute to national and economic security. These programs are critical to maintaining maritime jobs and will be key in ensuring the success of the President's export initiative.

One thing that I believe all American seafarers have in common with U.S.-flag ship operators is that we've become victims of unintended consequences. There is no need to tell this subcommittee about the great extent to which our industry is regulated. And as a general rule, I'm confident that maritime labor and American-flag operators don't object to being held to a higher standard. However, it has reached the point where both the individual seafarer and the individual operator at times are overburdened with rules and regulations.

Let me briefly mention a couple of telling examples, starting with proposed EPA regulations that would have wiped out a big part of the Great Lakes fleet and which still threaten to do the same in the coastwise trades. I'm sure these proposed rules were drafted with the right intent, and few would seriously argue against protecting the environment. But that protection doesn't have to come at the expense of the American-flag fleet and the U.S. Merchant Marine. The goals of protecting our environment and maintaining a strong American-flag fleet absolutely are not mutually exclusive.

As to the individual mariners, they now have to jump through so many hoops just to enter the industry, it is a deterrent to attracting new manpower. This is also a hindrance to job creation. Again, no one doubts the intent of the individual regulations and training requirements, but just to cite one example: When a mariner goes for his or her physical and drug screening, they essentially need to bring roughly 100 pages worth of supporting documentation for the doctor's review. Our folks are quite intelligent and capable, but they shouldn't have to be medical experts in order to pass a mandatory physical. And of course that's before they apply for a TWIC and merchant mariner qualification credential and an STCW certificate and whatever else may be required in a specific job.

I'm not suggesting that the industry return to the days of World War II, when the standard for obtaining mariners' credentials was having a pulse. And I want to credit the National Maritime Center for making progress on mariner credentialing and licensing. But there is room for improvement all the way around, and such improvement will benefit our industry as a whole. For instance, it makes sense for mariners to have a single document encompassing their qualifications and their clearance, and it makes sense for the industry to utilize a more streamlined physical.

In conclusion, maritime labor believes that we as a nation have to think and plan long-term, and such planning absolutely must include maintaining a strong American-flag fleet and a reliable pool of U.S. shipboard manpower. We must remove disincentives and instead create incentives for working in the American-flag industry. Ideally, we will reach a point where shippers look first for ways to use U.S. vessels, rather than having to be convinced. In that regard, we suggest using the tax code as an incentive, perhaps by providing credits for freight shippers who utilize U.S.-flag shipping. Doing so would make the U.S.-flag more competitive, would increase the size of the fleet, create new jobs and help us meet the President's goal.

Moreover, we should take advantage of our capabilities and our potential to be a huge part of the country's plans to boost exports. This should include PL-480 Food for Peace cargoes and Export-Import

Bank cargoes, among others. It should include most if not all of the supplies needed for our efforts in Iraq and Afghanistan. To that end, there must be no leakage of cargoes and no arbitrary waivers to the programs that help sustain our fleet. We have already seen far too much leakage of government cargo and it must stop. If we want to maintain a strong merchant marine, we must have vigorous enforcement of our existing laws.

When it's all said and done, the various maritime industry programs are fine, but we must not overlook one other imperative point. Namely, our industry's lifeblood is cargo. Cargo cures practically every ill. That's what keeps us afloat. As long as we have it, we can compete successfully with anyone in the world. It's what creates jobs and it's what will help continue our nation's economic recovery.

Mr. Chairman, again I thank you for this opportunity. I respectfully urge continued support of the Maritime Security Program, the Jones Act and cargo preference laws, and I further ask that any and all reasonable steps be taken in order to further encourage the maintenance and growth of the American-flag fleet and the U.S. Merchant Marine.

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