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# THE STATUS OF THE U.S. MARITIME SUPPLY CHAIN DURING THE COVID–19 PANDEMIC

**(116–60)**

## REMOTELY ATTENDED HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

MAY 29, 2020

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Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

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MAY 28, 2020

**SUMMARY OF SUBJECT MATTER**

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Hearing on "The Status of the U.S. Maritime Supply Chain During the COVID–19 Pandemic"

## PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Friday, May 29, 2020, at 1:00 p.m. EDT to examine the state of the U.S. Maritime Supply Chain during the COVID–19 Pandemic. The hearing will take place remotely for members and witnesses via the Cisco WebEx virtual platform. The Subcommittee will hear testimony from the American Association of Port Authorities, American Maritime Partnership, the American Waterways Operators, the National Association of Waterfront Employers, and USA Maritime.

## BACKGROUND

### *U.S. MARITIME INDUSTRY*

#### *U.S. Merchant Marine and Fleet*

The U.S. Merchant Marine and the Nation's port system, and supporting industries (collectively referred to as the U.S. maritime industry), integrate our economy with a vast global maritime supply chain system that moves more than 90 percent of the world's trade by tonnage, including energy, consumer goods, agricultural products, and raw materials.[1] These industries, vessels, infrastructure, and personnel also play critical roles in national security, supporting our Nation's ability to provide sealift for the Department of Defense (DoD) during times of war and national emergency.

The U.S. Merchant Marine is the fleet of U.S. documented (flagged) commercial vessels and civilian mariners that carry goods to and from, as well as within, the United States. These vessels are operated by U.S. licensed deck and engineering officers and unlicensed seafarers. During times of peace and war, the U.S. merchant marine acts as a naval auxiliary to deliver troops and war material to military operations abroad. Throughout our history, the Navy has relied on U.S. flagged commercial vessels to carry weapons and supplies and ferry troops to the battlefield. During

[1] Maritime Administrator Mark H. Buzby Testimony before the House Committee on Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation (March 6, 2019).

Operations Enduring Freedom and Iraqi Freedom, U.S. flagged commercial vessels transported 90 percent of sustainment cargoes moved to Afghanistan and Iraq.[2]

The merchant marine was formally recognized in statute with the passage of the Merchant Marine Act of 1920 (46 U.S.C. Subtitle V). Section 50101(a) of title 46, United States Code, states that "[i]t is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine . . ." Sections 50101(b) and 51101 of title 46, United States Code, establish that "[i]t is the policy of the United States to encourage and aid the development and maintenance of the merchant marine . . ." and that "merchant marine vessels of the United States should be operated by highly trained and efficient citizens of the United States . . ."

Currently, there are approximately 41,000 non-fishing related commercial vessels flagged and operating in the United States.[3] The vast majority of these vessels are engaged in domestic waterborne commerce, generally referred to as the "Jones Act trade," moving 115 million passengers and nearly $300 billion worth of goods between ports in the United States on an annual basis.[4] Each year the domestic coastwise fleet carries nearly 900 million tons of cargo through the inland waterways, across the Great Lakes, and along the Atlantic, Pacific, and Gulf of Mexico coasts.[5]

The U.S. Government-owned fleet consists of 15 vessels operated by the Military Sealift Command and 46 vessels in the Maritime Administration's (MARAD) Ready Reserve Force. Together, these vessels provide the initial surge of military capability while the commercial fleet is responsible for the ongoing sustainment.

Of the 41,000 U.S. flagged vessels, approximately 87 are operating in international commerce moving goods between U.S. and foreign ports.[6] These vessels serve as a training and employment base for the civilian mariners who serve aboard the Government-owned fleet when they are called to deploy. The percentage of international commercial cargoes carried on U.S. flagged vessels has fallen from 25 percent in 1955 to approximately 1.5 percent today.[7] Over the last 35 years, the number of U.S. flagged vessels sailing in the international trade dropped from 850 to 87 vessels.[8] This decline corresponds with a decrease in U.S. mariners resulting in an estimated shortfall of approximately 1,929 qualified mariners needed to crew the Government-owned fleet.[9] Since the DoD relies on civilian mariners to crew the Government-owned fleet through the Maritime Security Program (MSP) and the Voluntary Intermodal Sealift Agreement (VISA), maintaining a pool of highly trained mariners is imperative.

Within the international U.S. flag fleet, up to 60 vessels are enrolled in the MSP.[10] Under this program, militarily useful oceangoing commercial vessels each receive an annual operating stipend of $5 million, which will increase to $5.3 million in fiscal year 2022, to provide military sealift for the United States Transportation Command within the DoD.[11]

*U.S. Ports and Marine Terminals*

Public ports in the United States play an indispensable role in local and regional economies throughout the nation.[12] Ports generate business development and provide employment to more than 13 million Americans, which includes those that work at the ports themselves and those employed in global trade and import/export

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[2] *Id.*

[3] MARAD, https://www.maritime.dot.gov/data-reports/data-statistics/data-statistics

[4] *National Strategy for the Marine Transportation System: Channeling the Maritime Advantage 2017–2022* (Oct. 2017), http://www.cmts.gov/downloads/National Strategy for the Marine Transportation System October 2017.pdf; *Economic Contribution of the US Tugboat, Towboat, and Barge Industry* (June 22, 2017), https://www.marad.dot.gov/wp-content/uploads/pdf/Econ-Impact-of-US-Tugboat-Towboat-and-Barge-Industry-lh-6-22-17.pdf.

[5] The U.S. Waterway System Transportation Facts & Information, https://usace.contentdm.oclc.org/digital/collection/p16021coll2/id/1429/

[6] U.S. Dep. of Transp. *Maritime Administration United States Flag Privately-Owned Merchant Fleet Report* (March 2020).

[7] MARAD Calculation using CBP, Census, and commercial data sources.

[8] U.S. Dep. Of Transp., "*Number and Size of the U.S. Flag Merchant Fleet and Its Share of the World Fleet*," U.S. Bureau of Transportation Statistics, *available at* https://www.bts.gov/content/number-and-size-us-flag-merchant-fleet-and-its-share-world-fleet, accessed May 22, 2020.

[9] Maritime Admin. Mark H. Buzby Testimony before the House Committee on Armed Services (March 8, 2018).

[10] MARAD, https://maritime.dot.gov/national-security/strategic-sealift/maritime-security-program-msp

[11] National Defense Authorization Act for Fiscal Year 2020.

[12] Global Trade Magazine, *2020 U.S. Ports Summary* (last accessed May 26, 2020) *available at* https://www.globaltrademag.com/us-ports/.

support services.[13] According to the American Society of Civil Engineers (ASCE), there are 926 ports in the United States, each essential to the nation's competitiveness by serving as gateways through which 99 percent of U.S. overseas trade passes.[14] Ports are responsible for $4.6 trillion in economic activity—roughly 26 percent of the U.S. economy.[15] The American Association of Port Authorities (AAPA) reports that, seaport activities alone accounted for $378.1 billion in federal, state, and local tax revenues in 2018.[16]

America's port authorities play a key role in the business of waterborne commerce. Their authority may also incorporate other global trade hubs such as airports, industrial parks, and Foreign Trade Zones. Many of these accommodate ocean-going cargo, as well as barges, ferries, and recreational watercraft. More than 150 deep draft seaports are located along the Atlantic and Pacific Oceans as well as the Great Lakes, the Gulf of Mexico, Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands.[17] Many of the country's most prominent ports work closely with private industry in the development and financing of maritime-related facilities. Within the Nation's ports are more than 3,500 publicly or privately held marine terminal operators (MTOs).[18] MTOs provide wharfage, dock, warehouse, or other marine terminal facilities to ocean common carriers moving cargo in the ocean-borne, foreign commerce of the United States.[19]

*Port Infrastructure Development Program*

The ability of U.S. ports to increase capacity and move freight efficiently—both domestically and globally—is critical to U.S. competitiveness. Freight volumes are projected to increase by 31 percent and U.S. foreign trade are projected to double between 2015 and 2045.[20] Without major improvements to multimodal transportation infrastructure and technologies, congestion resulting from greater volumes of freight could lead to growing delays and failures in the supply chain.

As required by 46 U.S.C. § 50302, MARAD established a Port Infrastructure Development Program to better support the development of port facilities. The FY 2020 Consolidated Appropriations Act, P.L. 116–93, provided $225 million for the Port Infrastructure Development Program, with $200 million reserved for grants to coastal seaports and Great Lakes ports. Grants are provided for infrastructure improvement projects that are directly related to port operations, or intermodal connections to ports that improve the safety, efficiency, or reliability of the movement of goods into, out of, or around coastal seaports.

*U.S. Shipbuilding Industry*

The U.S. shipbuilding and ship repair industry is a major component of the nation's maritime supply chain; essential for sustaining one of the world's largest navies, a coast guard that protects thousands of miles of U.S. coastline, and the domestic commercial fleet. Construction and repair shipyards also provide a critical backstop to American seapower, ensuring that the United States retains the capability to expand or recapitalize its Navy or Coast Guard without relying on other nations.

Today, the U.S. shipbuilding industry includes approximately 125 active shipyards across the country.[21] In addition, there are more than 200 shipyards engaged in ship repairs or capable of building ships, but not actively engaged in shipbuilding.[22] According to the U.S. Maritime Administration, the U.S. shipyard industry supports more than 100,000 direct shipyard jobs across the United States, pro-

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[13] *Id.*

[14] ASCE, *2019 Infrastructure Report Card, Ports* (Jan. 2017) *available at* https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Ports-Final.pdf.

[15] *Id.*

[16] AAPA, *The Economic Impact of U.S. Seaports* (2019) *available at* http://aapa.files.cmsplus.com/2019_PortsFundingMap.pdf

[17] Global Trade Magazine, https://www.globaltrademag.com/us-ports/

[18] MARAD, *Maritime Transportation System Summary* (2020) *available at* https://www.maritime.dot.gov/outreach/maritime-transportation-system-mts/maritime-transportation-system-mts.

[19] Fed. Maritime Com. *Marine Terminal Operators* (2020) *available at* https://www.fmc.gov/resources-services/marine-terminal-operators/

[20] DOT Bureau of Transp. Statistics, *Freight Facts and Figures 2017*, Table 2–1.

[21] Center for Strategic and Budgetary Assessments, *Strengthening the U.S. Defense Maritime Industrial Base, A Plan to Improve Maritime Industry's Contribution to National Security* (2020).

[22] *Id.*

duces $7.9 billion in direct labor income and contributes $9.8 billion in direct GDP to the national economy.[23]

Other than ships required to be U.S.-built under the Jones Act, U.S. commercial shipbuilding faces steep challenges from shipbuilders in China, South Korea, and Japan. These heavily subsidized foreign competitors accounted for over 90 percent of the global shipping tonnage delivered in 2018.[24]

*COVID–19 BACKGROUND AND IMPACTS*

The COVID–19 pandemic has upended the world economies and substantially impacted societies across the globe. According to the Centers for Disease Control and Prevention (CDC), the coronavirus (COVID–19) is a new virus strain that causes mild to fatal respiratory illness to those persons it infects. First identified at the end of 2019 in Wuhan, China, the virus is spread from person to person, usually via respiratory droplets or through physical contact with surfaces with the virus on it. As of mid-May 2020, COVID–19 had spread to more than 200 countries with almost 5 million reported cases and more than 300,000 deaths.[25] In the United States, data released by the Johns Hopkins Coronavirus Research Center on May 21, 2020, totaled 1,562,714 reported cases and 93,863 deaths attributed to COVID–19.[26]

According to CDC data and statistics, COVID–19 is the worst pandemic since 2009 when the H1N1 (swine flu) pandemic broke out and hit more than 214 countries while taking over 284,000 lives across the globe. Several nations have closed their borders or instituted travel restrictions to prevent community spread of COVID–19. Many cities, states, and internationally entire countries remain on lockdown or are operating under stay-at-home orders, while other affected countries such as New Zealand, Australia, China and Italy have started to gradually re-open commerce and modified operations and activities.

*Global Supply Chain Challenges*

According to the Organization for Economic Cooperation and Development (OECD), the global maritime industry has been severely impacted by COVID–19, leaving virtually no market segment spared.[27] Ocean carriers across key trades, especially the trans-Pacific trades, enacted capacity cuts, either by increasing the number of blank sailings or by laying up vessels.[28] According to recent reports, U.S. ports are projecting a 20 to 30 percent drop in container volumes in the first half of 2020 caused by general shutdowns across many key markets in nations affected by the COVID–19 pandemic.[29] Even under the most optimistic projections, recovery isn't expected until the second half of the year and into 2021 assuming there is no second wave of the virus.[30] International markets are experiencing similar declines. For example, Norway's global car and roll-on, roll-off (Ro-Ro) carrier Wallenius Wilhelmsen saw more than a USD $300 million decline in the first quarter.[31] Reduction in ocean volumes are expected to be in the 50 percent range for second quarter 2020 compared to second quarter 2019, the carrier estimates.[32] The setback has caused the company to take several mitigation measures including temporarily dismissing 2,500 employees in the U.S. and Mexico, slimming its active fleet by laying up vessels, and sending as many as four vessels for recycling.[33]

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[23] MARAD, https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/3641/maradeconstudyfinalreport2015.pdf

[24] United Nations Conference on Trade and Development, *available at* https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=89493; WALL STREET JOURNAL, Costas Paris, *Asia State Players Wield Subsidies to Dominate Shipping* (Dec.2, 2018).

[25] World Health Org., *Coronavirus Disease Dashboard* (last accessed May 26, 2020) *available at* https://covid19.who.int/.

[26] Johns Hopkins Univ., *COVID–19 Dashboard* (last accessed May 26, 2020) *available at* https://coronavirus.jhu.edu/map.html.

[27] OECD, *COVID–19 and International Trade: Issues and Actions* (2020).

[28] DHL, *Global Freight Forwarding, Ocean Freight Market Update* (May 2020) *available at* www.dhl.com/content/dam/dhl/global/dhl-global-forwarding/documents/pdf/glo-dgf-ocean-market-update.pdf.

[29] WALL STREET JOURNAL, *U.S. Ports Likely to See Slump in Cargo Volume from Coronavirus* (Mar. 3, 2020).

[30] The LoadStar, https://theloadstar.com/no-bounce-back-in-demand-for-container-shipping-this-year/

[31] JOC, *Wallenius Wilhelmsen Shrinks Fleet* (March 23, 2020) *available at* https://www.joc.com/breakbulk/breakbulk-carriers/wallenius-wilhelmsen-shrinks-fleet-coronavirus-demand-dip__20200323.html.

[32] *Id.*

[33] *Id.*

Given the market lull, more than 250 scheduled liner sailings are expected to be withdrawn in the 2nd quarter 2020, as carriers react rapidly to fading demand.[34] Blank sailings, where a carrier cancels a particular sailing, have increased rapidly in 2020 as a result of the COVID–19 pandemic, with some carriers choosing to focus on the trans-shipment segment of their business, which is experiencing a seasonal uptick in volume in the Asia-North America trade.

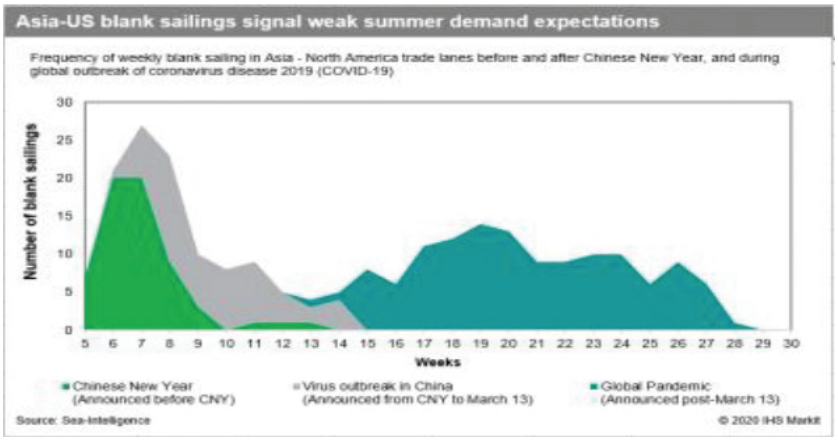



Figure 1—JOC, Trans-Pac blank sailings a harbinger of soft summer imports (May 2020) available at https://www.joc.com/maritime-news/trade-lanes/trans-pacific/trans-pac-blank-sailings-harbinger-soft-summer-imports__20200514.html

*U.S. Industry Requests for Assistance*

Ports and MTOs are finding creative ways to keep workers safe, considering the ability to obtain Personal Protective Equipment (PPE) is dependent upon a well-functioning global supply chain of critical medical supplies. U.S. ports, MTOs, and stevedores are seeking federal help to shoulder additional costs tied to COVID–19 and to weather the bigger impact from the loss of containerized, breakbulk, bulk, and Ro-Ro cargoes, as well as losses from the cruise industry which is completely shut down in the U.S. through July.

The National Association of Waterfront Employers (NAWE) on behalf of its MTO members requested a one-time grant program of $400 million to go toward cleaning supplies and PPE, including plexiglass shields between truck gate operators and drayage drivers.[35] AAPA asked Congress to consider a $1.5 billion grant program for ports, allowing them to maintain their workforces and weather financial shocks that could reportedly trigger the direct loss of up to 130,000 jobs.[36]

WITNESS LIST

- Ms. Lauren Brand, President, National Association of Waterfront Employers
- Ms. Jennifer Carpenter, President and Chief Executive Officer, The American Waterways Operators
- Mr. Christopher J. Connor, President and Chief Executive Officer, The American Association of Port Authorities
- Mr. Eric Ebeling, President and Chief Executive Officer, American Roll-On Roll-Off Carrier, on behalf of USA Maritime
- Mr. Michael Roberts, President, American Maritime Partnership

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[34] Lloyd's Loading List, *Forwarders may see 20%–30% volume drop in second quarter* (April 20, 2020) *available at* https://www.lloydsloadinglist.com/freight-directory/news/Forwarders-may-see-20-30-volume-drop-in-second-quarter/76394.htm#.Xs7mBUBFw2y

[35] Letter from NAWE to House Committee on Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation, May 6, 2020, *Assistance for Marine Terminal Operators, Operating Ports and Related Companies*.

[36] Letter from AAPA to House Committee on Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation, April 16, 2020, *COVID–19 Relief Package*.

# THE STATUS OF THE U.S. MARITIME SUPPLY CHAIN DURING THE COVID–19 PANDEMIC

**FRIDAY, MAY 29, 2020**

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

The subcommittee met, pursuant to call, at 1 p.m., via Webex, Hon. Sean Patrick Maloney (Chairman of the subcommittee) presiding.

Mr. MALONEY. The committee will come to order. Good afternoon, everyone.

I ask unanimous consent that the chair be authorized to declare a recess at any time during today's hearing. Without objection, so ordered.

I further ask unanimous consent that Members not on the subcommittee be permitted to sit with the subcommittee at today's hearing and ask questions. Without objection, so ordered.

As this is a remote hearing, I would like to remind Members of some key regulations from the House Committee on Rules to ensure this hearing goes smoothly. I understand this is new to many of us and so I ask your indulgence.

Before I do that, I would also like to just acknowledge that we are conducting this hearing as leaders in our communities at a time when our country is going through very difficult, very difficult circumstances. We have lost 100,000 of our fellow citizens to a terrible pandemic and we are watching violence erupt in a major American city.

And so I ask that we all take a moment to pray for our country and for the people of Minnesota, and with that spirit of prayerfulness and justice, that we conduct ourselves in a way that lends credit to the House of Representatives. And I know the ranking member joins me in those concerns.

So bear with me, everyone. Let's just go through some of the new procedures and facets of this remote hearing, although in most ways it will be very familiar and resemble the hearings that we do all the time. So a few things from the House rules.

First, Members must be visible on screen for purposes of identification when joining this hearing. Members must also continue to use the video function of today's software platform, that is Cisco WebEx, for the remainder of the time they are attending the hearing; your video must be on, unless experiencing connectivity issues, obviously, or other technical problems.

If you are having such problems, please inform committee staff as quickly as possible so you can receive assistance. A chat function is available for the Members on the Cisco WebEx platform for this purpose. Members can also call the committee's main phone line at 202–225–4472 for technical assistance at any time.

Members are also not to participate remotely in any other proceedings that may be occurring simultaneously.

It is the responsibility of each Member seeking recognition to unmute their microphone prior to speaking. To avoid any inadvertent background noise, I request that all Members keep their microphone muted when not seeking recognition to speak, very similar to a committee hearing where you would not turn your microphone on unless you were speaking.

So please, we all know the hazards of being unmuted when you don't want to be. My advice is, make sure you are muted right now. The default option, as I understand it, is that you will all be unmuted. So mute yourselves until you wish to be recognized. Should I hear any inadvertent background noise, I will request you to do so, that is, mute your microphone.

Finally, despite being a remote hearing, I want to emphasize that all standard rules of decorum apply. As the chair of today's proceeding, I will make a good-faith effort to provide every Member experiencing any connectivity issues an opportunity to participate fully in the proceedings.

Members will have the standard 5 minutes to ask questions. To insert a document into the record, please have your staff email it to the committee's clerk, Mike Twinchek.

This hearing is also being livestreamed for the public to view. Let me repeat that. It is being livestreamed for the public to view. I know many of us have participated in informal Zoom chats over the last few weeks. This is a public livestream of the committee's proceeding.

Well, good morning, and welcome to the Transportation and Infrastructure Committee's first ever video conference hearing to examine the state of the U.S. maritime supply chain amid the COVID–19 pandemic.

It is unfortunate that this pandemic prevents us from conducting this hearing in person, but the Subcommittee on Coast Guard and Maritime Transportation has been around in one way or another throughout our country's history and I am confident in the subcommittee's ability to address the unique issues facing the maritime transportation system as well as the U.S. Coast Guard.

As we all know and adjust to this new normal, I look forward to working with Ranking Member Gibbs and other members of the subcommittee to ensure this body rises to the challenge that our country now faces. And I would like to thank the ranking member, in particular, for his cooperation in our informal communications up to now. It is not the first time we have been in touch or working on the issues of concern to this committee, even though this is our first public livestreamed hearing. So I want to thank him for his generosity and his accommodation at every turn.

One cannot overstate the importance of our Nation's maritime industry. In a typical year, over $4.6 trillion worth of commerce flows through a maritime transportation system that is rapidly becoming

more complex and interconnected. Unprecedented safety measures and a recent decrease in cargo, some of which began before the onset of the pandemic, will challenge the industry for months and years to come.

My hope is that this hearing will help the committee better understand the difficulties facing the maritime industry and identify areas of support that may be needed to ensure the seamless movement of cargo and protect the associated maritime jobs.

The U.S. maritime industry includes four major components: the internationally trading U.S.-flagged fleet, the domestic or Jones Act trades, shipbuilders, and U.S. ports. Longstanding durable maritime statutes, such as the Jones Act, cargo preference, and the Maritime Loan Guarantee Program, have been supplemented by more recent programs, such as the Maritime Security Program, Small Shipyard Grant Program, and the Port Infrastructure Development Program. But these programs may not be enough to enable the industry to weather the current pandemic and the associated economic downturn.

Unless you live near a port, the maritime industry typically goes unnoticed, even though 90 percent of our goods are at some point carried by water. While the industry has managed to maintain an acceptable level of service by adapting and instituting comprehensive safety measures, declining cargo volumes threaten the viability of vessel owners and operators, ports, shipyards, and the workers employed by those industries who are vital to our economic and national security.

While our ports are projecting a 20- to 30-percent drop in business, some shipping trades are experiencing a 50-percent drop in cargo for the second quarter of 2020.

It is unclear what the U.S. maritime transportation system will face in the coming months and years. What is clear is the need to maintain capacity across all maritime sectors. What may seem expensive now pales in comparison to the investment that would be needed to rebuild those industries from scratch.

For instance, the Maritime Security Program, which supports 60 vessels and employs thousands of mariners, ensures that the Department of Defense can project force internationally. While the program currently costs $300 million per year, U.S. Transportation Command has estimated that the cost to organically replicate the program's capacity would exceed $65 billion.

While I recognize that the Maritime Administration has recently released their long-awaited maritime strategy, the lack of a comprehensive plan with concrete goals, action items, and milestones remains a major hurdle for the maritime industry. Without a whole-of-Government approach that addresses the entire industry, our maritime supply chain is at risk. The pandemic only amplifies that risk.

While I do not anticipate a positive message, I look forward to hearing from our witnesses and thank them for their participation.

[Mr. Maloney's prepared statement follows:]

**Prepared Statement of Hon. Sean Patrick Maloney, a Representative in Congress from the State of New York, and Chairman, Subcommittee on Coast Guard and Maritime Transportation**

Good morning, and welcome to the Transportation and Infrastructure Committee's first ever videoconference hearing to examine the state of the U.S. maritime supply chain amid the COVID–19 pandemic.

It is unfortunate that this pandemic prevents us from conducting this hearing in person, but the Subcommittee on Coast Guard and Maritime Transportation has been around in one form or another throughout our country's history, and I am confident in the Subcommittee's ability to address the unique issues facing the maritime transportation system as well as the U.S. Coast Guard. As we all adjust to the new normal, I look forward to working with Ranking Member Gibbs and the other Members of the Subcommittee to ensure this body rises to the challenges our country now faces.

One cannot overstate the importance of our nation's maritime industry. In a typical year, over $4.6 trillion worth of commerce flows through a maritime transportation system that is rapidly becoming more complex and interconnected. Unprecedented safety measures and a recent decrease in cargo, some of which began before the onset of the pandemic, will challenge the industry for months and years to come.

My hope is that this hearing will help the Committee better understand the difficulties facing the maritime industry and identify areas of support that may be needed to ensure the seamless movement of cargo and protect the associated maritime jobs.

The U.S. maritime industry includes four major components: the internationally trading U.S. flagged fleet, the domestic (or Jones Act) trades, shipbuilders, and U.S. ports. Longstanding durable maritime statutes such as the Jones Act, Cargo Preference, and the Maritime Loan Guarantee Program, have been supplemented by more recent programs such as the Maritime Security Program, Small Shipyard Grant Program and the Port Infrastructure Development Program. But those programs may not be enough to enable the industry to weather the current pandemic and the associated economic downturn.

Unless you live near a port, the maritime industry typically goes unnoticed even though 90 percent of goods are, at some point, carried by water. While the industry has managed to maintain an acceptable level of service by adapting and instituting comprehensive safety measures, declining cargo volumes threaten the viability of vessel owners and operators, ports, shipyards, and the workers employed by those industries who are vital to our economic and national security. While our ports are projecting a 20–30 percent drop in business, some shipping trades are expecting a 50 percent drop in cargo for the second quarter of 2020.

It is unclear what the U.S. maritime transportation system will face in the coming months and years. What is clear is the need to maintain capacity across all maritime sectors. What may seem expensive now, pales in comparison to the investment that would be needed to rebuild these industries from scratch. For instance, the Maritime Security Program, which supports 60 vessels and employs thousands of mariners, ensures that the Department of Defense can project force internationally. While the program currently costs $300 million per year, the U.S. Transportation Command has estimated that the cost to organically replicate the program's capacity would exceed $65 billion.

While I recognize that the Maritime Administration has recently released their long-awaited Maritime Strategy, the lack of a comprehensive plan with concrete goals, action items, and milestones remains a major hurdle for the maritime industry. Without a whole-of-government approach that addresses the entire industry, our maritime supply chain is at risk. The pandemic only amplifies that risk.

Although I do not anticipate a positive message, I look forward to hearing from our witnesses.

Mr. MALONEY. And I would ask unanimous consent to insert a joint letter signed by six U.S. maritime labor unions into the hearing record. Without objection, so ordered.

[The information follows:]

**Letter of May 28, 2020, from Marine Engineers' Beneficial Association; American Maritime Officers; Marine Firemen, Oilers, Watertenders and Wipers Association; Sailor's Union of the Pacific; International Organization of Masters, Mates & Pilots; and Seafarers International Union; Submitted for the Record by Hon. Sean Patrick Maloney**

MAY 28, 2020.

Hon. MIKE POMPEO,
*U.S. Secretary of State,*
*2201 C St., NW, Washington, DC.*

Hon. MARK T. ESPER,
*U.S. Secretary of Defense,*
*100 S Washington Blvd, Arlington, VA.*

DEAR SECRETARY POMPEO AND SECRETARY ESPER:

We are writing to request your immediate assistance on an urgent matter. Scores of U.S. mariners are presently trapped aboard cargo ships, unable to take leave or return home due to extreme COVID–19 lockdown measures imposed by foreign governments. This humanitarian crisis, if not resolved as soon as possible, may threaten the essential supply chain for some 200,000 active U.S. military personnel now serving overseas.

The cargo carried on these U.S. flagged ships supports our troops, our allies and the global economy.

Ship's captains, officers and crew members who sail under the American flag and perform these essential functions for our country have not been able to set foot on dry land in months. Their workplaces have become floating prisons. Crewmembers are in danger of losing access to life-sustaining medicines. In many cases, they cannot contact their loved ones at home in the United States as some of these vessels lack Internet access.

It is well documented that isolation and excessive time serving aboard ship can create increased fatigue and psychological stress, raising the risk of marine accidents. Thousands of mariners across the globe who work on foreign-flagged vessels are in the same predicament.

U.S. mariners who are part of the U.S. Maritime Security Program typically serve a four-month assignment on ship and then rotate home by air to the United States for time off while awaiting their next assignment. A fresh crew flies in to relieve them. Right now, foreign governments are refusing to allow U.S. mariners to leave their ships, to enter overseas airports, or to use hotels or any other form of accommodation or transport which would allow them to return home.

These extreme lockdown conditions, imposed due to the COVID–19 pandemic, are not related to any meaningful health risks. Thanks to rigorous and comprehensive safety measures jointly implemented by employers and those aboard ship, in conjunction with our union, there have been no reported cases—none—of the deadly virus on U.S. Maritime Security Program vessels. These are not cruise ships suffering massive outbreaks; these are cargo ships staffed by mariners who have kept out an infectious disease by scrupulously following all required safety measures.

These American men and women need to come home immediately. The longer they are stuck at sea without relief, the greater the risk that fatigue and stress will lead to accidents interrupting the delivery of vital food, medicine, military supplies and other cargo to our troops serving overseas.

It is inconceivable that the United States—the wealthiest and most powerful nation on earth, with military bases, planes and facilities all over the globe—cannot relieve its own mariners who are stranded at sea. To date, however, our efforts to address this problem with members of your respective departments have yielded no results. That's why we are bringing this issue to your attention.

COVID–19 has been a sudden and intense storm. We know that you and your staffs have a lot on your desks to contend with during this time of peril. Please make this a priority. Help us bring these stranded U.S. mariners home to safe harbor.

Sincerely,

MARSHALL AINLEY,
*President,*
*Marine Engineers' Beneficial Association.*

PAUL DOELL,
*President,*
*American Maritime Officers.*

ANTHONY POPLAWSKI,
*President/Secretary-Treasurer,*
*Marine Firemen, Oilers, Watertenders and Wipers Association.*
DAVE CONNOLLY,
*President,*
*Sailor's Union of the Pacific.*
DON MARCUS,
*President,*
*International Organization of Masters, Mates & Pilots.*
MICHAEL SACCO,
*President,*
*Seafarers International Union.*

Mr. MALONEY. I would now like to call on the ranking member of the subcommittee, my friend Mr. Gibbs, for any opening remarks. And a reminder to unmute yourself, Bob.

Mr. GIBBS. Thanks. That was helpful. Thank you, Chairman Maloney.

And also, I want to concur with your initial comments about operating during this COVID–19 virus, unprecedented circumstances. And hopefully, we are going to get out of this sooner than later. And also the tragedy that happened in Minnesota. Hopefully that gets resolved. And I certainly don't condone any behavior that is going on out there with the riots and all that. So hopefully our friends, our former colleague, the Governor out there now, will be able to handle that.

Today we are looking at impacts of COVID–19 on the maritime supply chain; however, the coronavirus is not the only large-scale issue causing changes in the supply chain. Industry consolidation, rapid technological change, and changing trade relations with China have also had significant impacts. I hope we learn today about the relevant importance of all those issues.

After 9/11, the United States and much of our world updated their port security infrastructure and the framework under which port security infrastructure is regulated. Those updates and initiatives were focused on responses to violent physical terrorist acts.

Since that time, first cyber threats and now threats from the coronavirus have posed new challenges to ports and to the supply chain, which ports and vessels in the international and domestic trade vessels are a part of. Like recent cyber attacks, the coronavirus response will pressure test the post-9/11 port security and determine whether post-9/11 upgrades were sufficient to respond to a wide array of pressures ports and vessel operators now face or if the upgrades were too specific a response to potential terrorist threats.

In addition to those external threats, there have been significant economic changes post-2008. Those changes are the result of the consolidation of container shipping into increasingly larger vessels owned and operated by ever fewer and more interconnected carriers.

In addition, the increasing technological sophistication of logistics operations has also led to tighter, more consolidated schedules and, again, more interconnections within the industry.

I look forward to hearing from our witnesses today about the challenges they face in keeping up with the rapid changes in the elements of the supply chain. Of course, we are interested in which of those changes are new and related to the coronavirus and which are the culmination of long-term trends and industry changes.

I appreciate Chairman Maloney calling this hearing today. I look forward to seeing what we have learned and what to learn.

And I concur with you, Chairman, that the news might not be too good, but hopefully the news is going to show we are moving forward in the right way and things are improving.

Finally, Chairman, I want to remind Members it is our responsibility to mute and unmute ourselves as we seek recognition and ask questions.

With that, I will yield back and mute myself.

[Mr. Gibbs' prepared statement follows:]

**Prepared Statement of Hon. Bob Gibbs, a Representative in Congress from the State of Ohio, and Ranking Member, Subcommittee on Coast Guard and Maritime Transportation**

Today we are looking at the impacts of COVID–19 on the maritime supply chain. However, the coronavirus is not the only large-scale issue causing changes in the supply chain. Industry consolidation, rapid technological change, and changing trade relations with China also have significant impacts. I hope we learn about the relative importance of all these issues today.

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Like recent cyber incidents, the coronavirus response will pressure test the post-9/11 port security system and determine whether post-9/11 upgrades were sufficient to respond to the wide array of pressures ports and vessel operators now face or if those upgrades were too specific a response to potential terrorist threats.

In addition to these external threats, there have been significant economic changes post-2008. These changes are the result of the consolidation of container shipping into increasingly larger vessels owned and operated by ever fewer and more interconnected carriers.

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I look forward to hearing from our witnesses today about the challenges they face in keeping up with rapid changes in the elements of the supply chain. Of course, we are interested in which of those changes are new and related to coronavirus, and which are the culmination of long-term trends and industry changes.

I appreciate Chair Maloney calling this hearing today and look forward to seeing what we learn.

Mr. MALONEY. Well, I thank the gentleman.

I would now like to recognize the chairman of the Transportation and Infrastructure Committee, Mr. Peter DeFazio, whose leadership during this crisis has been nothing short of extraordinary, and I thank him for all he has done to respond to this unprecedented situation.

Mr. Chairman.

Mr. DEFAZIO. Thanks, Sean Patrick. Thanks to you and Bob Gibbs, ranking member, for being willing to conduct the first ever virtual hearing for the Transportation and Infrastructure Committee, a committee with more than 200 years of history.

It is a fairly extraordinary day, but these are extraordinary times, and in order to get our work done, we have to take extraordinary measures. And this is the first big step toward fully actuating the committee so we can move forward not only with hearings and oversight, but we can also move forward in the very near future to marking up significant legislation that the country needs.

We had a briefing, I think it was 2 weeks now, from the MARAD Administrator, and he painted a pretty grim picture of the conditions in the maritime industry, the loss of revenues and movement of freight and supplies. It is everywhere. It is not just in our major commercial ports. It is in many of our smaller ports. And the crisis runs bicoastal. It starts in small, mid-emerging ports like Coos Bay in my district, to the Port of Miami, Seattle, obviously down to L.A.-Long Beach. I see Alan there.

And we have to take action. As you pointed out, Mr. Chairman, this is a critical part of America's supply chain. It is the most important component. And, unfortunately, given the definitions in the previous relief bills, we haven't done a lot for ports.

They enjoy an odd sort of status, and they don't quite fit into any of the programs that have been adopted so far for the sorts of help they need. We need everything from personal protective equipment [PPE] for port workers, and we have heard a good deal about that, to assistance to deal with the marine terminal operators.

Business is way down. They can't pay their rent. The ports can't afford to not get the rent. I mean, it just hurts up and down the whole chain: harbor pilots, assist tugs, drayage operators, fuel bunkers.

We can't have them all go out of business, can't reconstitute this easily or quickly. So we have to deal with the totality of this industry, not a particular segment.

We are looking to develop legislation to provide the Maritime Administration with specific emergency authority to allow it to provide financial relief and assistance to each link in the maritime supply chain that serves both foreign and coastwise trades of the U.S.

And as you pointed out earlier, Mr. Chairman, at this hearing we will be making the case of the need for those funds so we can carry it forward to our appropriators and hopefully maintain the integrity of the system which we are going to need now more than ever.

With that, I yield back the balance of my time.

[Mr. DeFazio's prepared statement follows:]

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**Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chairman, Committee on Transportation and Infrastructure**

Thank you, Chairman Maloney, I commend you for quickly organizing this afternoon's hearing to examine the impacts on the U.S. maritime supply chain caused by the COVID–19 pandemic.

I also want to extend my thanks to our witnesses for making themselves available, not only on short notice, but also under this new virtual format. I look forward to your participation this afternoon.

It is vitally important that this committee understand how the pandemic has affected the reliability and efficiency of our maritime industry.

With so much of U.S. trade and our national economy dependent on a seamlessly efficient global maritime supply chain, it is critical that we understand the impacts and implications moving forward as we shape future response and recovery actions.

And make no mistake about it; our Nation will recover from this pandemic. The fundamental question is: how quickly?

No one can know for sure what the answer is to that question.

One thing I do know for sure, however, is that unless we begin now to take constructive actions to shore up and support all sectors in our maritime supply chain—

from Coos Bay to PortMiami—we will only frustrate, and not facilitate, our efforts to re-float our economy as quickly as possible.

I realize that the Congress has already committed trillions in spending to address the fall-out from the pandemic. Some members may feel that additional spending is unwarranted.

But at this point, it would be "penny wise and pound foolish" to believe that we should not take aggressive action to shore up the lifeline to our national economy—the maritime supply chain.

And that is why this afternoon's hearing is important. We need to understand the needs to be able to best tailor the assistance. But in doing so, we must first think holistically and recognize the interconnectedness of the entire enterprise itself.

For it will do little good if we address the financial issues affecting our marine terminal operators, but we do nothing to ensure that our longshore workers and Coast Guard service members have the protective gear they need to stay safe and healthy on the job.

Moreover, we can help our ports get through the steep drop in trade volumes, but it will come to naught if all of the services that make our ports function, such as harbor pilots, assist tugs, drayage operators, fuel bunkers and others are allowed to go out of business.

We must treat the totality of the industry, not just one segment. And we need to call upon the various segments of the industry to work together for truly, you will all sink or swim together.

That is why I am looking to develop legislation to finally provide the Maritime Administration with a specific emergency authority to allow it to provide financial relief and assistance to each link in the maritime supply chain that serves both the foreign and coastwise trades of the United States.

Too much of our economic recovery and future prosperity rides on what we do over the next couple of months to ensure that when our economy re-starts, that we have a maritime industry and supply chain able to reliably and efficiently move that commerce. I urge members to join me in that effort.

Mr. MALONEY. I thank the gentleman.

At this time I would like to recognize the ranking member, Mr. Graves.

I don't see the gentleman. He may not be with us at the moment.

Are you with us, Mr. Graves?

Well, we can certainly come back to him if he is having connectivity issues.

So let's move forward with our witnesses for today's panel. I thank them all for being here and welcome them to this remote hearing.

Today we are joined by Mr. Christopher J. Connor, president and CEO of the American Association of Port Authorities.

Mr. Michael Roberts, president of the American Maritime Partnership.

Ms. Jennifer Carpenter, president and CEO, The American Waterways Operators.

Ms. Lauren Brand, president, National Association of Waterfront Employers.

And Mr. Eric Ebeling, president and CEO, American Roll-On Roll-Off Carrier Group, on behalf of USA Maritime.

Thank you all for being here today. We look forward to your testimony.

Without objection, our witnesses' full statements will be included in the record. Since those written statements are part of the record, the subcommittee requests that you limit your oral testimony to 5 minutes.

With that, Mr. Connor, if you would please unmute yourself and you may proceed.

**TESTIMONY OF CHRISTOPHER J. CONNOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN ASSOCIATION OF PORT AUTHORITIES; MICHAEL G. ROBERTS, SENIOR VICE PRESIDENT, CROWLEY MARITIME, TESTIFYING ON BEHALF OF AMERICAN MARITIME PARTNERSHIP; JENNIFER A. CARPENTER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE AMERICAN WATERWAYS OPERATORS; LAUREN K. BRAND, PRESIDENT, NATIONAL ASSOCIATION OF WATERFRONT EMPLOYERS; AND ERIC P. EBELING, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN ROLL-ON ROLL-OFF CARRIER GROUP, TESTIFYING ON BEHALF OF USA MARITIME**

Mr. CONNOR. Well, thank you, Chairman Maloney and Ranking Member Gibbs, for holding this important hearing on the impact of the COVID–19 pandemic on the U.S. maritime supply chain.

My name is Chris Connor, president and CEO of the American Association of Port Authorities. AAPA is the unified voice of the seaport industry in the Americas, representing 78 public port authorities in the United States. My testimony today is given on behalf of State and local public agencies located along the Atlantic, Pacific, and gulf coasts, the Great Lakes, Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands.

Our Nation's seaports deliver vital goods to consumers, facilitate the export of American-made goods, create jobs, and support local and national economic growth. Ports also play a crucial role in our national defense, a point underscored by the designation of 17 of our Nation's ports as "strategic seaports" by DoD.

According to Martin Associates, an internationally recognized economic and transportation consulting firm, the total economic value generated in terms of revenue to businesses, personal income, and economic output at U.S. coastal ports accounts for $5.4 trillion or 26 percent of GDP. Over 650,000 Americans are directly employed in jobs generated through the movement of marine cargo through vessel activity.

Let me now tell you what seaports in your respective districts are currently experiencing.

Containerized cargo declined by 18 percent in the month of March year on year. Furthermore, ports have seen a significant increase in blank sailings or canceled vessel calls, resulting in revenue losses for port authorities.

While the data are still incoming for the months of April and May, initial indications show declines of 20 to 25 percent year on year.

Following the shutdown of auto production facilities in the Americas, Europe, and Asia, we have seen major reduction in RORO cargoes. One major west coast auto port has experienced a 90-percent—9–0-percent—reduction in RORO cargo, with only 1 or 2 ship calls expected this month compared to a typical month of 16.

At two of the largest bulk cargo ports in the United States, movements have declined 15 to 25 percent year on year. Bulk cargo movements, which includes agricultural products, energy commodities such as oil and coal, as well as chemicals, are down 27 percent year on year at one large gulf port.

Tourism at our Nation's ports has completely evaporated. This has resulted in massive P&L impacts at ports that are heavily

weighted in this sector. Indications are that certain South Atlantic seaports' overall business is down between 50 to 80 percent as a result.

Small ports around the country have been especially hard hit. At these ports there are often only one or two types of cargo being handled. If demand drops, port operations can nearly cease. There are over 800 of these emerging harbors, processing less than 1 million tons of cargo per year, around the U.S.

We are beginning to see furloughs and layoffs in the port industry, and we are also beginning to see that some ports are looking to forego planning for and investment in capital improvement projects.

The implications of deferring or canceling investment or other capital improvement programs will be felt long after this pandemic and won't bode well for American efficiency and logistics, nor its competitiveness in global markets.

For ports, as for other industries, the future remains uncertain. At this stage of the pandemic, hope for a quick V-shaped recovery has been replaced by the realization of a longer battle ahead.

Many members of this subcommittee and a total of 85 Members of the House voiced support for port relief in a recent letter to House leadership. You said it best in the letter when you wrote, "It is critical that all of our Nation's ports receive much needed assistance to keep supply chains moving and keep both employees and customers safe."

We agree, and AAPA urges that Congress include $1.5 billion in economic relief to our Nation's public ports in the next coronavirus relief bill. This request is not about recovering lost revenue.

It is about ensuring that ports are able to make bond and other debt instrument payments, keep pace with the accelerating cost of protecting workers, and ultimately ensuring that America's seaports and port workers maintain a state of readiness for the eventual economic recovery.

Thank you again for inviting AAPA to testify today on this important topic, and I look forward to answering any questions you may have.

[Mr. Connor's prepared statement follows:]

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**Prepared Statement of Christopher J. Connor, President and Chief Executive Officer, American Association of Port Authorities**

Thank you Chairman Maloney and Ranking Member Gibbs for holding this important hearing on the impact of the COVID–19 pandemic on the US Maritime supply chain and for inviting the American Association of Port Authorities to testify.

My name is Chris Connor, and I am the President and Chief Executive Officer of the American Association of Port Authorities (AAPA). AAPA is the unified voice of the seaport industry in the Americas, representing 78 public port authorities in the United States. My testimony today is given on behalf of state and local public agencies located along the Atlantic, Pacific, and Gulf coasts, the Great Lakes, and in Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands.

Our nation's seaports deliver vital goods to consumers, facilitate the export of American made goods, create jobs, and support local and national economic growth. Ports also play a crucial role in our national defense—a point acknowledged through the designation of 17 of our nation's ports as "strategic seaports" by the Department of Defense.

According to Martin Associates, an internationally recognized economic and transportation consulting firm, the total economic value generated in terms of revenue

to businesses, personal income and economic output at U.S. coastal ports accounts for $5.4 trillion, roughly 26 percent of GDP, and over 650,000 Americans are directly employed in jobs generated through the movement of marine cargo and through vessel activity.

Since the beginning of the COVID–19 pandemic, AAPA has remained in regular contact with our members in order to monitor the impact of the pandemic, communicate with them on the potential of federal relief and recovery efforts, and to give our member ports the opportunity to share best practices with one another as they manage this crisis. On this latter point I'd like to highlight how impressive the collaboration within the industry has been; typically the fiercest of competitors—Ports have set aside market share aims in favor of keeping port workers safe and healthy, and getting goods to the frontline of the COVID–19 battlegrounds, as well as to consumers like you and me.

AAPA membership comprises ports large, medium, and small, and to that end there is a saying in the Port industry that "if you have seen one port, you have seen one port." Accordingly, each of our members has been impacted in a myriad of different ways by COVID–19. But one thing is clear—all have been affected by this crisis.

In an effort to detail the operating challenges and unmet needs facing America's seaports and our nation's maritime supply chain as a result of the COVID–19 pandemic, I offer the following comments:

### CONTAINERIZED CARGO

We have seen containerized cargo decline by eighteen percent in the month of March over the same period in 2019. These declines are not limited to any particular geographic region, and container cargo volumes have declined across each and every region represented by our Association. Ports have seen a significant increase in blank sailings, or cancelled vessel calls, which can result in significant revenue losses.

While data is still incoming for the months of April and May, initial indications show containerized cargo declines of twenty to twenty five percent in those months over the prior year.

### ROLL ON/ROLL OFF CARGO

As automobiles have worked their way through the global supply chain following the shuttering of auto production facilities in the Americas, Europe, and Asia, we have seen major reductions in roll-on/roll-off cargos. One west coast port has experienced a ninety percent reduction in ro/ro cargos, with only one or two ship calls expected this month compared to a typical average of four ship calls per week.

While the big three auto manufacturers have recently brought production back online, it remains uncertain what demand may look like and how consumer decisions may impact this market segment.

### BULK CARGO

At two of the largest bulk cargo ports in the United States movements have declined fifteen to twenty five percent over the same period in 2019; bulk cargo movements, which include agricultural products, energy commodities such as oil and coal as well as chemicals, are down twenty seven percent compared to 2019 at one Gulf coast port. Other regions, including ports in the Great Lakes, have indicated that bulk cargo movements remain level compared to last year—though they expect significant declines in the near future.

### TOURISM

Tourism at our nation's ports has completely evaporated. This has resulted in massive P&L impacts at ports heavily invested in this business—Indications are that certain South Atlantic Seaports overall business is down between 50 percent–80 percent.

### SMALL PORTS

Small ports around the country have been especially hard hit. At these ports there are often *only* one or two types of cargo being handled and if demand drops port operations can nearly cease. There are over 800 of these 'emerging harbors', processing less than 1 million tons of cargo per year, around the US.

We are beginning to see furloughs and layoffs in the maritime industry and supply chain, and it is estimated by Martin Associates that a 20 percent annualized

reduction in cargo throughput at our nation's ports *could* result in the direct loss of 130,000 jobs.

We are also beginning to see that some ports are looking to forego planning for and investment in capital improvement projects, putting the readiness, capacity, and capability of our nation's trade infrastructure at risk.

For ports and the maritime industry as for other industry sectors the future remains uncertain. However, projections from our members indicate that the impact of current market conditions on business for the month of June are likely to result in declines, year over year, that are equal to equal or greater than those seen in previous months.

In a recent letter to House leadership 85 Members of Congress voiced support for port relief. I thank those that signed that letter, including Members of this Committee. In the letter, signers noted that "it is critical that all of our nation's ports receive much needed assistance to keep supply chains moving and keep both employees and customers safe."

We agree, and AAPA requests that Congress include $1.5 billion in economic relief to our nation's public ports in any future coronavirus response or recovery proposal. This request is not about recovering lost revenue; but rather about ensuring that Ports are able to make bond and other debt instrument payments, keep pace with the accelerating costs of protecting workers and keeping the workplace sanitized, and ultimately ensuring that Americas Sea Ports and port workers maintain *a state of readiness* for the eventual economic recovery.

Thank you again for inviting the American Association of Port Authorities to testify today on this important topic, and I look forward to answering any questions you may have, on the impacts this crisis has had on ports, on what the future may hold, and on what infrastructure investments Congress could make to position the industry for success moving forward.

Mr. MALONEY. I thank the gentleman.

Now proceed to Mr. Roberts.

You may proceed. Please unmute. And the floor is yours.

Mr. ROBERTS. Good afternoon, Chairman Maloney. Thank you and Ranking Member Gibbs, Chairman DeFazio, members of the subcommittee. I am honored to appear before you on behalf of the American Maritime Partnership, representing almost all segments of the domestic maritime industry and producing 650,000 jobs across the Nation.

My message is simple. I have seen firsthand how American maritime has responded to this crisis, and I must tell you, I am so very proud to be associated with this community.

Nobody knew how this was going to unfold and there is still a lot we don't know. There are gaps in the rulebook from this black swan event. But decisions have to be made, and these are the times when character and culture take over, when we make the best choices we can in good faith.

Our industry wouldn't say there is some risk in being outside our home, so we will stay inside safe and COVID-free. American maritime just wouldn't do that. We have to do that. We choose to go outside our homes so that the grocery stores in San Juan and Honolulu and Anchorage are stocked up, so that the basic commodities—lumber, iron ore, grains, petroleum, building blocks for almost everything—those commodities can keep moving on our rivers and Great Lakes, so that our harbors are kept clear, and so that we can keep building modern ships to keep our supply chain working.

I am proud to be part of this community, and I am grateful for the leadership that we have seen from our Government. Admiral Buzby started industry calls in March and they have been invaluable for sharing information, what is working, what is not working,

where we need help. I remember at the end of the first call, Admiral Buzby saying these are the kinds of times when leaders lead.

The leadership we have seen throughout the industry has been extraordinary, from the top executives to the ship captains to the line mariners, who lead by setting the right example, by their behavior. We have seen other organizations that have behaved differently. They throw up their hands and say the Government hasn't told us what to do.

Maritime hasn't handled it that way. We have to figure it out. And I will single out one specific team, among many, the Ship Operators Cooperative Program, which put together a thoughtful and detailed set of protocols for how to prevent COVID infection from reaching vessel crews and how to deal with it if it happens. Other groups have done similar work, and all of it needs to be updated almost constantly because more information keeps coming in.

So my key message is that the character and culture of the American maritime industry is driving leaders at every level to find solutions to keep people safe and keep supply chains moving.

I want to emphasize a point made in my written testimony, which is that a cargo ship should never be quarantined. A mariner who is sick with COVID should be removed and given treatment as safely and quickly as possible. The rest of the crew should safely come off the vessel and go to quarantine. The vessel should be thoroughly sanitized, a new crew brought in, and then resume providing the essential services to the communities they serve.

Leadership in times like this requires exercising judgment, using a 360-view of everything impacted by a decision. Quarantining a ship, sending it to anchor is less safe to the local port community and everyone else involved than sending the ship to a secure terminal where the best controls are in place.

Finally, it is the 100-year anniversary of the Jones Act, a perfect opportunity to celebrate the dedication of the men and women of American maritime, those whose actions throughout this crisis and many other crises over the years exemplify the character that I have been talking about.

It is also disappointing that a few people have chosen to use this crisis to attack American maritime because we are not as cheap as the Chinese maritime industry. As this subcommittee heard last October, the Chinese maritime industry serves China's interests quite well, controlling ports at key locations around the world using Government subsidies to dominate shipbuilding and global shipping so that they can dominate global trade.

And in this country, there are some who seem to think that is OK. They will gladly sideline American mariners and destroy this maritime industry that contributes so much to safety and security so that they might get shipping services a little cheaper.

It is unfortunate that they try to use this terrible crisis and the 100-year anniversary of the Jones Act to pursue that goal, and we appreciate this subcommittee's support in rejecting those efforts.

With that, I want to thank you, again, Chairman Maloney, Ranking Member Gibbs. Both of your leadership has been exceptional. And we will welcome your questions.

Thank you.

[Mr. Roberts' prepared statement follows:]

**Prepared Statement of Michael G. Roberts, Senior Vice President, Crowley Maritime, testifying on behalf of American Maritime Partnership**

## I. INTRODUCTION

Mr. Chairman, Mr. Ranking Member, Members of the Subcommittee. Thank you for the opportunity to be with you today. I am Michael Roberts, senior vice president of Crowley Maritime, a major American domestic shipping company. We are a diversified marine transportation and logistics company based in Jacksonville, Florida. We employ about 3,000 American mariners, and have invested nearly $3 billion in vessels built by American workers in U.S. shipyards. Vessels in our fleet serve customers in Alaska, the U.S. West, East and Gulf coasts, the Caribbean and Central America. Thank you for the opportunity to talk to you today about "the U.S. maritime supply chain during the COVID–19 pandemic."

I am here today in my capacity as president of the American Maritime Partnership (AMP). AMP is the largest maritime legislative coalition ever assembled. Our organization includes all elements of the American domestic maritime industry—shipping companies, ship construction and repair yards, mariners, and pro-defense organizations. our focus is America's domestic shipping law, the Jones Act, which requires that cargo moved by water between two points in the United States be transported on American vessels by American mariners.

Before addressing the impacts of the pandemic on the U.S. maritime supply chain, I would be remiss if I failed to point out that today's hearing comes in the midst of a series of important milestones for our industry that highlight its vital strategic and commercial role in our country's history. Last Friday was National Maritime Day, a day that recognizes U.S. mariners and the importance of our strong maritime heritage throughout our nation. Last Monday was Memorial Day, a day particularly important to us because of the deep connection between American maritime and national security. And finally, one week from today is the 100th anniversary of the Jones Act. We are happy to mark the centennial of the Jones Act with such overwhelming bipartisan support from the Congress.

Nowhere is that support more clear than on the Coast Guard and Maritime Transportation Subcommittee. As you know, the American domestic maritime industry supports 650,000 jobs and provides an economic impact of more than $150 billion annually. It provides important national, economic and homeland security benefits throughout our country. The national security and homeland security benefits have been well-documented through writings and statements by countless Members of Congress, the White House, U.S. Defense Department, U.S. Transportation Command, U.S. Department of Transportation, U.S. Maritime Administration, U.S. Coast Guard, and Customs and Border Protection officials, as well as independent experts.

You may also know that the American domestic maritime industry today is modern, innovative and leads the world in safety and environmental stewardship. The world's first containerships powered by clean natural gas now serve the domestic market between Florida and Puerto Rico. America's tanker fleet is among the safest and most environmentally responsible, combining data-driven safety management systems with a relatively new fleet profile. These and other innovations throughout the industry are deployed on ships operated by well-trained American mariners who care about the safety and health of America's maritime environment, and the citizens they serve.

In these challenging times in the face of a historic pandemic, our nation's security can only benefit from an all-American industry like ours.

## II. SUMMARY OF KEY POINTS

Today I would like to leave you with three main points:

First, despite the men and women of the domestic maritime industry working tirelessly to deliver America's goods, there continues to be opportunistic calls for Jones Act waivers during this time. No waivers are required; there is ample capacity in the domestic fleet. Any waiver would only outsource American jobs to foreign workers at a time of record domestic unemployment while doing nothing to improve the already efficient marine trade lanes we serve. Our *primary request* today is that you continue to do what you have done consistently over time and particularly throughout the pandemic—resist the efforts of opportunists to use COVID–19 as an excuse to change the Jones Act. We are deeply grateful for the broad, bipartisan support for the Jones Act through this Congress.

Second, this subcommittee can be assured that the American domestic maritime industry will continue to show up to work and deliver the goods that make this nation strong and secure despite one of the most challenging environments in a generation. We take our responsibility as essential workers very seriously and understand our obligation to ensure that America's critical supply chains remain moving.

Third, we very much appreciate the leadership and flexibility shown thus far to ensure that the maritime industry can continue to do our work, and hope that this subcommittee will encourage the adoption of flexible guidelines for U.S. crew quarantine and other issues with the relevant agencies.

## III. COVID–19 Impacts on the Domestic Maritime Industry

The COVID–19 pandemic has challenged us as individuals, companies, industries and as a nation. The entire domestic maritime industry has been deemed "essential" by the Department of Homeland Security (DHS), meaning that we continue operating throughout the pandemic. This has produced extraordinary safety challenges as well as complex financial implications. On the one hand, we have maintained a keen focus on keeping as safe as possible the essential maritime workforce—our mariners, dockworkers, drivers, warehouse workers, repairmen, and others who could not do their work remotely, but have had to show up for work for the past three months the same as they always have. We are extremely grateful for the dedication of these men and women. On the other hand are the customers—businesses, governments and consumers—who have relied on the maritime industry to keep supplies moving, and in some cases to survive. Simply shutting down operations to protect our workforce has not been an option.

No playbook is available to direct how to operate safely in this environment. Companies have had to improvise to develop special operating protocols to protect employees based on the best information available. These efforts to protect our workforce have been frustrated by the scarcity of personal protective equipment (PPE) and other materials. Our industry is also not immune from supply chain disruptions. There are supply chain impacts in certain segments of the industry, including difficulties with longer repair and maintenance schedules and the potential for impacts to spare parts sourcing if the pandemic continues.

It should be noted that regulatory authorities have faced unprecedented challenges in providing guidance to the industry on how best to operate safely. The challenges include limited pre-existing guidance, shifting scientific advice, multiple stakeholders, scarce resources, and the need to make real-time decisions affecting many lives. U.S. government maritime authorities—the U.S. Coast Guard, Maritime Administration, U.S. Transportation Command and others—are to be commended for their leadership, and for reaching out to all aspects of the maritime industry in working through these issues. The foundation of collaboration between government and industry that has been built on national security, safety, and other issues has enabled real progress to be made in these extraordinary times.

The severity of the financial impacts of the COVID–19 pandemic on the domestic maritime industry has yet to be determined. Two factors contribute to the uncertainty. First is the skyrocketing cost of operations resulting from implementing the protocols necessary to keep our workforce safe. The magnitude of these incremental costs and the availability of funds to help defray them has not been determined. Second is the impact of COVID–19 and the economic shutdown on demand for maritime services. While these impacts differ for different segments of the industry, demand is almost universally much lower than in normal times. The industry has made enormous investments in vessels, terminals, equipment, and other assets to provide services to their customers. Financing for these investments was based on economic models that did not account for the black swan event we are now experiencing. These services must nevertheless continue operating through this crisis even though the revenues generated will not cover the costs of providing them.

There is great uncertainty as to when the most serious economic impacts will hit, how severe they will be and how long they will last. The American maritime industry must prepare for the worst-case scenario while working for better outcomes. This includes deferring capital and other expenses wherever possible and taking other necessary measures. Government programs designed to provide a financial backstop to mid-sized companies facing severe economic damage should be available to provide temporary support to the American maritime industry.

### *a. Scope of domestic maritime industry*

Our American domestic maritime industry is engaged in transporting goods through all sectors of the economy. U.S.-flag vessels carry agricultural, coal, chemical, aggregate, petroleum, and other products on the inland waterways of the

United States. American vessels carry essential goods in the non-contiguous trades of Alaska, Hawaii, and Puerto Rico. U.S. tankers and tank vessels transport critical crude oil and refined petroleum products along the West, Gulf, and East Coasts of the nation. The American bulk fleet carries iron ore, and other products, on the Great Lakes, including for America's major steel manufacturers. American dredging companies ensure that U.S. harbors, ports, and rivers are dredged and maintained.

Virtually every sector of the maritime industry has been negatively impacted by the pandemic. AMP member companies have seen reduced cargo volumes in the non-contiguous trades, as business closures and stay-at-home orders reduce demand. Great Lakes carriers have experienced declines in the carriage of commodities. The destruction of the airline and auto sectors has led to declines in the need for vessels to transport gasoline, diesel, and jet fuel. Overall demand for waterborne transportation of agricultural and other commodities has declined, amidst a nearly 5 percent decrease in freight transported on U.S. navigational channels. Port activity around the top 10 U.S. ports has seen declines of over 40 percent. Domestic shipyards have worked hard to mitigate the impact of the pandemic with enhanced sanitation practices and liberal leave policies.

The domestic maritime industry carries many of the building blocks of our economy. From top to bottom, we have seen the total interconnectivity of our economy, and no port is safe from the storm. Stay-at-home orders and a nearly 20 percent drop in traffic on U.S. roads has meant fewer American vessels transporting oil; a 42 percent dip in auto sales has slowed the need for the ships that move American steel; an 85 percent drop in weekly U.S. travel spending has shattered tourism and hospitality for island economies like Hawaii; and a Defense Department order pausing domestic transportation of military goods has upended a system that moves 400,000 personal property shipments a year.

How long the impacts will last remains unknown. America's maritime businesses are facing significant economic uncertainties as a result of COVID–19. And while American businesses are starting to open up again, it is very difficult to forecast demand for the remainder of this quarter and for Q3 and Q4 of 2020.

As many as 25 million jobs worldwide could be wiped out by a worldwide recession brought on by the pandemic, and the Bureau of Labor Statistics industry estimates for water transportation workers in April 2020 are already showing an 11 percent decrease in employment.

However, despite the situation, America's maritime industry has been getting the job done, keeping the U.S. supply chain running. Why? Because we are Americans who support Americans, especially during times of national emergencies.

*b. Coordination with the U.S. Government for an Essential Workforce*

As you have seen, the domestic maritime industry is diverse and COVID–19 has tangible, but distinct, impacts on each of these segments. A common uniting factor among all these diverse segments, however, is the recognition that all of the men and women working in this industry, no matter what segment of the industry they work for, are classified as essential workers. These men and women have been on the front lines of this pandemic since the very beginning, working every day to ensure that our grocery stores are stocked, our fuel is delivered, and the vital commerce that sustains this nation remains flowing.

Beyond that, the essential workers of the domestic maritime industry have gone above and beyond during this time. For example, the men and women of the domestic dredging industry went beyond the call of duty when the USNS Comfort needed to dock in New York Harbor. The berth at New York Harbor needed to be dredged an extra 40 feet to enable the USNS Comfort to dock. The dredging was expected to take two weeks. An American dredging company, using a crew of 60 and pulling double 12-hour shifts a day, dredged the berth in eight days, allowing the USNS Comfort to start treating patients earlier than expected.

While maritime workers are not as visible to the public as the other vital transportation workers that keep our nation moving, such as transit workers or truck drivers, they are an equally important part of our supply chain. We were grateful that the Cybersecurity and Infrastructure Security (CISA) recognized the importance of the maritime industry and ensured that maritime workers were broadly covered as part of the critical infrastructure guidance released in March.

Of course, we in the industry and the members of this Committee who have supported our efforts throughout the years, have always understood the essential value of the domestic maritime industry. We are continually seeking ways to improve our connectivity, particularly in times of emergency, to government entities with whom we do not regularly interact. Our core partners, such as the Coast Guard, the Department of Transportation, and the Maritime Administration understand the operations of the industry, but as a whole we needed to improve our communications.

To that end, last summer AMP, our industry and the federal government worked together to create the Maritime Sector Coordinating Council (MSCC) to enhance our efforts on emergency preparedness from a company and regional level to a federal level.

You may not have heard of Sector Coordinating Councils (SCC). All 16 critical infrastructure sectors recognized by the federal government have a SCC. They serve as a single point of entry for the government to communicate with an entire industry. SCC's work in concert with Government Coordinating Councils (GCC's) to discuss emergency preparedness and planning efforts for critical infrastructure. The SCC's were established immediately after 9/11 because the government realized that there was no streamlined way to communicate with industries responsible for critical infrastructure in case of an emergency.

While we set up the MSCC before there was any hint of a pandemic like COVID–19 on the way, the MSCC has proven to be very helpful in coordinating emergency response efforts over the past few months. As I will explain later, there continues to be issues (such as availability of test kits or PPE) but the MSCC provides a way for the industry to express those concerns directly to agencies like CISA or FEMA. There are also direct benefits from the MSCC engagement. For example, FEMA is actively procuring and distributing cloth protective coverings to core transportation sectors, including maritime. Through the MSCC's network, we were able to coalesce hundreds of company, labor, and ports requests for these face masks over a 72-hour period, working with our partners at MARAD. While the ultimate task of distributing those masks remains with the government, the MSCC's ability to quickly collate an industry request and submit it for ultimate consideration speaks well to our industry's ability to quickly coordinate for an emergency request.

*c. Operational Resilience*

Many organizations have undertaken to establish written protocols to keep vessel crews safe as they continue providing essential services to the American economy. These include trade associations (e.g., American Waterways Operators), class societies (e.g., ABS), and collaborative efforts between industry and government authorities (e.g., the Ship Operators Cooperative Program). These efforts have helped provide guidance on a wide range of technical issues and have made possible significant progress as the industry works through challenging operational issues. The limitations of these protocols, of course, is that they reflect the information available to certain people at a point in time. As that information changes, the protocols need to be updated, which can materially change what is believed best practices for safe operations. Certain issues have raised particular concerns that merit specific and continued attention.

*1. Testing at crew changes*

The U.S. maritime industry has worked to develop protocols to minimize the risk of crew member infection on board American vessels. Vessel crews usually number no more than 20–25 people, although American vessels in the offshore fishing fleet may have up to 150 or more workers on board. We note that the Jones Act fleet includes the offshore fishing fleet which has its own set of challenges that might present a unique set of problems. In general, vessel crews typically sign on to a ship for several weeks at a time. The main risk of infection comes during crew changes, when parts of the crew end their assignments and are replaced by new mariners coming on board. Among other tools to prevent an infected crew member from joining a vessel, testing the arriving crew members for active infection is likely the most effective way of screening. However, access to such testing was denied for the first several weeks of the pandemic and has been inconsistent since then. The primary reason is the shortage of test kits, which has led to prioritizing access to tests.

In many cases mariners at crew rotations have been denied access to testing based upon the assertion that such testing would be inconsistent with CDC guidance. This does not appear to be an accurate interpretation of CDC guidance (since at least mid-April), which allows priority access for "workers in congregate living settings" with or without symptoms when "prioritized by health departments or clinicians." The phrase "congregate living setting" certainly describes the shipboard environment where crew members eat, sleep, work and live, often for weeks at a time.

Consistent with this interpretation, state and local health departments and clinicians including world-class health care organizations have begun providing rapid testing for active infection for mariners at crew changes. Test availability is extremely limited, however, and still not available in most locations, in part based on continued misinterpretation of CDC guidance. This Committee should encourage the

Coast Guard, CDC and other government agencies to clarify that mariners at crew changes should have priority access to testing for active infection.

*2. Management of Suspected Shipboard Cases*

Fortunately, the number of suspected COVID–19 cases involving American mariners has been relatively low. When such cases do arise, however, the question becomes how to effectively manage those cases given the vital role of maritime transportation in America. We believe there is a general understanding on this subject, but an urgent need to clarify and reinforce the message.

A cargo ship with 20–25 mariners or a fishing vessel with 150 mariners is very different than a cruise ship with thousands of passengers and crew. Both a cargo ship and a cruise ship may report a suspected COVID–19 case prior to entering a port. Sending the cruise ship to anchor may make sense to allow complex logistical arrangements involving thousands of people to be worked out. However, the cargo ship should be allowed to proceed to berth at a controlled-access secure terminal rather than being sent to anchor. The crew member suspected of having infection can be safely removed from the ship and tested, with results immediately available. If they test positive for COVID–19, the company would then implement plans for removing and testing / quarantining the rest of the crew and disinfecting the ship so that it can be safely and promptly returned to service with a new crew. This is the safest and most efficient way of proceeding, ensuring that a crew member with suspected COVID–19 quickly receives needed care, fellow crew members are properly isolated and quarantined, and the ships providing essential services to American consumers and businesses are allowed safely and promptly to resume service.

This unfortunately has not been how some of the few instances of suspected infection have been handled. One vessel with a suspected case was sent to anchor, where a health care worker delivered by pilot boat climbed on board and administered a COVID–19 test. The specimen was rushed to the lab and was fortunately negative. Only then was the ship allowed to proceed to berth. In the same vein, an order issued by a county judge in Texas would have required any vessel with a suspected case be sent to anchorage and kept there for a 14-day quarantine period. One can only imagine the impacts on supply chains if that order was enforced.

As a single vessel may account for a large portion of the weekly commerce of the communities in the noncontiguous U.S. trades, any delay, no matter how slight, may have a serious impact on those states and territories being served. We would like to ask for your support in urging the CDC and the USCG to review in advance industry response plans to incidents of positive tests on inbound crew members.

## IV. American Domestic Maritime Industry Post-COVID–19

The COVID–19 pandemic has reinforced recent policy trends that emphasize the importance of American self-reliance and resilience. For example, we cannot rely on foreign suppliers of pharmaceuticals and medical supplies to keep American citizens safe, even if those suppliers are cheaper. Indeed, we need to rebuild critical industries in America that have been sent overseas, preserve those that have remained, and fight back against efforts to outsource key American manufacturing and service industries. These same lessons apply fully to the domestic maritime industry.

*a. Secure supply chains*

If the COVID–19 response showed us nothing else, it showed how dangerous it was for the United States to rely on globalization for critically important resources and services. The U.S. defense maritime industrial base, as the Center for Strategic and Budgetary Assessments ("CSBA") has labeled it, which includes our American domestic maritime sector, as one of those critical industries.

During times of war or national emergency, it is important to have the domestic capacity to transport goods within the United States. As CSBA noted:

> In an era of great power competition, a robust maritime industry, and the policies that support it, are increasingly important to U.S. national security. Private shipyards build and repair U.S. warships, sometimes alongside civilian vessels. U.S. shipping companies and their civilian mariners transport military personnel, equipment, and supplies overseas. And private dredging, salvage, towing, intermodal transport, and harbor services companies ensure the operation of America's military and commercial ports and waterways.

Furthermore, Section 50101 of title 46, United States Code, sets for America's maritime policy and represents the critical need for a robust American domestic maritime industry. It states:

(a) Objectives.—It is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine—

(1) sufficient to carry the waterborne domestic commerce and a substantial part of the waterborne export and import foreign commerce of the United States and to provide shipping service essential for maintaining the flow of the waterborne domestic and foreign commerce at all times;

(2) capable of serving as a naval and military auxiliary in time of war or national emergency;

(3) owned and operated as vessels of the United States by citizens of the United States;

(4) composed of the best-equipped, safest, and most suitable types of vessels constructed in the United States and manned with a trained and efficient citizen personnel; and

(5) supplemented by efficient facilities for building and repairing vessels.

This pandemic has only further solidified the need for such a policy and for a U.S. defense maritime industrial base. We have maintained supply lines as essential businesses and essential workers. America's Jones Act fleet and shipbuilding and repair yards have stood by our nation to ensure that goods and supplies are delivered, including to those in need. Our industry over the past 100 years operating under the Jones Act, and in fact since the nation's founding, have been an important element of the nation's supply chain capabilities.

At a time when China is investing in maritime businesses around the globe—ships, ports, terminals, and other infrastructure—to support its One Belt, One Road initiative, it is as important now as it ever was for America to maintain one of the most fundamental laws that ensures the nation can meet its maritime policy objective as stated above—and that law is the Jones Act.

*b. Legislative and Administrative Jones Act Waivers*

AMP member companies, like Crowley, make significant investments to build, grow, and sustain a domestic fleet. Those are investments in U.S. shipyards; investments in American mariners; investments in shoreside infrastructure and people; and investments in logistics capabilities to meet the transportation needs of this country. We make those investments in reliance on U.S. law.

Attacks on the law from opponents, seeking legislative or administrative waivers of the Jones Act, erodes the confidence of investors in the domestic maritime sector. We applaud the members of this subcommittee for their support for the law. It is that support that enables AMP member companies to invest with confidence.

But we do not take anything for granted. We have seen too many times over the years where a small change in the law or an administrative determination can have significant consequences on the domestic industry. We saw that most recently when Customs and Border Protection (CBP) issued a modification and revocation of certain Jones Act private letter rulings. While some of the changes made by CBP were good and long overdue, others, such as the determination that foreign flag vessels can engage in certain transportation activities, undermined the law.

Thankfully, this subcommittee has led the charge in correcting that situation, passing legislation through the House as part of the Coast Guard Authorization Act of 2019. The provision relating to installation vessels is important to protecting small lift boat operators and to preserving opportunities for larger Jones Act heavy lift operators in those trades. We urge Congress to adopt this measure.

We also urge Congress to continue to reject proposals that would fundamentally alter the landscape for our Jones Act fleet, and to adopt measures that ensure the Jones Act remains strong.

Finally, it is worth noting that because of the strong support of Congress, America's domestic maritime industry continues to invest in the Jones Act fleet—dredges; containerships; offshore wind vessels; Great Lakes bulkers; tugboats, towboats and barges; and passenger vessels. We appreciate your support, and to demonstrate our support, our industry continues to invest, innovate, and modernize.

## V. Recognizing American Maritime Workers/Conclusion

I would like to conclude my testimony with a word about American maritime workers. This year, in honor of the Jones Act's centennial, AMP and many others have honored what we have called "American Maritime Heroes." And while some of the heroes are very high visibility individuals—like Malcolm McLean, the Jones Act innovator who invented containerization and changed the world—most of our heroes are everyday heroes. These are the men and women who deliver the goods across our nations—in the inland waterways, on the Great Lakes, along the coasts,

in the Gulf and to the non-contiguous areas. These are the crews of the dredges, containerships, tugs, barges, bulkers and other vessels that serve as the grease for the American economy. These individuals, and the national maritime infrastructure that supports them, truly are heroes, delivering needed merchandise and the building blocks of the American economy without complaint as essential front line workers.

When we think of American mariners, we can't help but think about the World War II merchant mariners, the group of individuals to whom Congress has recently awarded the Congressional Gold Medal. They delivered cargo under the most desperate conditions in World War II and their success in ensuring a supply chain of goods and supplies to the war zone is legendary. They paid the price with the highest casualties of any service in World War II, often sailing defenseless again German U-Boats. Their courage and valor was summed up in a description from a coming major motion picture: "The only thing more dangerous than the front lines was the fight to get there."

That was then and now is now. Today, our war is the pandemic and we are proud to be doing everything in our power to keep America moving. I will be pleased to answer any questions you might have.

Mr. MALONEY. Thank you, Mr. Roberts.

Ms. Carpenter, you may proceed.

Ms. CARPENTER. Thank you very much, Mr. Chairman, for the opportunity to testify on behalf of America's tugboat, towboat, and barge industry.

The first thing I want to tell you today is that the domestic maritime supply chain has proven resilient in the face of COVID–19. While cargo volumes are down in many sectors due to depressed demand, mariners have continued to report to work, vessels have continued to operate, and the industry has adapted to maintain operational continuity and readiness.

As our Nation takes the first steps toward reopening, the domestic maritime supply chain is capable of accommodating increased demand and well positioned to support the long road to recovery.

Our industry has been able to maintain business continuity because employers recognized early on that protecting crewmember health and safety is the key to keeping commerce flowing. A tow on the river or an articulated tug barge unit at sea is effectively self-quarantined and companies quickly put in place procedures that keep the virus off their vessels. These include prescreening crewmembers prior to boarding, modifying crew change procedures, minimizing nonessential contact between crewmembers and non-crewmembers, and more stringent vessel cleaning and decontamination procedures.

Crewmembers have taken seriously their status as essential workers and taken steps to safeguard their health while off duty. And the U.S. Coast Guard has been proactive and cooperative in working with industry to meet regulatory objectives while reducing health and safety risks.

The result of these efforts has been to keep COVID–19 infections among the mariner workforce to a minimum.

Your leadership in holding this hearing tees up the question, what can Congress do to support the continued resilience of the maritime supply chain?

In testimony before this subcommittee last spring, I highlighted four pillars that enable our industry to do its essential work: the Jones Act; modern, well-maintained ports and waterways infrastructure; a nationally consistent system of law and regulations governing vessels and interstate commerce; and maritime safety.

Congress' support for these pillars is especially important today. The Jones Act is more relevant than ever as both the pandemic and the prevailing geopolitical situation underscore what a bad idea it would be to relinquish control of our domestic maritime supply chain to foreign companies and foreign mariners.

Thank you for your leadership in opposing opportunistic calls to waive the Jones Act and break faith with the American companies and American mariners on the front lines of keeping our economy afloat.

Investment in ports and waterways infrastructure is an investment in American jobs and competitiveness that will help our economy get back on its feet. We thank you for your past leadership and ask for your continued support to pass the Water Resources Development Act, increase investment in locks, dams, harbor maintenance, and dredging, build the next generation of Coast Guard buoy tenders, and ensure the funding to keep them operating.

As we recover from the economic shocks of the pandemic, we need to ensure that our waterways are open for business and in condition to accommodate increased demand.

Our industry's experience during COVID–19 has also underscored the importance of uniform Federal laws and regulations governing vessels and interstate commerce.

As State and local stay-at-home orders proliferated this spring, we could have experienced catastrophic disruption in the maritime supply chain. We didn't, largely because the Federal Government acted quickly to codify the status of maritime businesses and workers as essential critical infrastructure that needed to continue unfettered operations.

The lessons of this experience are clear. Just as a patchwork of stay-at-home orders is incompatible with the effective functioning of the maritime supply chain, so is a patchwork of State and local regulations established for other purposes.

Finally, maritime safety. Our industry's experience with COVID–19 demonstrates that good safety is good business. As we manage the health and safety challenges posed by the pandemic, we urge Congress to support our efforts by supporting prioritized access to testing for COVID–19 for crewmembers, enacting targeted temporary liability protections for maritime employers who make good-faith efforts to abide by applicable public health guidelines to protect their employees from COVID–19 while preserving legal remedies against employers who engage in reckless or willful misconduct, and enacting the Coast Guard authorization bill, which includes a number of provisions to promote marine safety.

Thank you very much. We look forward to working with you to apply the lessons of this pandemic and strengthen the resilience of the maritime supply chain.

[Ms. Carpenter's prepared statement follows:]

**Prepared Statement of Jennifer A. Carpenter, President and Chief Executive Officer, The American Waterways Operators**

Good afternoon, Chairman Maloney, Ranking Member Gibbs, and Members of the Subcommittee. I am Jennifer Carpenter, President & CEO of The American Waterways Operators. AWO is the national trade association for the inland and coastal tugboat, towboat and barge industry. On behalf of AWO's over 300 member companies, thank you for the opportunity to testify at this important hearing on the status of the U.S. maritime supply chain during the COVID–19 pandemic.

I come before you today with three overarching messages: 1) the U.S. domestic maritime supply chain is resilient; 2) business continuity does not—and cannot—mean business as usual, especially where health and safety are concerned; and, 3) Congress, and this Subcommittee, have a vital role to play in ensuring the stability of the public policy pillars that create the foundation for the supply chain's resilience and our nation's recovery. Allow me to elaborate on each of these points.

THE DOMESTIC MARITIME SUPPLY CHAIN IS RESILIENT

While our industry, like all Americans, has been challenged by this global health crisis in profound ways, the domestic maritime supply chain has proven resilient in the face of COVID–19. The men and women of the tugboat, towboat and barge industry have played a key role in keeping our nation's economy afloat, remaining open for business and continuing to move essential cargoes such as agricultural products, fertilizer, coal, petroleum and petrochemicals, wood and paper products, steel and construction materials. Tugboats continue to guide ships, from containerships and tankers to the hospital ships USNS Comfort and USNS Mercy, safely into port. Tugboats and barges have begun a busy summer season of supplying native Alaskan villagers with everything they need to subsist in an unforgiving environment. While cargo volumes in many sectors have declined due to depressed demand, mariners have continued to report to work, vessels have continued to operate, and the industry has adapted to maintain operational continuity and readiness. As our nation takes the first steps toward reopening shuttered segments of the economy, the domestic maritime supply chain is flowing, capable of accommodating increased demand, and well positioned to support the long road to recovery.

BUSINESS CONTINUITY, NOT BUSINESS AS USUAL

Tugboat, towboat and barge companies have been able to maintain business continuity in large part because employers recognized early on that mariners are the lynchpin of their operations and protecting crewmember health and safety is key to keeping vessels moving and commerce flowing. The industry's extensive experience with contingency planning, safety management systems and incident command structures has served it well in managing the health, safety and operational challenges posed by the pandemic. A tow on the river or an articulated tug-barge unit at sea for two to four weeks at a time is effectively a self-quarantined environment, and companies quickly put in place—and have continued to refine—procedures aimed at keeping the virus off their vessels. These include, but are not limited to, pre-screening crewmembers prior to leaving home and again prior to boarding a vessel, often in conjunction with telehealth providers; modifying crew change procedures to keep crews together as a unit, minimize exposure during travel to vessels, and avoid large groups congregating on crew change days; minimizing non-essential contact between crewmembers and non-crewmembers, including increased reliance on objective evidence of regulatory compliance and remote audit and inspection techniques; and developing more stringent vessel cleaning and decontamination procedures.

Crewmembers, for their part, have taken seriously their status as essential critical infrastructure workers and taken steps to safeguard their health and safety while off duty. And, regulatory authorities, including the U.S. Coast Guard, have been proactive and cooperative in working with industry to employ flexibility to meet regulatory objectives while reducing unnecessary health and safety risks. Policies extending the validity of merchant mariner credentials, mariner medical certificates and Transportation Worker Identification Credentials; encouraging the use of remote audit and inspection techniques; and allowing deferrals of inspections and regulatory deadlines when necessary have been very helpful in reducing unnecessary interactions that could place the safety of vessel crewmembers and/or Coast Guard personnel at risk.

The result of these concerted and cooperative efforts has been to keep COVID–19 infections among the mariner workforce to a minimum—a win-win for health and safety and for the resilience of the maritime supply chain. To maintain this situation, it will be extremely important for employers, mariners, and regulators to remain vigilant and not relax prematurely the prevention policies and social distancing procedures that have proven successful in keeping vessels largely virus-free.

## CONGRESS'S ROLE IN SUPPORTING THE MARITIME SUPPLY CHAIN

Chairman Maloney, Ranking Member Gibbs, your leadership in holding this hearing today to examine the state of the maritime supply chain as our nation battles the COVID–19 pandemic is an important expression of Congress's recognition of the criticality of maritime transportation, and we thank you for that. It also tees up the question, "How can the Congress—and this Subcommittee—support the continued resilience of the maritime supply chain and the health and safety of mariners who make that possible?"

To answer that question, I'd like to hark back to the testimony I provided to the Subcommittee last spring, highlighting four pillars that enable the tugboat, towboat and barge industry to do the essential work it does for American shippers and the American economy. Those pillars—the Jones Act; modern, well-maintained ports and waterways infrastructure; a nationally consistent system of laws and regulations governing vessels in interstate commerce; and maritime safety—are more important than ever amid the circumstances of the COVID–19 pandemic, and I want to thank the bipartisan leadership of this Subcommittee and the full Transportation and Infrastructure Committee for your longstanding support for them. Let me address each briefly.

*The Jones Act*

The Jones Act, which celebrates its 100th anniversary on June 5, but whose antecedents date back to the earliest days of our country, has served our nation's economic, homeland and national security well. It is more relevant than ever today, as both the pandemic and the prevailing geopolitical situation underscore the inadvisability of relinquishing control of our domestic maritime supply chain to foreign companies (perhaps state owned) and foreign mariners. I want to thank Chairmen DeFazio and Maloney, and Ranking Members Graves and Gibbs, for your leadership in opposing opportunistic calls to waive the Jones Act and break faith with the American companies and American mariners on the front lines of keeping our economy afloat. Thank you, as well, for including in the Coast Guard authorization bill language to prevent the emergence of a Jones Act loophole related to the operation of heavy lift vessels servicing offshore energy installations.

*Ports and Waterways Infrastructure*

Investment in our ports and waterways infrastructure is an investment in American jobs, in American competitiveness, and, given that maritime transportation is the greenest mode of transportation, with the smallest carbon footprint, in the health of our natural environment as well. Now more than ever, investing in infrastructure will help our nation's economy get back on its feet. This means passing a Water Resources and Development Act; increasing investment in locks, dams, harbor maintenance and dredging; and building the next generation of Coast Guard buoy tenders and ensuring the funding to keep them operating. As demand for waterborne commerce increases as we recover from the economic shocks of the pandemic, we need to ensure that our waterways are open for business and in condition to accommodate this demand. Again, this Subcommittee and full Committee have been leaders on these issues; we thank you for that and respectfully ask for your continued support.

*Federal Preemption*

Our industry's experience during the COVID–19 pandemic has underscored the importance of a uniform national system of laws and regulations governing interstate maritime transportation. As state and local shelter-in-place and stay-at-home orders began to proliferate in March and early April, we could have experienced catastrophic disruption in the maritime supply chain. We did not, largely because the federal government recognized and took timely action to codify the status of maritime transportation businesses and workers as "essential critical infrastructure" that needed to continue unfettered operations. Guidance from the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency, amplified by the U.S. Coast Guard, was vital to enabling marine transportation businesses to keep operating and vessel crewmembers and other maritime employees to travel to

their jobs and report to work. The lessons of this experience are worth remembering as we move from the acute, to the chronic, and eventually to the recovery phase of the pandemic: just as a patchwork of state and local stay-at-home orders is incompatible with the efficient and effective operation of the maritime supply chain, so too is a patchwork of state and local laws and regulations established for other purposes. Uniform, nationally consistent regulations are essential to effective functioning of the maritime supply chain.

*Maritime Safety*

Maritime safety is our industry's franchise to operate, and our experience during the COVID–19 pandemic to date reinforces the fact that good safety is good business. As our industry manages the unique health and safety challenges posed by the pandemic, we urge Congress to support our efforts by:

1) Supporting prioritized access to COVID–19 testing for mariners as essential critical infrastructure employees. While access to diagnostic testing has improved in many parts of the country, the paramount importance of keeping the virus off the boats to crewmember health and safety and the resilience of the maritime supply chain—especially as opportunities for exposure off the job magnify with the relaxation of stay-at-home orders—underscores the need to increase access to testing as an optional part of the pre-screening process.
2) Enacting temporary, targeted liability protections for maritime employers who make good faith efforts to abide by applicable public health guidelines in working to protect their employees from exposure to COVID–19, while preserving the availability of legal remedies against employers who engage in reckless or willful misconduct. We are hopeful that a bipartisan consensus on time-limited and carefully crafted liability protections can be included in a forthcoming legislative package to support our national recovery from the many harmful effects of the COVID–19 pandemic.
3) Enacting the Coast Guard authorization bill, which includes a number of provisions that promote marine safety, including suspension of the towing vessel inspection user fee requirement until the Coast Guard promulgates regulations to establish specific fees based on whether a vessel uses the Towing Safety Management System or the Coast Guard option under Subchapter M. As the Subcommittee recognized in drafting that provision, the current fee structure provides a perverse disincentive to use of the TSMS option and imposes duplicative costs on vessel owners who are already paying many thousands of dollars more for the services of Coast Guard-approved third-party organizations.

CONCLUSION

Chairman Maloney, Ranking Member Gibbs, thank you for the opportunity to testify today. The U.S. domestic maritime supply chain is resilient, and the tugboat, towboat and barge industry is well equipped to continue to serve our nation as we begin the long road to recovery from the economic disruption caused by this global public health crisis. We look forward to working with you to learn and apply the lessons of this experience to strengthen our resiliency as an essential critical infrastructure sector and a vital contributor to our nation's economy, security, environment and quality of life.

I would be happy to answer any questions you may have.

Mr. MALONEY. Thank you, Ms. Carpenter.

Ms. Brand, you may proceed.

Ms. BRAND. Good afternoon, Chairman Maloney, Ranking Member Gibbs, Chairman DeFazio, and members of the subcommittee. My name is Lauren Brand, and I am president of the National Association of Waterfront Employers.

The members of NAWE and I thank you for keeping our Nation's ports open during this global pandemic. Your designation of waterfront workers as essential and your recognition of the entire port ecosystem as being critical has strengthened all of our work commitment to work.

NAWE is the voice for the U.S. marine terminal operators, stevedores, and operating port authorities. We represent interests in U.S. coastal ports and U.S. Territories. Members also include the associations responsible for labor relations and contract negotia-

tions with the ILA and the ILWU, from Maine to Texas, then from Washington to California.

Port operators are responsible for safely and effectively transporting cargoes between vessels, trucks, and rail. NAWE's members lease waterfront land from public port authorities and they build their own facilities. Within their terminal area, they hire labor, they fund the purchase of cargo-moving equipment, construct intermodal infrastructure, and design systems that track each shipment.

We are experiencing four significant COVID–19-related challenges: taking care of waterfront workers, adjusting safety protocols while continuing terminal operations, rearranging terminal facilities to accommodate new needs, and maintaining liquidity.

Taking care of waterfront workers has been our first priority. Commercial supply chains for PPE and cleaning supplies are now in place. The rapid price increases experienced for PPE these past 3 months, frankly, was crippling.

Next, in an effort to increase safety while continuing to work, terminal operations and protocols have been adjusted. Every aspect of each operating terminal has been taken into consideration. It is important to note that labor and management are working together to implement the best decisions and provide protections.

Also, terminal facilities have been rearranged to accommodate new needs. The storage of abandoned cargoes, while only 1.5 percent, is expected to grow. Envision 40,000 chocolate bunnies within just one container that should have been delivered for the Easter holiday.

Storage of stranded cargoes is increasing, requiring regular monitoring of units to ensure they are handled correctly. Examples of stranded cargoes include parts for manufacturing facilities, summer fashions, and automobiles.

Exports are being impacted. The reduction in vessel calls to ports has resulted in higher value cargoes—that pay the vessel operator more to ship—being loaded first, delaying the exported lower valued items.

Quarantines and the additional screening of workers under newly implemented safety protocols are having a direct impact on security duties, and costs.

Maintaining liquidity in the face of reduced revenues and increased costs is our fourth challenge. Examples of stresses on liquidity include the management of empty containers that are stacking up in terminals on the gulf coast. NAWE member container yards have units in them that have not moved for months, generating a 100-percent decline in revenues.

Another example are lease payments. Marine terminal agreements include a lease rate and a minimum annual guarantee based on volumes. As throughputs decline below normal levels, these guarantees result in increased operating costs for terminal operators.

Certain COVID-related needs do remain unmet. The cost of ensuring that equipment and machinery are safe to use exceeds that of the cost of disinfectant. Added to this are safeguarding costs such as conducting regular temperature checks for several thou-

sand employees and visitors as they enter each terminal facility daily.

No sector or freight is immune to the impact of COVID–19. Beyond freight, our members also support the provisioning of cruise ships and assist cruise passengers. Cruise ships are now accepting bookings for cruises beginning late July and the public is responding. Marine terminal operators are strategically planning to protect employees, waterfront workers, and the guests who will transit through terminals on their way to vacation.

It is the cost of all of these actions necessary to keep marine terminals open, people safe, and essential freight moving that is our problem.

In conclusion, marine terminal operators, stevedoring firms, and operating port authorities remain committed to ensuring the transportation needs of the United States are met. We urge you to enact a bridge program that will assist waterfront employers and port authorities defray COVID–19-related expenses, including lease and all other expenses necessary to keep the ports open, terminals operating, and workers employed.

Thank you for this opportunity. We appreciate the dedication of this subcommittee and their continued support for U.S. port operators.

[Ms. Brand's prepared statement follows:]

**Prepared Statement of Lauren K. Brand, President, National Association of Waterfront Employers**

Good afternoon, Chairman Maloney, Ranking Member Gibbs, and members of the Subcommittees. My name is Lauren Brand, and I am the President of the National Association of Waterfront Employers, otherwise known as NAWE. Thank you for this opportunity to discuss the impact of the COVID–19 pandemic on the U.S. marine terminal operating and stevedoring industries. Even more importantly, the members of NAWE and I thank you for keeping our nation's ports open during this global pandemic. Your designation of waterfront workers as essential and your recognition of the entire port ecosystem as being critical has strengthened our commitment to work.

NAWE is the voice in Washington for U.S. marine terminal operators, stevedores, and operating port authorities. The Association represents interests based at U.S. coastal ports and those based in U.S. territories. Members also include the associations responsible for labor relations and contract negotiations with the ILA and the ILWU from Maine to Texas and from Seattle to San Diego. Formed initially around common interests in providing compensation to injured longshoremen, NAWE was active in supporting maritime security regulation at our ports' facilities following 9/11. Today, NAWE's portfolio represents the full spectrum of port operators' interaction with the Federal Government, including informing the development of national freight policies, infrastructure funding, port safety, security protocols, the environment, and workforce policies. NAWE is honored to serve as a subject matter expert to Federal Agencies and Departments on issues related to intermodal transportation. It is important to note that 44 Federal Agencies within 14 Federal Departments oversee marine terminal operators, stevedoring firms and operating port authorities.[1] NAWE's members remain committed to moving the freight needed and wanted by the people of the United States. We are here to ask for your consideration to help us remain on the job.

WHO ARE PORT OPERATORS?

Port operators, while based in the United States and employing U.S. citizens, work with global markets. They receive goods sourced from around the world and

[1] Source: https://www.cmts.gov/resources/compendium

ensure these are safely moved onto other domestic modes that will complete the delivery process. More importantly, they receive U.S. exports and ensure these are loaded onto the right vessel for delivery overseas. What happens in North, Central and South America, Europe, Asia, Africa, and other far flung regions impact the business of terminal operators. We are a critical part of the U.S. maritime transportation industry, responsible for safely, securely and efficiently transporting cargoes between vessels, trucks and rail. To do so, NAWE's members lease waterfront land from public port authorities and build their own facilities. Within their terminal area, they hire labor, fund the purchase of cargo moving equipment, construct intermodal infrastructure and design systems that track each shipment and communicate with their customers: vessel operators, truckers, railroads and, of course, cargo owners.

WHAT IS OUR ASK?

We are seeking a bridge for FY20 and FY21 that will help marine terminal operators, stevedores and port authorities through this difficult time as freight continues to react to the global pandemic. We ask that a bridge program be enacted that will assist these maritime partners defray COVID–19 related expenses including lease and other contractual expenses necessary to keep the ports open, terminals operating and workers employed.

WHAT ARE OUR MOST SIGNIFICANT COVID–19 RELATED CHALLENGES?

*Taking care of waterfront workers has been our first priority*. While personal protective equipment (PPE) and cleaning supplies were difficult to obtain during February, March and April, the majority of NAWE's members are now able to procure supplies through commercial sources. None of our members approached regional Emergency Relief Agencies for supplies in an effort to help the medical profession who were also on the front lines of this crisis. Some terminal operators were assisted by public port authorities and have appreciated their efforts. The vast majority of items [2] were purchased from regular commercial sources, but when those could not be delivered in time, alternate sources were found locally at Ace Hardware, Home Depot, Lowes, Walmart, and Dollar Stores. Commercial supply chains for these items are now in place. The rapid price increase experienced by all was crippling as these expenses were not expected by anyone. Continuous price increases for items was daunting; masks and gloves rose an audacious 25% in one week during April. One NAWE member obtained PPE by working with a local tequila producer who made tequila-based sanitizer in drums. The drums were distributed to terminals where they were bottled for individual use. (yes, warning labels were added to bottles; "do not drink the sanitizer").

*In an effort to increase safety while continuing to work, terminal operations and protocols have been adjusted to care for workers and personnel*. Every aspect of the design of each terminal was taken into consideration. Where do people normally congregate? Which surfaces are frequently touched? How many? When? How often? The questions are never ending. It is important to note that labor and management are working together to implement the best decisions and provide protections. All have been selflessly dedicated to the commitment to keep terminals open and freight moving. Examples of changes made include:

- Formerly two machines would be rotated among three people during a shift. Now one machine is shared between two people on a shift. This increases cost as more machines are needed online during a shift while it decreases exposure to personnel.
- A realignment of space within terminal facilities to accommodate storage of abandoned cargoes, stranded cargoes and empty containers.
- Separating essential cargoes from non-essential cargoes to allow for more efficient delivery of medical items and PPE. This requires closer coordination with cargo owners, as terminal operators do not normally know exactly what is in each container. They do however know which contain hazardous materials,

[2] This list was compiled through the National Maritime Safety Association (http://nmsa.us/). It includes: Digital non-contact infrared thermometers; disinfecting soap and bottles / dispensers / sprayers; sanitizing wipes; masks (N95 preferred); non-permeable gloves/Nitrile preferred 6 mil or 8 mil; toilet paper; paper towels; tissues; disinfectant spray to sanitize equipment (Hospital grade); individual hand sanitizers to be distributed; hand sanitizers stations and refills; goggles; heavy rubber gloves for cleaning; foggers; coveralls; 2 gallon garden pump & spray. *Note*: disinfectant must be on the EPA list of approved COVID–19 fighting products at: https://www.americanchemistry.com/Novel-Coronavirus-Fighting-Products-List.pdf

which need temperature monitoring, etc. to facilitate proper handling of those units.

- An entire terminal management team was quarantined for 14 days when they were exposed to a security guard who tested positive for COVID–19.
- Additional labor was brought in some regions to allow contingent teams to be organized if one was forced into quarantine. In other regions, fewer personnel were hired due to the reduction in vessel arrivals (blank sailings [3]).

*Terminal facilities are being rearranged to accommodate new needs*. The storage of abandoned cargoes, while currently only at 1.5%, is expected to grow on the West Coast. Cargoes are considered abandoned once notification has been received from the consignee [4] that they do not want to receive the shipment. The terminal then moves that container to a separate location within the terminal, securing it and ensuring its safety until a claim for the contents is settled. Examples of cargoes that have been abandoned at terminals include those for holidays that occurred during the COVID–19 pandemic: Valentine's Day, St. Patrick's Day, and Mother's Day. Also included are shipments of Spring and Summer fashions and other seasonal items that would normally have been delivered and sold in the months of February through May. To paint a picture, 40,000 chocolate bunnies are within just one container that should have been delivered in time to sell before the Easter holiday.

Likewise, storage of stranded cargoes is increasing, requiring monitoring of these units to ensure they are handled according to the protocols set for each type of cargo. Is the cargo temperature sensitive? Is it hazardous? What are the special needs? Stranded cargoes are those that have arrived, are cleared for pick up, yet the consignee is not able to accept these at this time and asks the terminal operator to store it for them. So many stores and related off port storage facilities have been closed with new inventories wanted but not yet needed. Examples of stranded cargoes include parts for manufacturing facilities, Summer fashions and automobiles.

What happens to an import container after it's been emptied? Hopefully, it has been filled with U.S. produced export cargo and it is returned to a marine terminal to be shipped overseas. Unfortunately, the United States has an imbalance of trade, with imports outpacing exports more than 2 to 1. Exports from the U.S. include a number of commodities made by industries that have been heavily impacted by the pandemic: commercial aircraft, fuel oil, automobiles, meat and poultry, autos and auto parts [5]. To date, exports in 2020 have declined to the lowest levels in over three years [6], with the highest drop in higher value commodities. The reduction in vessel calls to ports has resulted in the remaining higher value exports—that pay the vessel operator more to ship—being loaded first, and lower value cargoes being left at the terminals. More unexpected freight for the port operator to securely store and safely monitor. Security oversight, as mandated by law, require resources that are not recoverable when cargo volumes are declining. Quarantines on passengers and crews and the additional screening of workers under newly implemented safely protocols are having a direct impact on security duties and costs.

*Managing the fiscal impact of reduced revenues and increased costs while challenged by the overt uncertainty of what the future holds*. We are aware that every link in the supply chain has lost revenue, and that the entire industry has been fiscally impacted. We are also very aware of the vital role of each partner in the supply chain. We want all to remain liquid and fulfill their role in our national transportation system. And we have a responsibility to ensure we are ready, open for business, with healthy teams ready to do our job safely, securely and as efficiently as possible. A prime example of stressors on liquidity include management of empty containers that are stacking up in terminals. Our transportation system usually cycles empties for exports or they are picked up by passing vessels to return them overseas to be refilled and brought back again. A normal business practice is to not charge for storage, but to assess a handling fee when containers arrive and depart. NAWE member container yards have units in them that have not moved for months, thereby generating a 100% decline in revenues. Another example are lease payments for marine terminals. Marine terminal agreements with their landlord port authorities include a 'minimum annual revenue guarantee' clause that is based on volumes. When expected volumes do not materialize, port authorities are not able to collect dockage, wharfage and other fees related to supporting the needs of vessels while they are in port.

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[3] A 'blank sailing' is a cancelled sailing. A blank sailing could mean a vessel skipping one port along the route, or the entire journey being cancelled.

[4] The difference between a shipper and a consignee is that the consignee is the receiver of the shipment.

[5] https://www.thebalance.com/u-s-imports-and-exports-components-and-statistics-3306270

[6] https://tradingeconomics.com/united-states/exports

Moody's Investor Service issued a report May 13, 2020 that states "However, most US ports are organized as landlords and receive 40%–70% of revenues in the form of guaranteed payments under long-term leases from tenants." It also states, "Port operators and customers will face significant pressure as throughput materially declines in the months ahead." They predict this decline will approach or exceed the decline of the 2008–2009 global financial crisis. The report continues with "Tenants have expenditure flexibility to adapt to lower volumes, but a severe downturn would pressure stability." And "Lower volume can be partially managed by operators' expenditure flexibility, but the impact of such an unprecedented shock is ultimately uncertain." We are seeing a severe downturn that will continue into the remainder of the year, impacting a port operator's ability to ensure continued liquidity.

Landlord ports include this minimum annual revenue guarantee clause to help them recover potentially lost fees if volumes should decline. This is normally considered an incentive clause to encourage the terminal operator (tenant) to maximize volume throughput by working hard to attract new business to the port, and thereby their terminal. It has not been envisioned to become a punitive charge during a global pandemic, that increases lease payments at the same time volumes spiral downwards, operating costs increase, and revenues take a nosedive.

## WHAT COVID–19 RELATED UNMET NEEDS REMAIN?

*Taking care of personnel*: The on-going cost of PPE and cleaning supplies has been exceeded by the cost of having to sanitize equipment and machinery before and after each work shift. The application cost of ensuring equipment and machinery are safe to use exceeds that of the cost of disinfectant. NAWE members are spending between $75,000 and $335,000 per week on these new expenses. Documented costs for one coastal region alone exceed $1 million per week. Compounding this new financial burden is the cost of safeguarding the workplace such as conducting regular temperature checks for several thousand employees and visitors as they enter each terminal facility. No one is talking about ending cleaning protocols. A bridge is needed to allow waterfront employers time to engage with customers and adapt these new expenses into operations.

*Adjusting terminal operations*: As volumes drop, terminal and gate hours must be adjusted to allow the existing business to support operations as much as possible. Reduced gate hours require truckers to be diligent in collecting containers. As each terminal supports a different profile of customers, we are seeing a range in business declines from a low of 17% to a high of 32%. The year 2020 will be one of the worst on record, with Q1 and Q2 an average of 20% below projections, Q3 generating uncertainty and another drop expected in Q4. Shipping is seasonal, with one more peak season ahead of us. The National Retail Federation issued a report May 11, 2020[7], confirming the forecast by Global Port Tracker, a firm that provides historical data and forecasts for 13 of the top U.S. coastal ports. They do not show a smart recovery in Q3. Included in Q3 shipments are back to school supplies, Fall fashions and fall/winter holiday goods. Rather, they are predicting a slow recovery beginning in Q4 or early 2021 (see chart).

| Month in 2020 | Estimate of TEU (number of containers handled) | Decline from same time last year, YTD |
|---|---|---|
| April | 1.51 million | –13.4% |
| May | 1.47 million | –20.4% |
| June | 1.46 million | –18.6% |
| July | 1.58 million | –19.3% |
| August | 1.73 million | –12% |
| September | 1.7 million | –9.3% |

While the majority of this paper has referenced container terminal concerns, NAWE's members also operate roll on/roll off terminals for vehicle and heavy equipment movement, breakbulk terminals that move steel and lumber products, and bulk terminals that focus on construction materials. Imagine the cars that are sitting on terminal land, rows upon rows of new vehicles waiting to be moved to dealers across the nation. With Hertz, Avis and others cancelling their orders for new vehicles, how long will some of these autos continue to encumber limited space on terminals? Steel waits for manufacturing plants to reopen. No sector of freight is

[7] https://www.lloydsloadinglist.com/freight-directory/news/US-box-import-declines-forecast-to-continue/76566.htm#.XsqYHy-z2L9

immune to the impact of COVID–19. And each stress the resources of the terminal operators.

Beyond freight, our members also support the provisioning of cruise ships and the embarkation and disembarkation of cruise passengers—matching each with their baggage both on and off the ship. Marine/cruise terminal operators have a special duty of care to passengers. They are strategically planning to protect their employees, waterfront workers and the guests who will transit terminals on way to their vacation. Cruise ships have announced they will now accept bookings for cruises scheduled to sail late July and early August—and the public is responding. The costs to protect workers and guests will be a major issue. Security costs will be dramatically increased in these instances . . . even more expenses needed to be funded.

NAWE's members are scouring Federal regulations seeking support for what COVID–19 can be considered. It defies definition of any prior crisis of our time. Port operators are moving forward with strategic planning, logical implementation of those plans, and making nimble adjustments when needed. It is the cost of these actions, necessary to keep marine terminal open and freight moving, that is our problem.

IN CONCLUSION

We would like to take a moment to recognize the many Federal teams who have worked with us during this unprecedented time: the U.S. Coast Guard (USCG), Federal Maritime Commission (FMC), and the Maritime Administration (MARAD). While many Federal partners are working with us, these have gone above and beyond in their efforts to be of assistance. The USCG have maintained oversight as required under 33 CFR part 126 while balancing new protocols put into place to address the threat of COVID–19. The FMC has reached out to NAWE to see what they can do to be of assistance. Sometimes a call or a letter makes a big difference. MARAD has stepped up by hosting industry calls that include our members, allowing us to share information and concerns with our maritime transportation partners. MARAD heard our request for PPE and are working with FEMA to supply masks for the maritime industry. NAWE's members requested 240,250 masks and believe these will provide a 90-day supply for our workers.

Marine terminal operators, stevedoring firms and operating port authorities are each experiencing reduced volumes in the face of dramatically increasing costs. They are committed to remaining open and ensuring the freight needs of the United States are met but cannot continue to do so without assistance. *We ask that a bridge program be enacted that will assist waterfront employers and port authorities defray COVID–19 related expenses including lease and other contractual expenses necessary to keep the ports open, terminals operating, and workers employed*.

Again, thank you for this opportunity. We appreciate the selfless dedication of this Subcommittee and their continued support for U.S. port operators. We look forward to working with you to ensure the supply chain of the United States remains strong.

Mr. MALONEY. Thank you, Ms. Brand.

I think that image was meant to alarm us, but I have to say you had me at 40,000 chocolate bunnies. It is about the best image I think I have had in days.

So we have one more witness.

Mr. Ebeling, you may proceed.

Mr. EBELING. Thank you, Mr. Chairman.

My name is Eric Ebeling and I am testifying today on behalf of USA Maritime, a coalition consisting of American-flag vessel operators and owners, trade associations, and maritime labor committed to ensuring that the U.S. merchant marine will always be available to support our warfighters, enhance our economy through trade, and provide great jobs to thousands of Americans across the country.

As president and CEO of American Roll-On Roll-Off Carrier Group [ARC], a USA Maritime company, it is my honor to lead an incredibly talented team of men and women at the largest U.S.-flagged RORO operator. ARC has reflagged five new vessels in the U.S. registry since 2016, including three vessels in 2019, and all of

our vessels are crewed by American mariners and fly the American flag.

The U.S.-flag fleet operating in international trade primarily consists of the militarily useful and commercially viable Maritime Security Program, or MSP, fleet of 60 ships, the attendant global networks, and a mariner base of over 2,400 highly trained and loyal U.S. citizen merchant mariners that support U.S. Transportation Command and the Joint Deployment and Distribution Enterprise. It would cost the Government tens of billions of dollars to attempt to try to replicate the capabilities provided.

The success of a commercially viable U.S.-flag international fleet is predicated on several factors, all of which must be present together. The MSP readiness retainer stipend, which provides a strong base; U.S. Government generated preference cargoes that must move on U.S.-flag ships; and commercial cargo, which is not required to move on U.S.-flag vessels but fills the remainder of the vessel.

The COVID–19 crisis has devastated the cargo segments thereby undermining the central tenet of the U.S.-flag international fleet. The latest statistics compiled by MARAD for April 2020 show Government-impelled revenue declined by at least 47 percent across the MSP fleet versus April 2019. Globally, there are currently 524 containerships in lay-up, equivalent to 2.65 million TEU capacity, and on the RORO side, global light vehicle sales in April dropped 45 percent year on year.

A particularly telling statistic is that the United States-Mexico-Canada Agreement produced only 4,840 light vehicles in April, which would not even fill one pure car/truck carrier RORO vessel.

Smart and effective maritime policy, whether legislative or executive action, has always underpinned the success or failure of the U.S.-flag fleet international trade, and the COVID–19 crisis is no exception. Some have not unreasonably queried whether U.S.-flag carriers operating under MSP can access $17 billion set aside for defense contractors under the CARES Act. Due to the DX-priority or valid top secret requirements, they cannot.

The fundamental question is what level of readiness is being sought for the U.S.-flag MSP fleet in international trade. The stipend by itself is not enough to maintain any approximation of normal service.

Congress and the administration should consider three actions to ensure that the MSP fleet and the thousands of mariner jobs that go with it remain at the ready to support national defense and economic security missions.

First, Congress should consider an emergency stipend through the remainder of fiscal year 2020, and, if necessary, beyond, aimed at addressing the extraordinary costs of readiness that are being borne by MSP carriers.

Put another way, carriers would be compensated for their maintenance of service and readiness as opposed to putting ships in cold lay-up or scrapping or recycling or flagging out as carriers might otherwise do if not dedicated to supporting DoD and the JDDE.

As per its previously submitted detailed proposal, USA Maritime urges Congress to authorize and appropriate $109.8 million or $1.83 million per MSP vessel for the current fiscal year, as well as

to authorize $109 million for the first half of fiscal year 2021 to be appropriated, if needed. This is what is necessary to maintain full service levels, full employment, and minimize impacts to national security.

Second, 100 percent of all Government-owned or financed cargoes should be required to move on U.S.-flag ships. It is a rather simple equation: Without cargo, carriers will not invest in ships, and without ships there will not be jobs for merchant mariners. And without those merchant mariners, the Government-owned reserve fleet cannot be crewed.

In a letter addressed to this committee dated May 15th, 2020, signed by TRANSCOM Commander General Stephen Lyons, he called for requiring, quote, "100 percent of all Government-compelled cargoes to be transported on U.S.-flagged vessels," close quote. USA Maritime strongly endorses the recommendation.

Third, consider accelerating the recapitalization of the Government-owned sealift fleet, specifically the Ready Reserve Force fleet, in the most cost-effective manner, which is to buy used foreign-built ships with a first priority for used MSP or VISA ships. Eighty-six percent of the thirty-five ROROs in the RRF today were foreign built, so this would hardly be treading new ground. RRF ships today average 45 years old and RRF sealift readiness rates are only 59 percent. But as a result of the COVID crisis, there are now more readily available used foreign-built ships. DoD should act on the seven authorizations already in place and Congress should authorize and appropriate for additional purchases in the near term.

This subcommittee and the members of it have been stalwart supporters of our U.S. maritime industry. You understand well the many sacrifices that American mariners have endured to service this Nation, including during this pandemic as these essential workers continue to deliver the goods.

I close by highlighting another excerpt from the aforementioned TRANSCOM letter to this committee dated May 15th in which General Lyons stated, quote, "Given the economic downturn as a result of COVID–19, I urge you to favorably consider the relief request from VISA and MSP carriers."

Thank you for the opportunity to be here today. I look forward to any questions you may have.

[Mr. Ebeling's prepared statement follows:]

**Prepared Statement of Eric P. Ebeling, President and Chief Executive Officer, American Roll-On Roll-Off Carrier Group, testifying on behalf of USA Maritime**

INTRODUCTION

Good afternoon Chairman Maloney, Ranking Member Gibbs, and members of the Committee. Thank you for the opportunity to appear before you today to discuss the state of the U.S.-flag international fleet and the impact of the COVID–19 pandemic on the U.S. maritime supply chain.

My name is Eric Ebeling and I am testifying today on behalf of USA Maritime, a coalition consisting of American-flag vessel owners and operators, trade associations, and maritime labor. USA Maritime is committed to ensuring the U.S. Merchant Marine will always be available to support our warfighters, enhance our econ-

omy through trade, and provide great jobs to thousands of Americans across the country.

As we just celebrated Memorial Day earlier this week, and National Maritime Day last Friday, May 22nd, I take the opportunity to reflect on all those men and women who died while serving in the U.S. military to defend our freedoms, and all those serving in the maritime industry past, present and future. At the confluence of these holidays, and on the 75th anniversary of the end of World War II, it is right and proper that we remember World War II merchant mariners, who were recently recognized through the "Merchant Mariners of World War II Congressional Gold Medal Act of 2020", sponsored by Congressman John Garamendi (D–CA) and Senator Lisa Murkowski (R–AK), and signed into law by President Trump on March 14, 2020. Thank you to all of you who supported this long overdue recognition.

As President and CEO of American Roll-On Roll-Off Carrier Group (ARC), it is my honor to lead an incredibly talented team of men and women at the largest U.S.-flag Ro-Ro operator. We own and operate ten roll-on roll-off (Ro-Ro) vessels in international trade, all of which are enrolled in the Voluntary Intermodal Sealift Agreement (VISA[1]), and eight of which are enrolled in the Maritime Security Program (MSP[2]). ARC Group is committed to investing in the U.S.-flag fleet and U.S. Merchant Marine[3] to support our armed forces around the world. We have re-flagged five new vessels into U.S. registry since 2016, including three vessels in 2019. All our vessels are crewed by American mariners and fly the American flag. These Ro-Ro[4] ships have unique capabilities to handle rolling stock—trucks, tanks, helicopters, heavy equipment—and breakbulk that is crucial to supporting military sealift. In addition, we provide stevedoring and related terminal services, multimodal, 3PL, and personal property support services to the Department of Defense (DoD), other federal departments and agencies, and commercial customers.

The U.S.-flag fleet operating in international trade primarily consists of the militarily useful and commercially viable MSP fleet of 60 ships and attendant global networks. There are also a handful of vessels operating in international trade outside the MSP fleet. The MSP fleet provides crucial readiness, capacity, and a core mariner base of over 2,400 highly trained and loyal U.S. citizen merchant mariners to U.S. Transportation Command (TRANSCOM[5]), its components, and the Joint De-

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[1] Voluntary Intermodal Sealift Agreement (VISA): jointly sponsored program by the U.S. Maritime Administration and TRANSCOM. VISA provides TRANSCOM with assured access to U.S.-flag assets, specifically the staged, time-phased availability of U.S.-flag commercial carriers' shipping services and intermodal systems. Through pre-negotiated contracts, TRANSCOM is able to meet DOD contingency requirements in the most demanding defense-oriented situations. The MSP/VISA fleet is always active in commercial trade but can be activated for defense purposes by the Commander of TRANSCOM with the approval of the Secretary of Defense. Throughout any stages of this agreement, DOD may utilize voluntary commitment of sealift capacity or systems.

[2] Maritime Security Program (MSP): a federal maritime financial sustainment program that provides for a fleet of modern U.S.-flagged and U.S.-crewed militarily useful sealift assets operating in international trade. The MSP fleet enables the U.S. Government to provide sealift for U.S. armed forces utilizing the resources of the U.S.-flag commercial fleet, and the presence of a U.S.-flagged commercial fleet operating in international trade enables the government to pursue generous overseas economic and agricultural assistance programs. The MSP fleet provides a U.S. national security asset at a substantially lower cost than the government owning and maintaining an equivalent capability. An amendment to the Merchant Marine Act of 1936, it was first passed in 1996, and originally comprised a fleet of 47 U.S.-flag militarily useful vessels. When MSP was reauthorized in 2003, the fleet was expanded to 60 ships. The program is currently authorized through 2035. MSP provides its U.S.-flag ship-operating participants with a stipend that helps to offset the relatively higher costs of flagging, crewing, and operating a U.S.-flag vessel.

[3] U.S. Merchant Marine: often referred to as "The Fourth Arm of Defense", the United States Merchant Marine has its origins in 1775 and the Revolutionary War and throughout its existence, as exemplified by its flag motto of "In Peace and War", has had a dual nature to support the nation's trade during times of peace but to switch into a supporting role in time of war. The term can refer to either U.S. civilian mariners or to U.S. civilian and federally owned merchant vessels. Merchant Mariner officers may also be commissioned as military officers by DoD.

[4] Roll-on Roll-off (Ro-Ro): self-sustaining cargo ships designed with ramps primarily to carry wheeled cargo such as cars, trucks, buses, semi-trailer trucks, trailers, locomotives, railcars, helicopters and other vehicles driven on and off the ship on their own wheels or using an assisting platform vehicle. Common Ro-Ro vessel types include pure car carriers (PCCs), pure car/truck carriers (PCTCs), large car/truck carriers (LCTCs), Ro-Ros (focused on high and heavy equipment), container/Ro-Ros (Con-Ros), and Ro-Ro passenger (Ro-Pax) vessels. The MSP Ro-Ro fleet is comprised of primarily PCTCs.

[5] U.S. Transportation Command (TRANSCOM): one of eleven unified combatant commands of the United States Department of Defense. The command is located at Scott Air Force Base, Illinois, was established in 1987 and coordinates missions worldwide using both military and commercial transportation resources. Its components include Air Mobility Command (AMC), Mili-

ployment & Distribution Enterprise (JDDE[6]). Without the ships, networks and mariners provided by the MSP fleet, it would cost the government tens of billions of dollars to attempt to try to replicate the capabilities provided.

## U.S.-FLAG FLEET & COVID–19 IMPACTS

The success of a commercially viable U.S.-flag international fleet is predicated on several factors, all of which must be present together: (1) the MSP readiness retainer stipend, which provides a strong base; (2) U.S. government generated preference cargoes that must move on U.S.-flag ships; and (3) commercial cargo, which is not required to move on U.S.-flag vessels but fills the remainder of the vessel. The cargo groupings vary in terms of relative importance by vessel type and by relative volume over time, but ultimately function together with the stipend to partially offset the higher costs of operating and crewing U.S.-flag vessels vs. foreign flag ships, which is directly attributable to compliance with U.S. laws. The COVID–19 crisis has devastated the cargo segments, thereby undermining the central tenet of the U.S.-flag international fleet.

International Monetary Fund (IMF) forecasts for 2020 indicate that the U.S. economy is expected to shrink by 4.6% for the year, the Euro area is expected to shrink by 7.0%, and China is expected to grow by 1.2%. The idle global container fleet has reached record levels, greater than even during the Global Financial Crisis, with 524 ships idle, equivalent to 2.65M twenty-foot equivalent unit (TEU[7]) containers. The global container fleet, which consists of three primary alliances, 7 major carriers and several smaller carriers, is experiencing hundreds of blanked or voided sailings. According to one recent industry report, global container liner providers could lose upwards of $23.4 billion in 2020. In the heavy lift or multipurpose (MPP[8]) sector, which is focused on project cargos and infrastructure development in remote locations year-on-year MPP vessel utilization is down by 75–90%, and "handysize[9]" freight rates are down 50–70% in Atlantic trades and over 70% in Pacific trades.

Turning to the global Ro-Ro fleet, a recent trade press article noted that some major car carrier routes are showing a 50% drop in demand. Global light vehicle sales in April showed a 45% drop year-on-year, with the U.S. down 45.6%, and some regional year-on-year drops approaching 80%. Production rates vary by region but have often fallen below 50% of normal levels due to supply chain disruptions, weak demand, and the operational constraints of social distancing. The European Commission is considering an economic stimulus package that could include a 20 billion Euro offer to consumers in the EU; details are not finalized but it is expected to incent environmentally friendly passenger cars. In the U.S., some automotive plants have resumed production, and GM, Ford and Fiat-Chrysler are in the process of reopening. However parts shortages forced Mercedes to suspend production at its Alabama plant following reopening in earlier May. The USMCA[10] area produced only 4,840 light vehicles in April, which would not fill even one pure car truck carrier (PCTC) Ro-Ro vessel. Year to date, global PCTC calls are down nearly 17%, with most of the declines in April and May.

For the U.S.-flag fleet generally, the DoD "stop move" policy, which is in effect through June 30th, is the major issue, although we have seen slowly increasing cargoes moving by exception to policy, whether for military unit cargo, sustainment, or personal property over the past several weeks. There has been a concerted effort by TRANSCOM and its Army component, Surface Deployment & Distribution Com-

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tary Sealift Command (MSC), and Surface Deployment & Distribution Command (SDDC). Commercial industry is often referred to as the "fourth component" of TRANSCOM.

[6] Joint Deployment & Distribution Enterprise (JDDE): an integrated DoD system consisting of assets, materiel, personnel, leaders, organizations, tools, training, facilities, and doctrine capable of providing prospective joint force commanders with the ability to rapidly and effectively move and sustain joint forces in support of major combat operations or other joint operations.

[7] Twenty-foot Equivalent Unit (TEU): a container shipping industry standard used to describe the capacity of container ships and container terminals based on the volume of a 20-foot-long (6.1 m) intermodal container, a standard-sized metal box which can be easily transferred between different modes of transportation, such as ships, trains and trucks. There is also a standard container with the same width but double length called a 40-foot (12.2 m) container known as a forty-foot equivalent unit (FEU).

[8] Multi-Purpose Vessel (MPP): sometimes also referred to as MPV or heavy lift vessels, encompasses ships built for the carriage of a wide range of cargoes including but not limited to large dimension projects, wood, steel, building materials, rolls of paper and bulk cargo.

[9] Handysize: naval architecture term for smaller bulk carriers generally with deadweight of up to 50,000 tons.

[10] USMCA: United States-Mexico-Canada Agreement, a free trade agreement that is a successor to the North American Free Trade Agreement (NAFTA).

mand (SDDC), to improve forecasting, which is very helpful to carriers as they plan and adjust their networks. However, cargo volumes, whether commercial or preference cargo, are simply not there, and it is unclear whether, when and to what extent underlying demand may return. Further details by U.S.-flag shipping segment:

- The internationally trading U.S.-flag container fleet, consisting of 120,000 TEUs of container capacity, is comprised of the three largest international container lines and operates in four main strings (1 trans-Pacific, 2 trans-Atlantic, and 1 Mideast); U.S.-flag impelled cargo generally fills about 10–15% of the total vessel. While these container liner strings continue to carry DoD sustainment and certain commercial cargoes, it is expected that total combined volumes will decrease by 30% in Q2.
- The MSP Ro-Ro fleet provides over 3.1 million square feet of capacity and exists almost exclusively to carry defense rolling stock and breakbulk cargoes. There are select cargoes moving by exception to the "stop move" policy but U.S.-flag Ro-Ro cargoes in Q2 may be down by as much as 75–90%.
- The DoD "stop move" order is also impacting the MPP heavy lift sector, and U.S. Export-Import Bank [11] and other civilian agency project cargoes are being delayed into 2021; several such vessels have entered into warm layup and others may be left with no choice but to join.
- In the tanker space, while there is a lag in impact due to the nature of the market space, the U.S.-flag market cargo expectation is a reduction of at least 25–30% in liquid preference cargoes for the year.

The continued availability of the MSP fleet's capabilities to TRANSCOM and the JDDE is critical to DoD's ability to meet the sealift requirements of the Mobility Capability Requirements Study (MCRS [12]) and in the national interest from an economic and national security standpoint. DoD's commercial partners and the mariner base must remain viable to support DoD needs regardless of the global economic environment. TRANSCOM is currently conducting an update to the MCRS, which will help identify long term organic and commercial sealift capacity requirements to meet operational needs. In an address last week on National Maritime Day (May 22, 2020), TRANSCOM Commander General Stephen Lyons noted "the United States' ability to project across trans-oceanic distances remains a strategic comparative advantage and is admired by both friends and adversaries. TRANSCOM, working with the Maritime Administration (MARAD) and key industry partners, provides an essential element of deterrence and if necessary, the unquestionable ability to respond with overwhelming decisive force, most of which will be moved by sealift. The resultant combined effort is a world order that encourages peace and opportunities for freedom, while deterring great power war for over 75 years and counting." There remains an enduring need to think long term, beyond the current crisis, on how commercial partners must remain viable to support DOD needs despite the global economic environment. This is why, notwithstanding the impacts of COVID–19, MSP carriers have been continuing to deliver the goods when and where needed.

## IN PEACE AND WAR

The historical highpoints for the U.S.-flag international shipping industry have occurred in the years following World War II, during and immediately after both the Korean War and the Vietnam War, and most recently during Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) in Afghanistan. Over 90% of all military equipment is shipped overseas by sea because of the scale and scope of the cargo, and the cost efficiency of moving it by sea versus air, with the preponderance of it generally shipped via the U.S.-flag international fleet. There is a direct correlation between declining defense spending and the decline of the U.S.-flag fleet and merchant marine. More to the point, when DoD is most active, and defense spend-

[11] U.S. Export-Import (EXIM) Bank: established in 1934 as the official export credit agency (ECA) of the United States. Operating as a wholly owned federal government corporation, the Bank assists in financing and facilitating U.S. exports of goods and services. EXIM promotes U.S. goods and services at no cost to U.S. taxpayers, protecting "Made in America" products against foreign competition in overseas markets and encouraging the creation of American jobs. There are strict U.S. content rules associated with EXIM financing, and certain project cargoes financed by EXIM must move on U.S.-flag vessels.

[12] Mobility Capability Requirements Study (MCRS): a series of mobility studies undertaken by TRANSCOM and the Cost Assessment and Program Evaluation (CAPE) organization within the Office of the Secretary of Defense (OSD), the most recently completed of which is designated MCRS–18. The studies asses the number of tanker aircraft, airlift aircraft and sealift ships needed to meet future combatant commander requirements and are generally undertaken pursuant to Congressional National Defense Authorization Acts (NDAAs).

ing is higher, the cargo base is larger and therefore the fleet sizes up accordingly. In the 1960s, national defense spending averaged 8–9% of GDP but by the end of 1970s, it was 5%. In the 1980s, it recovered to 6%, before declining again with the end of the Cold War, and by the end of the 1990s, it was under 3%. Defense spending reached a recent peak of 4.5% in 2009 before resuming a decline.

Not coincidentally, the U.S.-flag fleet has fallen from a recent high of 107 ships in international trade in 2010–2011 to a recent low of 77 ships in 2016 due to major decreases in defense and other preference cargoes, as well as the failure of the MSP stipend to keep pace adequately with rising costs generally and in particular a widening discrepancy between U.S.-flag operating and foreign-flag costs. The MSP fleet has stabilized over the past several years due to an increase in the MSP stipend that took effect in FY17. In December 2019, Congress wisely reauthorized MSP through 2035, which provides much needed longer-term stability as carriers invest in new assets and their networks for the long term. Having only just stabilized over the past several years, the U.S.-flag fleet now faces the twin catastrophes of imploding government and commercial cargo markets, impacting carriers' ability to maintain service, and in turn negatively impacting fleet, network and mariner readiness and by extension TRANSCOM/JDDE readiness.

All container operators and most Ro-Ro carriers in MSP operate in liner service, which is a standard industry term for regularly scheduled service with a fixed port range. U.S.-flag container carriers operate on a fixed weekly service schedule, with round trips ranging from 35 days to 77 days. Ro-Ro liner service follows the same general principle although it is usually more flexible on port range but less frequent. Liner services generally fulfill the schedule unless the vessel is unduly delayed due to natural or man-made causes. When any liner service sailing is blanked, the vessel in question will be idle until the next opening in the string to resume trading. To maintain service (and by extension, readiness for DoD), carriers may decide to operate higher cost U.S.-flag service when cheaper non-flag options may exist in a given carrier network. The remainder of MSP vessels operate on a contract of carriage or fixture basis, providing worldwide transport without a fixed trade lane, often to remote locations; such vessels are reliant on a base cargo that is often accompanied by smaller lot cargos for different customers. COVID–19 has dramatically impacted base cargoes resulting in idling of vessels.

Thus, while there are major differences in the reductions by market segment, due in part to the underlying service profiles, all U.S.-flag services are being dramatically impacted by the changing cargo dynamics. The extra costs of dealing with the crisis combined with lost revenues total hundreds of millions of dollars in total impacts. MARAD has compiled statistics showing a decline of $58.8M in government-impelled cargo revenues to MSP carriers in just the first quarter of 2020 vs. Q1–2019, and due to the lag effect on supply chains and cargo, most of the impacts, which only started in mid-March 2020, will be much harder felt in the second quarter and beyond. The latest statistics compiled by MARAD for April 2020 show government-impelled revenue declined by at least 47% across the MSP fleet vs. April 2019.

U.S.-flag carriers have taken various steps to manage costs, stay competitive, and maintain service. These include slow steaming; omission of port calls where there is insufficient volume to justify the cost of a port call; and eliminating holiday, weekend, and other overtime work where possible. Verifying cargo availability and accurate forecasting are critical, as is optimizing vessel utilization given the impacts to overall cargo volumes. Absent any national security and DoD-related readiness-driven considerations, U.S.-flag carriers would be even more aggressively adjusting to the dramatic decreases in cargo and revenue and taking assets and crews out of service.

Carriers are working closely with maritime labor, the U.S. Coast Guard, state and local authorities, agents, ports, and other parties as appropriate on COVID-protection measures. Social distancing, cleaning, and personal protective equipment (PPE) protocols are important to maintaining the health and safety of our people. Access to testing kits, certain overseas crew changes for select MSP vessels that do not call U.S. ports, and PPE remain challenges. However, the result of our joint efforts to date is that there have been no known outbreaks of COVID–19 on U.S.-flag MSP ships. It is probably unrealistic to believe that this trend will continue indefinitely, but it is a testament to the collective efforts of labor and management, balancing safety and health while continuing to meet the mission, that it endures today.

## CHALLENGES & OPPORTUNITIES

Smart and effective maritime policy, whether legislative or executive action, has always underpinned the success or failure of the U.S.-flag fleet in international

trade, and the COVID–19 crisis is no exception. In a theoretical free enterprise economic model, and absent DoD cargoes, other preference cargoes, and MSP, there would be no American citizen crews and no U.S.-flag international carriers. Today, as a result of the commitment of the Department of Defense to the utilization of the U.S.-flag commercial fleet and the support of the Maritime Security Program, the U.S.-flag fleet in international trade is largely stable, but the COVID crisis threatens that stability, and the thousands of mariner jobs that go with it.

It should be noted that the CARES Act and other legislative and Administration actions have helped to stabilize certain aspects of the situation for parts of the industry, including payroll protection and access to loans. While USA Maritime appreciates the actions taken so far, the work is incomplete. Some have not unreasonably queried whether U.S.-flag carriers operating under MSP can access the $17 billion set aside for defense contractors under the CARES Act. Fundamentally, the $17 billion is for loans to businesses critical to maintaining national security. One might think that U.S.-flag carriers supporting DoD sealift might reasonably qualify, but due to the DX-priority [13] or valid top-secret requirements, they do not. The fundamental question is what level of readiness is being sought for the U.S.-flag MSP fleet in international trade. Today's MSP rules allow operators a substantial degree of freedom provided they meet 180 minimum operating days per fiscal year, and under normal circumstances, when both government and commercial cargoes are moving in reasonable volumes, most carriers can not only meet that threshold but also the 320 minimum operating days necessary to receive the full MSP stipend for the fiscal year. But with both cargo sets decimated, the stipend by itself is not enough to maintain any approximation of normal service.

Congress and the Administration should consider three actions to ensure that the militarily useful and commercially viable MSP fleet, and the thousands of merchant mariner jobs that go with it, remain at the ready to support national defense and economic security missions:

- First, in recognition of the close partnership between DoD/TRANSCOM and commercial carriers, specifically DoD's reliance on commercial sealift to deploy and sustain the force, Congress should consider an emergency stipend through the remainder of FY20, and if necessary beyond, aimed at addressing the extraordinary costs for readiness that are being borne by MSP carriers. Put another way, carriers should be compensated for their maintenance of service (and readiness), as opposed to putting ships in cold layup, or scrapping/recycling, or flagging out, as carriers might otherwise do if not dedicated to supporting DoD. As per its previously submitted detailed proposal, in order to ensure continued readiness as well as maximum mariner employment feasible, USA Maritime urges Congress to authorize and appropriate $109.8 million ($1.83 million per MSP vessel) for the period April 1, 2020 to the end of the current fiscal year, as well as to authorize $1.82 million per vessel with a total authorization of $109 million for the period October 1, 2020 to March 31, 2021 to be appropriated as needed. This is what is necessary to maintain full-service levels and full employment and minimize impacts to national security levels.
- Second, under America's cargo preference laws [14], 100% of all military cargoes and at least half of all civilian agency cargoes must be shipped on U.S.-flag ves-

[13] DX priority: a priority rating under the Defense Priorities & Allocations Systems (DPAS). DPAS ratings assure the timely availability of industrial resources to meet current national defense and emergency preparedness program requirements and to provide an operating system to support rapid industrial response in a national emergency. The Defense Production Act of 1950 authorized the President to require preferential treatment of national defense programs. All prime contracts, subcontracts or purchase orders in support of an authorized program are given a priority rating. A DX rating is assigned to those programs of the highest national priority. Per DoD 4400.1-M, OSD AT&L approves DO rated orders and nominates to the Secretary of Defense for approval of DX rated orders. An unrated order is a commercial order or a DoD order that is not ratable. A DX rating takes priority over a DO rating which takes priority over an unrated order. Rated programs are also given a program identifier symbol. DPAS issues are supposed to be resolved at the lowest level possible.

[14] Cargo preference laws: the reservation by law for transportation on U.S.-flag vessels of all, or a portion of all, ocean-borne cargo which moves in international trade either as a direct result of the Federal Government's involvement, or indirectly because of the financial sponsorship of a Federal program or guarantee provided by the Federal Government. The U.S. cargo preference laws are part of the overall statutory program to support the privately-owned and operated U.S.-flag fleet and merchant marine. Cargo preference requires that U.S. Government-financed cargoes be shipped on U.S.-flag vessels, provided that such vessels are available at fair and reasonable rates. Preference cargoes are the key incentive for U.S.-flag operators operating in international trade to remain under U.S. registry and provide a vital cargo base to help offset foreign flag cost advantages. The primary U.S. cargo preference laws are set forth in the Cargo Preference Act of 1904, Public Resolution 17 (1934), and the Cargo Preference Act of 1954. The 1904

sels. This has been the official policy of the Federal Government since at least 1904, and it has long been a cornerstone of American national defense. Whether by legislation or executive order, 100% of all government-owned or financed cargoes should be required to move on U.S.-flag ships. It is a rather simple equation: without cargo, carriers will not invest in ships, and without ships, there will not be jobs for merchant mariners. Without those merchant mariners, the Government-owned reserve fleet cannot be crewed. In a letter addressed to this Committee dated May 15, 2020 signed by TRANSCOM Commander General Stephen Lyons, he called for requiring "100 percent of all government-impelled cargoes to be transported on U.S. flagged vessels"; USA Maritime strongly endorses the recommendation.

- Third, consider accelerating the recapitalization of the government-owned sealift fleet, specifically the Ready Reserve Force (RRF[15]) fleet, in the most cost-effective manner, which is to buy used foreign-built ships, with a first priority for buying used ships through U.S.-flag carriers. Some may raise the notion that such ships should be built in U.S. shipyards, and that is a laudable goal, although it is a relatively little-known fact that 86% of the 35 Ro-Ros in the RRF today were foreign built, so this would hardly be treading new ground. But the state of the RRF is woeful now (average ship age 45 years old), the U.S. Navy has many other competing budgetary shipbuilding priorities, and as a result of the COVID crisis there are more readily available used foreign built ships available now. TRANSCOM Commander General Stephen Lyons noted in testimony earlier this year that RRF "sealift readiness rates have declined to 59% compared against a goal of 85%, with vessel material condition and age as the primary factors". As we consider sealift that the nation needs, specifically whether to continue to pursue service life extensions, build new, or buy used, let us not let perfect be the enemy of good. DoD should act on the seven authorizations already in place for buy used, and Congress should authorize and appropriate for additional purchases in the near term. Including a first priority for used U.S.-flag foreign built MSP/VISA ships over foreign-flag foreign built ships would be a "win/win", as carriers could sell or charter assets to the government that are much younger than today's RRF ships, and in turn use the proceeds to reinvest in newer tonnage for the MSP/VISA fleet.

## CONCLUSION

The National Defense Strategy (NDS) focuses on the return of Great Power competition and all that it entails. In furtherance of NDS readiness mission assurance, the Defender Europe 2020 exercises comprised the largest NATO exercises in 25 years. There was a concerted sealift component to the exercises, and although Defender 20 was eventually significantly curtailed due to COVID–19, it is still ongoing, and indeed ARC recently carried redeploying unit cargo from Germany and Poland back to the United States. With assets and networks valued in the tens of billions of dollars, the active U.S.-flag commercial fleet operating in international trade continues to be a "best buy"—significantly more cost-effective to the Government than acquisition, operation, and maintenance of Government-owned/operated assets or attempting to build such networks.

I started this testimony by emphasizing remembering our World War II mariners, but let us also bear in mind the need to ensure we maintain a strong U.S.-flag fleet today so that we ensure we have the necessary assets and hard-working U.S. merchant mariner crews that are essential to the pursuit of national and economic security objectives today and tomorrow. I close by highlighting another excerpt from TRANSCOM Commander General Stephen Lyons in the aforementioned letter to

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Act requires that 100% of all military cargoes—purchased for or owned by U.S. military departments—be shipped exclusively on vessels of the United States or belonging to the United States. PR 17 requires that all cargoes generated by the U.S. Export-Import (Ex-Im) Bank be shipped on U.S.-flag vessels unless a waiver is granted by the Maritime Administration. The Cargo Preference Act of 1954 requires that at least 50% of civilian agency cargoes be transported on U.S.-flag vessels.

[15] Ready Reserve Force (RRF): a subset of the National Defense Reserve Fleet (NDRF), the RRF component was established in 1976 to provide rapid deployment of military equipment and currently consists of 46 vessels (35 of which are Ro-Ros) that are crewed with a reduced crew but kept available in reduced operating status (ROS) for activation within a set timeframe (usually 5 days). Upon activation, RRF vessel control transfers to Military Sealift Command (MSC), the naval component of TRANSCOM [MSC also has reporting lines to Navy Fleet Forces Command for Navy-unique matters and to the Assistant Secretary of the Navy (Research, Development and Acquisition) for procurement policy and oversight matters]. The RRF fleet budget for FY19 was $310,805,000 (average of $6.76 million per ship) and for FY20 was $352,044,000 (average of $7.65 million per ship).

this Committee dated May 15th in which he stated "given the economic downturn as a result of COVID–19, I urge you to favorably consider the relief requests from VISA and MSP carriers". Thank you for the consideration and thank you for the opportunity to be here today. I look forward to your questions.

Mr. MALONEY. I thank the gentlemen.

We will now proceed to Members' questions.

Just a word to those who may be new to the technology. If you participate using the grid view, you will also see one of the grids is occupied by the 5-minute clock. For purposes of monitoring your own time it may be useful.

Also a reminder, your fourth or fifth today, you are presumptively unmuted. So you all have yourselves muted. Please continue to do so unless you are recognized.

Now proceed to the 5-minute rounds of questioning, and I would like to yield to the chairman.

Mr. Chairman.

Mr. DEFAZIO. Thank you, Sean Patrick. I appreciate the opportunity to go first.

To Michael Roberts on the issue of quarantining. Is this an ongoing problem where crews are being quarantined on freighters or have we gotten past that?

Mr. ROBERTS. Thank you for the question.

It is an issue of grave concern in most markets. There was an article today about a tanker in Brazil that had been quarantined for over a month and is continuing under quarantine.

That has not happened in the United States. We, with great cooperation from the maritime labor, we have had very few incidents of infection onboard ships, and we have had good indications that if and when that happens, that there will be an appropriate response at the local level, that the ship will not be sent to anchor, that it will be sent to a secure terminal facility where the infected person can be taken off safely and taken to treatment quickly, the crew can be quarantined, the ship can be sanitized, and it can be returned to service.

That is extremely important in certain markets where these ships provide just-in-time cargo to consumers. The concern is that that is not a nationally recognized standard at this point, that there have been incidents where there was a suspected case where the ship was sent to anchor. And then you have to have the medical staff climb the ladder to get on the ship to administer this test. And it is very, very unsafe and it is not the best place to respond to that sort of incident.

So we really hope that the Coast Guard and CDC will work together with the industry to recognize what the right response plans are in each port.

Mr. DEFAZIO. Great. I think that would be something for the committee to follow up on. That is an excellent point. Thank you on that.

Thanks also for bringing up the 100th anniversary of the Jones Act. Yeah, I have been jumping on those who are looking at this as an opportunity to undermine the Jones Act and thus far we have been pretty successful in pushing back on them.

To Eric Ebeling. You mentioned for ROROs, they weren't eligible for—I have run into this before. How much money did you say was

in that fund that they weren't eligible for because they aren't doing highly classified work?

Mr. EBELING. Yes, sir. That is the CARES Act, and there is $17 billion in the fund that is available to national defense. But U.S.-flag carriers are not eligible for it because we are not under those classifications.

Mr. DEFAZIO. Yeah. I think we should—I have run into that with a trucking company that does a lot of DoD work, too. And I think staff will need to follow up with Treasury and see how much of that money has been committed. Maybe we need to look at modifying the rules for who is eligible and who isn't eligible if the money is just sitting there unallocated. So thanks for bringing that up.

Then the last question to Lauren Brand. I am obviously still a bit dubious about cruise lines at the end of July, but I understand they are selling tickets and some of them do intend to sail, and hopefully they won't be populated by the people who were at the pool party and the bar in Lake of the Ozarks.

So can you tell us what measures are going to be taken, particularly landside? I guess once these people sail, it is up to them. And oh, by the way, if they are flagged in Malta and they have a problem, they should call for the Maltese Navy, or if they are flagged in Liberia, they should call for the Liberians to send medical assistance.

But if you would comment on what we are going to do on the landside that would be helpful. If you can do that quickly, my time is about up.

Ms. BRAND. Thank you for that question.

Sir, I am not prepared to answer it in completeness. And what I would like to do is get the information and submit it on Monday. Is that acceptable?

Mr. DEFAZIO. Absolutely. That is fine. Thank you.

Ms. BRAND. Thank you.

Mr. DEFAZIO. Thanks, Sean Patrick. Appreciate it. Thank you.

Mr. MALONEY. Thank you. Reclaiming my time.

I am at this time going to recognize Mr. Gibbs.

Mr. GIBBS. Thank you, Mr. Chairman.

First of all, I would like to say to all the witnesses, thank you for [inaudible]. I hear optimism [inaudible] In your leadership [inaudible] Tough times ahead, and I just want to recognize [inaudible] Challenges. And hopefully Congress will be able to enact some of your proposals' assistance.

After 9/11, the United States and much of the world, we updated our port security infrastructure framework, mostly to focus on responses from violent physical terrorist attacks. Then, of course, we had cyber challenges.

And now with the recent coronavirus response, I think that is going to pressure test our systems designed to keep U.S. ports safe and secure; that added pressure will determine if existing regulatory systems are sufficient to provide ports with the broad resilience they need, or if the schemes are focused too narrowly on the response to terrorist attacks.

And my first question is to any of the panelists, I guess. Do current port safety and security regimes in the United States provide

the level of resiliency necessary to protect our ports and our supply chains that rely on the ports against the spread of the coronavirus from vessels to land, cyber threats, and also national disasters? If not, what actions do you recommend that we take domestically to improve our port infrastructure and supply chain resiliency against all of the threats the industry now faces? I will open it up to any of the panelists.

Mr. CONNOR. Yeah. I can take a first shot at that. This is Chris Connor. And thank you for that question, Congressman.

I think cyber attacks are always a threat and it would be a very risky response from me to be cavalier and say that we have got that mastered because I don't think anyone ever will and we need to stay resilient. And it is also fair to say that the distractions brought on by the current pandemic certainly may leave us compromised in some ways.

Saying that, I will say that the port industry, in particular, spends a lot of time on that. We have a technical committee within our association that focuses on security. Some of our members are quite sophisticated and are willing to share some of their expertise with other members to better prepare them. And we also work with DHS and through CISA to make sure that we are on top of all the risks.

But there is no doubt there are increased threats at the particular time. I think it is hitting people on many levels, not just on the business level, but also on the individual consumer level with actors out in the theater. So this is an area that gets a lot of attention from the port industry.

Thank you.

Ms. BRAND. If I may supplement what Mr. Connor just said. The National Association of Waterfront Employers also has a security committee and we talk about everything Mr. Connor just mentioned, and we also address drones.

There is technology that is changing that, frankly, is frightening and I am not sure that we have enough protocols in place to address everything. We work very closely with DHS and the other agencies that impact this issue.

Mr. GIBBS. Thank you. I want to get another question in. In addition to short-term COVID–19-related needs, U.S. ports, vessel operators, and marine terminals still face long-term capital and operating needs. What are the long-term, unfunded needs of ports, marine terminals, and U.S.-flag vessels due to longer structural changes in international shipping? What kind of money are we looking at? What are you looking at long term? Any idea?

I guess I might go to Ms. Brand maybe.

Ms. BRAND. Thank you very much for the question, sir.

Unfortunately, you cut out a little bit. I just wanted to make sure that the question is: what is the projection of what would be needed to assist with the COVID-related expenses that we are enduring right now?

Mr. GIBBS. Yes.

Ms. BRAND. Our association believes that about $400 million should help ports and terminal operators with just PPE; PPE, cleaning supplies, and incidental changes made to facilities separating people, social distancing, the things recommended by the

CDC. As I said before, cleaning of equipment costs more than the actual cost of the disinfectant itself. So about $400 million, which is that one expense, sir. And $1.5 billion might cover everything else.

Mr. GIBBS. OK. Does anyone else want to respond?

OK. Well, I am just about out of time. I will yield back, Mr. Chairman.

Mr. MALONEY. I thank the gentleman.

I would now like to proceed to Mr. Larsen, although I understand Mr. Larsen may be having connectivity issues.

Rick, are you with us?

Mr. LARSEN. Yeah. Yes, I am with you.

Mr. MALONEY. Oh, hello. We can see you.

Go ahead. You may proceed.

Mr. LARSEN. Thanks. I think I have it figured out, but I will pass on later what I think happened.

So thanks so much.

First question is for Ms. Brand. Let me just bring it up here. It has to do with maybe challenges—it is probably all ports, but a lot of temperature-sensitive cargo goes to the Pacific Northwest in egg products, seafood, and so on.

With the pandemic impacts on supply chains, are you seeing any issues with the export of these temperature-sensitive products? And what are your members doing to resolve that?

Ms. BRAND. Naturally, the members know when the product hits the terminal what kind of special care that that commodity needs or that container would need. I have not had any complaints from anyone about things being left behind that are temperature-controlled and sensitive like food products. So I will look into it and I will give you a report back early next week if that is acceptable.

Mr. LARSEN. That is fine.

Ms. BRAND. I would also like to say the only product I have heard that is being left at the dock are the real low-value items, waste paper, items like that.

Mr. LARSEN. OK. Also in terms of the supply chain, have any of you—maybe I will start with Mr. Roberts. What we are doing in our office, just as a matter of course, we are looking at what we need to keep doing after we get through the pandemic and what we are going to stop doing and get rid of and never do again because of the pandemic.

Are you learning any lessons about the supply chain that you are going to incorporate moving forward that would be helpful for us to understand and know about in terms of our future legislative planning? For Mike Roberts.

Mr. ROBERTS. Yes. Thank you. That is a very good question.

We are certainly paying a lot of attention to and seeing extraordinary changes in how we do work in the office and on the docks and on the ships. And I am certain there will be lessons applied going forward. Certainly technology, use of technology, as we see today, is an eye opener in terms of how we function.

But as far as the supply chains themselves, I need to think about that and get back to you. I don't have a great answer for you right now.

Mr. LARSEN. Mr. Connor.

Mr. CONNOR. Yeah. I will say that the industry, in general, has experienced remarkably low incidence of COVID outbreaks on the port footprints. And I think that speaks to the amount of emphasis that both labor and port authorities and marine terminal operators have put into keeping port workers safe.

I think it would be a sad outcome to this terrible pandemic we have gone through not to have some profound changes in the way we all work. I have no doubt we will see very interesting developments into terms of especially where people are touching equipment and things like that, seeing significant improvements. It has already happened. And not to mention the more obvious one where administrative employees found out that we, in many cases, can be pretty darn productive working in a noncongregated environment.

So I think there are lots of lessons and that story will be told for years to come.

Mr. LARSEN. I find my staff is a lot more productive, too, when I am not going by their desks and asking them to do all sorts of things as well.

Mr. CONNOR. 10–4 on that.

Mr. LARSEN. Ms. Carpenter, do you have an answer to that question? Any changes you see coming?

Ms. CARPENTER. Highlight, in particular, the use of remote audit and inspection techniques.

So our segment of the industry, the tugboat, towboat, and barge industry, is halfway through the phasing in of a very significant regulatory change, towing vessel inspection or subchapter M. By July 20th of this year, 50 percent of the U.S. towing vessel fleet needs to have certificates of inspection.

And then COVID–19 hit. And so we had to work creatively with the Coast Guard to figure out how we are going to keep getting audits and inspections done while keeping mariners safe, recognizing sometimes you need to defer. This is going to be with us for a long time, and we need to figure out how to do business safely.

So we have had very good success working with the Coast Guard, working with Coast Guard-approved third-party organizations, to use remote audit and inspection techniques to supplement what takes place face-to-face. And I think that is something we are going to continue to refine and improve going forward.

Mr. LARSEN. OK. Thank you.

Thank you, Mr. Chairman.

Mr. MALONEY. I thank the gentleman.

Mr. Weber.

Mr. WEBER. Well, thank you, Mr. Chairman.

I appreciate you all holding this and appreciate you making the recommendation that when you go to grid view—can you all hear me OK?

Mr. MALONEY. We can hear you fine.

Mr. WEBER. Thank you.

When I finally got to grid view, I got to see Alan Lowenthal, and I thought, man, he is wearing a mask, one of those COVID masks. But it actually turns out he has a beard. I don't know how many of you all thought that.

But anyway, it is great to be on with all of you. I appreciate the opportunity.

Some questions I want to start with probably for Chris Connor.

You said in your remarks, Mr. Connor, that the supply chains were changing and there is autos and others and you named a whole bunch of stuff. How long—I know this is speculation, pure speculation, and we will go to Jennifer maybe and Ms. Brand later—how long do you think supply chains are going to be interrupted to the point that, from a strategic planning point, you all are going to begin to outline new supply chain processes, and hoping we can keep as much in the United States? Have you all looked at that? Any projections, Mr. Connor?

Mr. CONNOR. Well, as I mentioned, I think initially, like most of us, you know, everybody back in March thought, or hoped, really—it was more hope than thought—we would have a quick, V-shaped recovery.

I think time and the reality of the complexities of this pandemic have been a reality check for all of us, and we now project this is going to be with us, I think, reasonably, at least through the end of this calendar year, 2020. So that is the volume downturn that we are going to experience.

I think supply-chain disruptions is probably a different discussion and maybe a more complex one, as we try and repatriate certain essential products and certain goods back to the U.S. so that we don't put ourselves in this exposed position ever again in the future.

Mr. WEBER. Well, that is our hope, of course. Have you identified certain other countries—and, of course, I know China is the main one in the discussion right now—but other areas where we might be thinking of maybe drawing back and trying to do a little bit more business at home? Have you identified those potential interruptions?

Mr. CONNOR. Not as yet. I think we have been kind of fighting through the crisis. But I think that is a conversation that I think not only the seaports industry but the entire logistics industry would like to be a part of, because I think it is an important one we should have as a Nation.

Mr. WEBER. All right. Thank you.

Mr. Ebeling, you made some comments that there was an emergency stipend needed for MSP carriers or they might wind up flagging out. Explain that.

Mr. EBELING. Yes, sir. So this is more of a maintenance of readiness issue.

So, as I think the committee is well aware, the MSP stipend today is $5 million per ship per year, and there are 60 enrolled vessels, for a total programmatic cost of $300 million per ship per year.

Usually that works in concert with the carriage of U.S.-flag preference cargoes and U.S.-flag commercial cargoes. This is more of a but-for issue here. So, normally, carriers would probably be taking actions in terms of laying ships up or reducing or changing service profiles. And what is happening with the MSP fleet is they are all maintaining service.

But, in order to maintain that service and, therefore, readiness for the Department of Defense, we believe that it is appropriate to have an additional stipend of $1.83 million per MSP vessel in order

for those ships to remain in service and the crews fully employed onboard those ships.

So I apologize if I made a misleading statement there, but——

Mr. WEBER. So that would include PPE, sanitization, and all of those kinds of things? Is that what you are driving at?

Mr. EBELING. Some of it is the additional costs that are being borne by carriers, and some of it is the lost revenues. Those total in the hundreds of millions of dollars, and this is not necessarily to make up for that. It is more just the maintenance of service and the maintenance of readiness in support of our partners at DoD.

Mr. WEBER. Thank you for that.

And, finally, I go to Ms. Brand.

We are glad you are here. You talked in your remarks about tequila being made into hand sanitizer. Was that done in Galveston, Texas, do you know?

Ms. BRAND. Yes, sir, it was.

Mr. WEBER. My district, just wanted to say.

Mr. Chairman, I yield back.

Mr. MALONEY. Well, I thank the gentleman, and I thank him for his comments on Members' appearance.

Might be a good time to reference House Resolution 965, Regulation (d)(2), which requires Members to conform to the standards of proper attire as required to participate in the committees' in-person proceedings. I think that one probably speaks for itself.

With that, Mr. Garamendi.

Mr. Garamendi, you may need to unmute.

You need to unmute, John.

I think we may have lost Mr. Garamendi.

Mr. GARAMENDI. I am muted.

Mr. MALONEY. I think you are having also a connectivity issue, but I can hear you now.

Mr. GARAMENDI. Good. I am ashamed that you should start my session with my dress code.

Mr. MALONEY. The Chair's remarks were directed to the gentleman from the South, but——

Mr. GARAMENDI. If the shoe fits, wear it. I got it.

Mr. MALONEY. We are used to Californians being appropriately casual.

You may proceed, sir.

Mr. GARAMENDI. I want to cover a couple of different issues here. First of all, this one is for Mr. Connor.

I just introduced this week the Special Districts Provide Essential Services Act. We have about 20 co-authors on it. It is specifically designed to address the issue that you spoke to, about ports not being able to participate in the CARES Act and presently not able to participate in the Heroes Act either. I represent 237 special districts, ranging from fire to a port district.

So I want to really ask you, Mr. Connor, if the American Association of Port Authorities would consider supporting this effort so that we might provide the necessary support that you described in your testimony.

Mr. CONNOR. Congressman, the answer is a resounding "yes." But my staff has made me aware of that proposed legislation, and

we see that as, you know, one channel to bring necessary funding into the industry. So thank you for your leadership on that.

Mr. GARAMENDI. And I notice that there are about 15 of my colleagues on here, so this is my opportunity to give you a heads-up to get onboard.

Mr. Lowenthal, specifically, I don't think you are onboard yet, but you do represent a couple of ports, special districts, keeping that in mind.

My next question goes to Mr. Ebeling.

You reference three different things that need to be done. All of those are now in play, specifically some of it in the NDAA. And I suspect Chairman Maloney will also speak to the Coast Guard bill, which is moving along.

Specifically with regard to cargo preference, we are now working on the NDAA to put in a very comprehensive, all-of-Government cargo being on American ships. I think you are aware of this, and I would hope that you are supporting that effort to require that all—I mean every mask, every swab, and every other thing from the military on be on American-flagged vessels.

Are you familiar with that, and are you in support of that effort?

Mr. EBELING. Yes, USA Maritime is familiar with that, and we are supportive of a 100-percent cargo preference for all Government-impelled cargo.

Mr. GARAMENDI. The other issue you spoke to, you just handled that. Hopefully we will be able to put that into the NDAA, possibly into the Coast Guard bill also. And that is, dealing with the additional stipend necessary to keep the ships on the present program. So we will be working on that.

Again, this is more to my colleagues that are not yet onboard with these issues or familiar with these issues. Those are the two things that I have in mind.

The other thing I want to just bring to all of our attention—and I know that all of the witnesses have been engaged in this—and that is the national fleet strategy, essentially using and repurposing the Jones Act ships so that they can be made militarily useful to address the shortfall that occurs in the sea surge potential that we do not yet have but should going forward.

So that national fleet strategy is basically using the Jones Act, repurposing some of the ships to make them militarily useful, and then new ships that would go into the Jones Act be made in a way that is militarily useful, and supporting that with Federal money out of the Department of Defense.

So I will let it go at that. Thank you for the opportunity. Mr. Maloney, thank you very much for being the first-ever real hearing. And I will watch my dress code henceforth.

I yield back.

Mr. MALONEY. I thank the gentleman. More than accustomed to being the first ever.

Mr. Gallagher, you may proceed.

Mr. GALLAGHER. Thank you, Mr. Chairman. I put a tie on as soon as you mentioned that, because I didn't want to shame you. I will not pan the camera down, however, to apprise you as to whether I am wearing shorts or slacks. But I appreciate that.

Mr. MALONEY. As usual, we appreciate the gentleman bringing credit to the House of Representatives. You may proceed. Your——

Mr. GALLAGHER. Thank you.

Mr. MALONEY [continuing]. Time is running.

Mr. GALLAGHER. Thank you, sir.

When I spoke to the Port of Green Bay, in my district, about their coronavirus needs, the first thing they mentioned, actually, was constructing a new Great Lakes icebreaker.

And I know that may seem like a bit of a non sequitur, but the Great Lakes are dependent on icebreaking from the Coast Guard during the winter season, which was still ongoing when coronavirus hit. We are expecting a second wave of coronavirus to hit during the winter season.

So my question for the whole panel, but perhaps Ms. Carpenter could start, is: What would happen if the *Mackinaw* icebreaker was suddenly out of service for maintenance? How might that affect the region both economically and in response to the virus during the months we have ice?

Ms. CARPENTER. Thanks very much, Congressman. You know, it is a great question, and the answer is, we would be in a world of hurt, which I think really gets to a key need that we have here.

While we have talked about coronavirus-specific needs, like priority access to testing for mariners, there are a host of things that fall under the regular jurisdiction of the Transportation and Infrastructure Committee that are critically important to keeping the supply chain moving.

So icebreaking, buoy tending, dredging by the Corps of Engineers, passage of Coast Guard authorization bills—those are the things that need to happen now more than ever in order to ensure that we don't have something mess up a recovery as it is getting going.

So I really want to thank you for your leadership as a subcommittee in helping us attend to those important needs.

Mr. GALLAGHER. And I would ask any other panelists who would like to comment on our icebreaker needs, please.

And if not, I will move on to my second and final question, which is: Another, sort of, key connection point or single point of failure for the Great Lakes, which runs through the Soo locks, which close during icy winters, they reopened on March 25—again, just as coronavirus was really hitting the United States.

So I guess my question is: Hypothetically, what would have happened had the Soo locks malfunctioned at the beginning of this crisis? How might this have impaired the Midwest's ability to respond to the outbreak, including transporting basic PPE to combat coronavirus?

And I don't know—who wants to take that? I will pick on Ms. Carpenter again if no one else does.

Ms. CARPENTER. Sure. Thanks, Congressman.

I think that goes directly to the conversation we were just having, which is: It would have been terrible. You know, we have had enough disruption because of coronavirus. Layering on top of that waterways infrastructure failures, inability to break ice, inability to do the kinds of waterways management functions that enable the

supply chain to function, pandemic or not, is just—those are problems that we can ill-afford anytime and especially not now.

Mr. GALLAGHER. I appreciate that.

And I guess, you know, my only point with this line of questioning is, I think, as we learn a big lesson with coronavirus beyond the subject we are talking today about various single points of failure in our supply chain and our economy, we had preexisting single points of failure when it comes to icebreakers and Soo locks and a lot of things that directly affect the Midwest every single year, and we can't take our eye off that ball.

And, with that, I yield the remainder of my time, Mr. Chairman.

Mr. MALONEY. I thank the gentleman.

Mr. Lowenthal.

Mr. Lowenthal, you may be having connectivity issues. You are cutting in and out, Alan. You may also need to unmute.

Mr. LOWENTHAL. Can you hear me now?

Mr. MALONEY. I believe you can proceed. Go ahead, Alan. Give it a try.

It appears you are still muted, though, Alan. You may want to check your mute as well.

Very well. I think we will return to Mr. Lowenthal in the order—I think that brings up—the next Democrat in the order would be Mr. Brown.

Alan, if you rejoin, I am sure we can restart.

Why don't you go ahead, Anthony.

Mr. Brown, are you available? Would you like to proceed?

Mr. BROWN. Thank you, Mr. Chairman. With all these different platforms, I always lose track of where the unmute button is. But thank you for hosting this subcommittee hearing. Important topic. And, certainly, first out of the gate in the Transportation and Infrastructure Committee in holding a virtual or online remote hearing.

The Port of Baltimore is arguably the most diverse port on the east coast. It has a portfolio of containers, automobiles, farm equipment, roll-on/roll-off cargo, and forest products, and it is ranked first among all U.S. ports in the volume of vehicle cargo for the ninth consecutive year.

And while the Port of Baltimore saw a record-breaking year in 2019, the COVID–19 pandemic has had a severe impact on its business, as we have seen in ports across not only the country but the world. In April of this year, total cargo tonnage fell 11.8 percent from the same time the previous year—the steepest decline since the coronavirus pandemic began.

For the most part, the Port of Baltimore has remained open and operational. However, Ports America Chesapeake, the private operator in the port's public-private partnership, continues to adjust their operating hours at the Seagirt Marine Terminal. They have closed Seagirt six times in the last 2 months due to lower international container volumes.

Mr. Connor, a question for you—a fairly general, broad question. The automobile industry is key to the Port of Baltimore's success. In your written testimony, you mentioned that, while the big three automakers have recently brought production online, it remains uncertain what demand may look like and how consumer decisions

may impact this market segment. So how can Congress better support the port—all ports, but certainly the Port of Baltimore—if the automobile roll-on/roll-off cargo volumes do not bounce back?

Mr. CONNOR. Yes, thank you, Congressman, for that question. And, simply stated, I would say, you know, the relief that is being asked for here today would go a long way to bridging the gap to normal volumes.

And what Baltimore is experiencing, as you referenced, in April, I would say that what they are going to experience in May and June will be much worse. And the reason I say that is because, in April, they had residual volumes that were still going through the supply chain. In May and June, they are going to have very little, if any, volumes, because production is only now starting to resume from European plants, from Asian plants, as well as U.S. plants exporting overseas.

So I think what Congress could do is accord us with the aid that is being requested here today.

Thank you.

Mr. BROWN. All right. Thank you.

One more question, with my time remaining, for Ms. Carpenter.

In your written testimony, you mentioned the need for nationally consistent regulations to help make the maritime supply chain more effective. Are there any specific examples of conflicting State or local regulations that threaten disruption of vessel traffic during the outbreak of the pandemic? And what takeaways can you give us?

Ms. CARPENTER. Thanks, Congressman.

I think what we actually see from the pandemic is a really good example of how things can work in terms of cooperative action between Federal and State government.

So the Federal Government, the Cybersecurity and Infrastructure Security Agency, very quickly designated maritime transportation as an essential critical infrastructure sector. So when States and localities began to issue stay-at-home orders, many of them incorporated that guidance by reference.

In a couple of cases, they didn't, and we have the potential for some bottlenecks when, for example, mariners going from Louisiana to Texas were potentially going to have to seek permission on a case-by-case basis to enter the State. What we saw there was very good cooperation in recognizing the criticality of maritime transportation and working through the issue so that we didn't have a bottleneck. We would love to see that replicated going forward.

Mr. BROWN. All right. So the takeaway seems to be that things are working well, coordination is happening. That is your takeaway?

Ms. CARPENTER. I think my key takeaway would be it starts with Federal leadership, as it did in this case, and then the States and the Feds can work together. But we would have had a real problem if the Federal Government hadn't acted first and said maritime transportation is essential.

Mr. BROWN. Excellent.

Thank you, Mr. Chairman. I yield back.

Mr. MALONEY. I thank the gentleman.

Mrs. Miller.

And if we have Mr. Lowenthal back for this, we will proceed to Mr. Lowenthal after Mrs. Miller.

Mrs. Miller, you may proceed.

Mrs. MILLER. Thank you, Chairman Maloney and Ranking Member Gibbs.

And thank you to you all witnesses for taking the time to meet with us today, considering the difficult circumstances we have all getting together and punching all the right buttons.

Shipping is so essential to our economy, even in inland southern West Virginia. The Huntington Tri-State Port, in my district, is one of the largest in the country and plays an essential role in connecting the vast resources and products of Appalachia to the rest of the world. The COVID–19 pandemic has threatened this connection, and Congress must do what it can to make sure that it can be repaired now and made stronger once we are safe from this invisible challenge.

While many Americans have the ability to work from home during this pandemic, the maritime industry has been hard at work ensuring that the United States has all the goods it needs to weather the crisis. I personally want to thank you all and the workers in the maritime industry who have put themselves at risk to make sure that we have PPE, foods, material, and have been able to continue to stock our shelves and get the inventory into our homes that most of the Americans do need. And I want to say thank you for that.

Ms. Carpenter, what deregulatory actions can Congress take to alleviate burdens on vessel operators and help them focus on maintaining their operations?

Ms. CARPENTER. Thanks very much, Congresswoman.

I will give you a specific example in a bill that has already passed the House that was authored by this subcommittee. There was a provision in the Coast Guard authorization bill that would suspend the imposition of towing vessel inspection user fees until the Coast Guard promulgates a fee structure that is fair and reasonable.

Right now, we have a situation where a company that is operating 100 towing vessels could be paying $500,000 over 5 years in fees that are duplicative of moneys that they are already spending on Coast Guard-approved third parties who are performing the same services.

And those fees also serve to disincentivize the Towing Safety Management System option, which the Coast Guard has said is its preferred option because of its safety benefit.

So suspending those fees will promote safety, will eliminate costs, and will not have any deleterious effects. It is a no-brainer. And we really thank this subcommittee for its leadership and look forward to a bill passing as soon as possible.

Mrs. MILLER. Well, good. Thank you.

In your testimony, you mentioned the need for nationally consistent regulations to help make the maritime supply chain more effective.

Are there any specific examples of conflicting State or local regulations that continue to threaten disruption of vessel traffic during the outbreak of the pandemic?

Ms. CARPENTER. Thanks very much.

And, you know, as I mentioned in response to Congressman Brown's question, we really saw a very good example during the pandemic of how we can keep the maritime supply chain moving. The Federal Government exercised leadership, and then the States were able to work with them to address specific needs, as in the Texas example that I gave.

I think that is a model that we really need to look to elsewhere, because, just as a patchwork of stay-at-home orders could completely bollocks up the functioning of the maritime supply chain, so could a patchwork of State and local regulations established for environmental or safety reasons.

So the Federal Government taking assertive action to ensure that we have nationwide standards that are high, that protect the environment, that protect workers, and that gives States confidence that we have an effective regulatory floor I think is a critical first step.

And then where there are State-specific needs, we have the opportunity to work together to ensure that those are met. But, again, Federal leadership, it needs to start there.

Mrs. MILLER. You sound positive, and that makes me feel good. Thank you.

Mr. Roberts, in your testimony, you mentioned serious concerns for the domestic shipping industry. Can you explain further some of the challenges that domestic, particularly inland, maritime shipping face during this crisis?

Mr. ROBERTS. Yes. Thank you for that question.

The industry generally has risen to the challenge to keep the supply chains open and cargo moving and stores stocked and so on. The biggest challenge? It is hard to put your finger on it, but certainly the focus has been on keeping our crews safe. They can't work remotely. They have to get on the ship. They have to do their jobs. And when we ask them to do that, we have to do everything we can to try and make sure that they are safe.

So access to testing has been a top priority, and we are making progress there. There has been misunderstanding about how it is prioritized through the CDC, but I think we are making progress there. Certainly the technology of producing more test kits will get us out of this sooner or later. But I will say that is the largest issue that we have been dealing with.

Mrs. MILLER. Is the testing?

Mr. ROBERTS. Yes.

Mrs. MILLER. OK.

Thank you so much. I yield back.

Mr. MALONEY. I thank the gentlewoman.

I am going to give Mr. Lowenthal an opportunity, although I am afraid he may still be experiencing connectivity issues.

Alan, I think you also need to unmute.

Mr. Lowenthal?

Right. In that case, we will move directly to Mr. Lamb.

Mr. Lamb, you are recognized for 5 minutes.

Mr. LAMB. Thank you, Mr. Chairman. And I actually only really have one question, so if Dr. Lowenthal comes back, we can certainly give him the time.

I have a question for Ms. Carpenter about infrastructure for the inland waterways.

One thing we have really been advocating and pushing for is a change in the Federal cost share to allow the Federal Government to pick up a greater share of the tab for some of these new projects.

Like, in my area of western Pennsylvania, we have some projects that have been going on for a really long time and some that have been getting delayed for a really long time just a few spots down the list of priorities.

So would you able to address whether, if we went to, like, a 75/25 type of cost share, or 80/20 or whatever, the impact that that could make on some of these problems and how it might be able to speed up the work that we are doing and, kind of, put a lot of people back to work?

Ms. CARPENTER. Absolutely, Congressman. And I want to thank you personally for your leadership and support on inland waterways infrastructure issues. It is so important to our industry, and, as I said in my testimony, it really is an investment in the competitiveness of the Nation.

So the example that you have mentioned, increasing the cost share for construction and major rehabilitation projects on the inland waterways system from its current 50 percent Treasury, 50 percent Inland Waterways Trust Fund, an industry-paid user fee, to, say, 75 percent Treasury, 25 percent—I hadn't even thought of 80/20, but I like that better. So if we can work together to get that done, that would be fantastic.

What this will do is it will expedite the completion of projects that are so important to getting goods to market, to increasing the competitiveness not just of vessel owners and operators but of the American shippers who depend on those.

So it is going to be putting a little more money into the system now, which enables us to get the job done more quickly, saves us money over time. And, again, it is an investment in American jobs just throughout the system, from the workers who are constructing these infrastructure structures to the mariners on the vessels, to the shippers at the plants and mines and factories and farms whose goods move to market by water.

So thanks so much for everything this subcommittee, this committee has done. Really look forward to working with you to make some positive change there.

Mr. LAMB. Thank you very much.

I don't think people really make the connection to the workforce benefits, but I had a chance to be on a call with a lot of our local contractors and trade unions here in Pennsylvania. Lock and dam work is a huge source of work for the same groups of workers that do things like road and bridge work.

And I also don't think people really make the connection with the environmental benefits, but you save a lot of fossil fuels by sending goods on the river. You know, in parts of the country like mine, the ability to construct the locks and dams really has made a lot of the

water drinkable and navigable, obviously makes the roads less crowded.

So there is just a whole cascading series of benefits that I am trying to make sure people realize could be a good investment to make right now. So thank you very much for your input on that.

Thank you, Mr. Chairman, for having me, and I yield back.

Mr. MALONEY. I thank the gentleman.

I would like to confirm, I don't believe there are any further Republican Members with questions?

And hearing none, I would like to give Mr. Lowenthal an opportunity if he has joined us by telephone.

Are you there, Alan?

Still no?

I think we all can sympathize with the technology issues. If you haven't experienced them over the last few weeks, I would be surprised. We have all been in these forums.

So, with apologies to Mr. Lowenthal, who is, I believe, attempting to join by telephone, which is provided, given the connectivity issues he is having with the video, we will proceed to Mr. Pappas.

Mr. Pappas, you have 5 minutes.

Mr. PAPPAS. Well, thank you very much, Mr. Chairman, and to the ranking member as well. We are all getting better with this technology, and in a couple more weeks I think we will all be at 100 percent with it.

But I appreciate the panelists for their thoughts and answering the questions today and for what your organizations do to keep maritime transportation strong and resilient, especially during this crisis.

Most of my questions have been answered, but one issue I just wanted to delve a little bit more into is the testing issue that a few of you have brought up.

I know, Ms. Carpenter, you mentioned this is a priority, to ensure that we have a national strategy on how to ensure that we can get priority for workers in the industry. And I absolutely agree with that. We know that other screening measures have their limitations—you know, taking temperatures, for instance.

Where up to half of the individuals who have COVID–19 aren't going to exhibit symptoms and where you can transmit the virus when you are presymptomatic, it is critically important that all of our essential workers, especially in this particular industry where you are working in close quarters, have access to this testing capability.

So I am just wondering what the experience has been of members to date and what Congress can do to help support increased testing for our maritime industry.

Ms. CARPENTER. Thanks very much, Congressman. Really appreciate that.

You know, we have seen some improvement, thankfully, in access to diagnostic testing, but we think that, you know, as we are now in what I am going to call the chronic phase of this pandemic—we have a long way to go before we are out of it—being able to optionally incorporate testing into the prescreening process for crewmembers is just going to be critical, especially as stay-at-

home orders are lifted nationwide and there is just going to be a lot more opportunity for exposure off the job.

So, while I mentioned that we feel like it is a positive thing that we have been able to keep infections onboard vessels to a minimum, we take nothing for granted. Anything that Congress can do to encourage the prioritization of access to testing for critical infrastructure workers, especially those like mariners who work in close proximity, would be most, most appreciated, whether that happens legislatively, whether that happens via encouragement to FEMA and other authorities.

As a positive example, we were just able, as an industry, to work with FEMA and the maritime industry to secure a very large shipment, more than 2 million, of cloth facial coverings to help protect workers as they are working closely together. Those were being distributed free of charge, or are being distributed now free of charge, to ports, to maritime entities, and it is a real positive step.

So, if we can do something similar with respect to testing, we would take a massive step forward in securing the maritime supply chain so we don't see mariners getting sick and vessels having to be idle just as we are getting the economy moving again.

Mr. PAPPAS. Any of the other panelists, do you have comments on that?

Mr. EBELING. Yeah, I would be happy to comment on that.

So I think it is important, as we look at this, to consider, when you look at the Jones Act, domestic fleets, it is really about domestic supply-chain security, which is, of course, very essential. And then on the international U.S.-flag fleet, I think it is also very important to bear in mind the national security, defense supply chain aspects.

So, between the two U.S.-flag fleets, domestic and international, we really have some massive benefits that are important contributions to the economy and national security. So I would just echo everything Jennifer said in terms of any prioritization of access to testing kits would be hugely helpful.

Thank you.

Mr. CONNOR. Congressman, if I could jump in with one last comment.

So, within the port industry, there has been a lot of collaboration between ports who are typically fierce competitors. But everybody has been collaborating to kind of show the best ways to get the right protocols and processes in place.

And the physical layout of no two ports are exactly the same. So, to kind of smooth that out, one area of contention that we could use some assistance is, we have had difficulties in getting treatment from CBP. In some ports, CBP staff who come into the same facility as does Labor and Port Authority have not agreed to subject themselves to the testing. And that kind of creates an A-team-versus-B-team kind of scenario, which is a little bit uncomfortable. So we have been trying to work that through the system, but we probably could use a little shove in that direction.

Mr. PAPPAS. OK. Well, I appreciate your comments.

And I yield back my time.

Mr. MALONEY. I thank the gentleman.

We have been rejoined by Mr. Lowenthal again. In the absence of a Republican Member, unless, Mr. Gibbs, I am mistaken, I would like to recognize Mr. Lowenthal for 5 minutes.

Alan?

Mr. LOWENTHAL. Thank you, Mr. Chairman. You can hear me now?

Mr. MALONEY. Perfectly clear.

Mr. LOWENTHAL. That is wonderful.

And, first, I want to thank everyone—all the Members; the witnesses; you, the chair; vice chair; ranking member; and also Chairman DeFazio—for holding this very important hearing.

I would like to first ask, Chairman Maloney, if I could have unanimous consent to insert into the record a letter that the Congressional PORTS Caucus developed and sent to leadership urging Congress to provide relief to ports in future coronavirus legislation.

Mr. MALONEY. Without objection.

Mr. LOWENTHAL. Thank you.

[The information follows:]

**Letter of May 4, 2020, from Hon. Kurt Schrader of Oregon, Hon. Alan S. Lowenthal of California, and Hon. Randy K. Weber, Sr., of Texas, et al., Submitted for the Record by Hon. Alan S. Lowenthal**

MAY 4, 2020.

The Honorable NANCY PELOSI,
*Speaker of the House,*
*U.S. House of Representatives, Washington, DC.*

The Honorable STENY HOYER,
*Majority Leader,*
*U.S. House of Representatives, Washington, DC.*

The Honorable KEVIN MCCARTHY,
*Minority Leader,*
*U.S. House of Representatives, Washington, DC.*

DEAR SPEAKER PELOSI, MAJORITY LEADER HOYER, AND MINORITY LEADER MCCARTHY:

We start this letter by offering our sincere thanks to you and your staff for all the work that you have done to help the American people during this emergency. The bipartisan work being done here in Congress is unprecedented and shows what we can do together to overcome extraordinary events.

Our nation continues to suffer from the effects of the COVID–19 crisis. Congress has done tremendous work advancing multiple pieces of legislation to mitigate the impact, but it is increasingly obvious that more must be done. We are advocating here that our nation's ports must be included in any future packages. This is a sector of our economy that has so far been left out of proposals but needs assistance to carry on their essential work. Ports remain vitally important to the well-being of our communities during this time and will be critical for recovery efforts once this crisis is over. However, due to their unique governing structures, these entities have not been eligible for many of the recently enacted relief programs. Our ask here is simple: we must include relief specifically set aside for our ports in the next COVID–19 package.

Funding sources vary for ports, but all have seen their budgets hit hard by the ongoing business closures and stay-at-home orders. Yet, port staff are not able to just lock up their facilities and go home. Their vital work must continue to move the goods the American people need and to maintain safety and security for these essential workers. Congress should recognize the enormous impact this is having by including them in the next package.

Most important is that the next package disperses aid to ports of all sizes, both large and small alike. Our solution must make sure that all our ports receive the resources they need. Small ports are often the lifeblood of communities and are the hardest hit by these events. We must not forget them when crafting these policies.

Any effort enacted here must be able to flow down to the smallest port to help them weather this emergency.

Ports come in all sizes, provide gainful employment, and serve a wide variety of industry sectors—import/export, energy/chemical, manufacturing, commercial fishing, agriculture, and so forth. Our nation's ports serve as the vital link between our people and the goods they buy for their families as well as ensuring American made products can be purchased in foreign markets. Previous aid has served other sectors of the transportation industry deemed essential and now it is critical that all of our nation's ports receive much needed assistance to keep supply chains moving and keep both employees and customers safe.

We stand ready to work with you to address these problems and make sure that all Americans receive assistance during these challenging times. Without this aid, industries served by ports will not be able to offer essential services to get our communities back into shape once we start to recover from this crisis.

Sincerely,

KURT SCHRADER,
*Member of Congress.*
ALAN LOWENTHAL,
*Member of Congress.*
RANDY WEBER,
*Member of Congress.*

JERRY MCNERNEY (CA–09).
PETER A. DEFAZIO (OR–04).
DEREK KILMER (WA–06).
DONALD PAYNE, JR. (NJ–10).
ANTHONY BRINDISI (NY–22).
JULIA BROWNLEY (CA–24).
ROBERT WITTMAN (VA–01).
ADAM SMITH (WA–09).
TIM WALBERG (MI–07).
JOHN KATKO (NY–24).
VAL DEMINGS (FL–10).
LIZZIE FLETCHER (TX–7).
STEVEN M. PALAZZO (MS–4).
STACEY E. PLASKETT (VI–AL).
TONY CÁRDENAS (CA–29).
STEPHEN LYNCH (MA–08).
DONNA E. SHALALA (FL–27).
SUZANNE BONAMICI (OR–01).
J. LUIS CORREA (CA–46).
HENRY CUELLAR (TX–28).
MARCIA L. FUDGE (OH–11).
BARBARA LEE (CA–13).
BRENDA LAWRENCE (MI–14).
RICK LARSEN (WA–02).
FREDERICA WILSON (FL–24).
JUAN VARGAS (CA–51).
STEPHANIE MURPHY (FL–07).
SUZAN DELBENE (WA–01).
TOM GRAVES (GA–14).
FILEMON VELA (TX–34).
JOE CUNNINGHAM (SC–01).
MIKE KELLY (PA–16).
CEDRIC RICHMOND (LA–02).
PRAMILA JAYAPAL (WA–07).
EARL BLUMENAUER (OR–03).
DENNY HECK (WA–10).
BRADLEY BYRNE (AL–01).
SCOTT PETERS (CA–52).
ALBIO SIRES (NJ–08).
JUDY CHU (CA–27).
BILL HUIZENGA (MI–02).
VICENTE GONZALEZ (TX–15).
DAVID ROUZER (NC–07).
KATHY CASTOR (FL–14).
BRIAN FITZPATRICK (PA–01).
CHARLIE CRIST (FL–13).
ED CASE (HI–01).
BRIAN MAST (FL–18).
MIKE GALLAGHER (WI–08).
PETER VISCLOSKY (IN–01).
CHRIS PAPPAS (NH–01).
GUS M. BILIRAKIS (FL–12).
TOM RICE (SC–07).
CHELLIE PINGREE (ME–01).
WILLIAM R. KEATING (MA–09).
JOE WILSON (SC–02).
PETE STAUBER (MN–08).
DON YOUNG (AK–AL).
A. DONALD MCEACHIN (VA–04).
MIKE ROGERS (AL–03).
JOHN RUTHERFORD (FL–04).
AL LAWSON, JR. (FL–05).
ALCEE L. HASTINGS (FL–20).
JAIME HERRERA BEUTLER (WA–03).
ELAINE G. LURIA (VA–02).
STEVE COHEN (TN–09).
SALUD CARBAJAL (CA–24).
DAVID N. CICILLINE (RI–01).
LUCILLE ROYBAL-ALLARD (CA–40).
EARL L. "BUDDY" CARTER (GA–01).
NANETTE DIAZ BARRAGÁN (CA–44).
SUSAN A. DAVIS (CA–53).
ADRIANO ESPAILLAT (NY–13).
JOHN P. SARBANES (MD–03).
ANTHONY GONZALEZ (OH–16).
JENNIFFER GONZÁLEZ-COLÓN (PR–AL).
C.A. DUTCH RUPPERSBERGER (MD–02).
ROBERT C. "BOBBY" SCOTT (VA–03).
BRENDAN F. BOYLE (PA–02).
HENRY C. "HANK" JOHNSON, JR. (GA–04).
DAVID P. JOYCE (OH–14).
CONOR LAMB (PA–17).

Mr. LOWENTHAL. You know, I have been talking to many of the terminal operators in my district and other districts, and it is the same issues—issues of cleaning supplies and issues of PPE and work hours to adjust to safety issues.

And I would like to respond to, I think it was, earlier, Representative Larsen's—in my district, the Port of Long Beach and, in my adjacent, the Port of L.A., they have adjusted the gate hours portwide to allow cleaning between crews that come in. And so, you know, our ports are open 16 hours a day, and, typically, they backed up one to another, but now they have adjusted those port hours to separate them. And I think that is one of the kinds of protective measures that will continue in the future, along with others, about how people congregate and separate people.

We have known that—my questions have to do with the financial strains that are on terminals and port authorities. And I have pressed Congress and the administration to take steps to aid ports like opening up municipal lending facilities to port authorities.

So my first question is to Mr. Connor. What kind of impact would that have for ports across the country if they had access to zero- or low-interest Federal loans to help them make bond payments, maintain their payrolls? What issues are port authorities seeing with Federal loan facilities?

Mr. CONNOR. Thank you, Congressman Lowenthal.

So I think as Chairman DeFazio mentioned in his opening remarks, you know, the ports, the way that the CARES Act was written, have found themselves in a place where, unfortunately, they have nowhere to turn. That is partly due to the unique governing natures of ports, whether it is city-, county-, or State-based, and the various governing structures that exist and partly based on the interpretation by the Fed of what the eligibility was for the MLF fund.

If that would be a desirable outcome, sir, if those funds could be made available to port authorities, I think our preference is very much in line with what I requested in both my written testimony and our oral testimony, which is the grant-in-aid, but, certainly, to have that access to MLF would also be a good outcome.

Thank you.

Mr. LOWENTHAL. Ms. Brand, can you elaborate—I was interested in your comments about abandoned cargo piling up at port terminals. Do you see that affecting the congestion that is taking place and also revenues of terminal operators?

Ms. BRAND. Thank you for that question.

I did state it is 1.5 percent right now of volumes. And it is on the west coast; it is a phenomenon on the west coast. So, no, it is not impacting space as yet, but we are watching and we are monitoring.

It does require its own area, and it does become a claim issue when the container is abandoned by the company. The marine terminal operator contacts the ship line that delivered it, and it becomes something that the ship line has to resolve with who owns that cargo and who gets access to it.

So we are monitoring it. It is something that is a sign, and we are watching the signs.

Mr. LOWENTHAL. Thank you.

I also would like to respond to Representative Garamendi. Thank you for reminding me about your legislation. We will see about getting on that right away.

Thank you, and I yield back.

Mr. MALONEY. I thank the gentleman. And we thank him for his patience with the technology issues.

That concludes, I believe, the first round of questioning. We do not plan to do a second round of questioning, but, at this time, I would allow Mr. Gibbs to request a second round.

Or, if you have other Members, Bob, who I am not seeing.

Mr. GIBBS. I am fine. I think we are good. I don't think there are any other Members on, are there? I can't tell.

Mr. MALONEY. I don't believe so.

And if there are any Democratic Members who wish to ask a second question, we could certainly permit that at this time.

But seeing none, for purposes—and I am pretty sure I know the answer, but for purposes of a clean record, and despite—let me just take 30 seconds to ask each of our witnesses for a short answer on the record.

Despite the leadership of Chairman DeFazio and some of us who feel very strongly about a direct assistance, maritime-specific assistance to address COVID–19 needs, it is pretty clear, though, to a lot of us that the CARES Act, despite the many critical things it did, fell short in this area.

So, for each of the witnesses—and a simple "yes" or "no" would do—would you confirm that you support dedicated maritime-specific assistance to address the COVID–19 pandemic?

Mr. CONNOR. Chris Connor, AAPA. Absolutely.

Ms. BRAND. Lauren Brand, National Association of Waterfront Employers. Yes, sir.

Mr. EBELING. Eric Ebeling for USA Maritime. Yes. Thank you.

Ms. CARPENTER. Jennifer Carpenter——

Mr. ROBERTS. Mike Roberts—oh, Jennifer, you go.

Ms. CARPENTER. Sorry, Mike.

Jennifer Carpenter, American Waterways Operators. Yes, sir.

Mr. MALONEY. Mike?

Mr. ROBERTS. Mike Roberts, American Maritime Partnership. Yes, sir.

Mr. MALONEY. Well, I appreciate that and the crispness of those responses.

And seeing no further questions from the Members, just a short bit of housekeeping, and I will release you to your weekends.

I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may have been submitted to them in writing, particularly those that may have been lost due to technical issues.

I would also ask unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

If no other Members have anything to add, with thanks to all of our witnesses, this subcommittee is adjourned.

[Whereupon, at 2:41 p.m., the subcommittee was adjourned.]

# SUBMISSIONS FOR THE RECORD

**Prepared Statement of Hon. Sam Graves, a Representative in Congress from the State of Missouri, and Ranking Member, Committee on Transportation and Infrastructure**

Thank you, Chairman Maloney.

The U.S. economy is heavily dependent on international trade, and our agricultural exports are a foundation of the economy in the Midwest.

Most of the public discussion about the impacts of the COVID–19 pandemic on ports and the supply chain has been about container shipping and large coastal ports. That's important of course, but I'm also concerned about the associated restrictions and market impacts on agricultural commodities shipped either by container or by bulk.

I look forward to hearing from the witnesses today about whether COVID–19 has caused restrictions which have either reduced consumer demand for U.S. agriculture products or made it more difficult to ship these products domestically or internationally.

If problems do exist, I'm interested in hearing the witnesses' suggested solutions.

Chairman Maloney, thank you for having this important hearing today, and for leading our Committee's first virtual hearing.

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