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ON BEHALF OF MARITIME LABOR

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

HEARING ON U.S. MARITIME AND SHIPBUILDING INDUSTRIES: STRATEGIES TO
IMPROVE REGULATION, ECONOMIC OPPORTUNITIES AND COMPETITIVENESS

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Good morning, Chairman Maloney, Ranking Member Gibbs, and the members of the subcommittee.

I thank you for conducting this hearing and for giving me the opportunity to testify. I also thank all of you for your continued support of the United States Merchant Marine. My name is Augie Tellez and I am the Executive Vice President of the Seafarers International Union. I am testifying today on behalf of maritime labor, which includes the SIU, the American Maritime Officers, the Marine Engineers’ Beneficial Association, the International Organization of Masters, Mates and Pilots, and the Maritime Trades Department of the AFL-CIO. All told, the members of these seagoing labor organizations and the affiliates of the MTD number over 4 million working people in America.

Today is the Maritime Industry Congressional Sail-in, our industry’s annual day to visit Capitol Hill. As we speak, nearly 200 representatives of the U.S.-Flag maritime industry, from CEOs and union leaders to actively sailing merchant mariners, are meeting with members of Congress and their staff. Their goal is to educate our elected officials and staff about the importance of the merchant marine, to request support for the laws that keep our ships sailing and our members employed, and to put a human face on what is often a forgotten industry in America.

This hearing could not be timelier. The United States Merchant Marine is at a crossroads, and if we are to continue to meet the challenges of the 21st century and an unstable world, the federal government and the maritime industry must work together to find solutions to help keep our industry viable against the unlevel playing field that is world commerce and the opposition of misguided interest groups on both the left and the right here at home.

This committee is well-aware of the ongoing mariner shortage that the United States faces and the implication that shortage has for national security. The Maritime Administrator has testified repeatedly about these concerns, and this committee has heard from several current and former United States Transportation Command leaders that our mariner pool is already at the breaking point. This is the paramount issue facing the Merchant Marine today, and all of the issues that

are the subject of this hearing – improving regulations, providing greater economic opportunities and increasing competitiveness – are important factors in helping the industry get back to where we need to be to continue our efforts to protect American economic, homeland and national security.

The U.S.-Flag merchant marine relies on three pillars to support its mission to fulfill the mandate set forth in the Merchant Marine Act of 1936: the Jones Act, the Maritime Security Program, and Cargo Preference. All these laws, working together, create the environment necessary for a successful and commercially viable merchant marine – trained mariners, jobs for those mariners, ships for those mariners to crew, and cargo to keep those ships moving.

Whatever else we talk about at this hearing today, keep those four things in mind, because everything we do in the industry and everything the government does to support the industry has to go towards supporting one of those four things.

Mariners. Jobs. Ships. Cargo.

Without mariners, jobs, ships and cargo, the U.S. Merchant Marine ceases to exist. They must be taken together because each of them depends on the existence of the other. A solid, workable government policy on the merchant marine needs to fulfill the needs of each of these things in order to be successful.

Let's first talk about mariners and jobs.

The mariner shortage that we currently face has two aspects to it: first, the recruitment of new mariners into the industry and second, the continued training and retention of existing mariners. In order to get new mariners in the door, we need to be able to demonstrate to them that choosing a career in maritime is a viable option for them. A life at sea isn't for everyone – it's long hours, time away from family, and dangerous work. In a modern-day economy that seems to expect every worker to go to college and then work a 9 to 5 job, it's difficult for many people, young people especially, to imagine a career in the merchant marine.

We have found, however, that one of the easiest transitions is the transition between a career in the military to a career in the maritime industry. While the merchant marine is not a uniformed service, the relationship between the merchant marine and the uniformed services is clear, and the lifestyle is similar. The maritime industry has put together a "Military to Maritime" program that is designed to help identify military veterans who are looking for jobs and pair them with the jobs, training and credentialing they need in order to begin a career in the maritime industry, and more easily transition to civilian life. At the same time, Congress should work to help veterans while reducing bureaucratic burdens.

One of the biggest barriers to entry into the industry is the number of credentials and fees that must be paid by a mariner before they can even begin to look for a job. These include fees for both the Transportation Worker Identification Credential and the Merchant Mariner Credential. Additional fees are required for officer licenses, as well. Waiving those fees for veterans entering the industry would help remove one barrier to entry and provide an additional benefit to

those who have served and are now looking to enter the merchant marine. In addition, by allowing the Coast Guard to accept a valid military Common Access Card (CAC) in lieu of a TWIC and accepting a recent military physical examination instead of requiring a mandated maritime related physical, we could help reduce duplicative burdens on former servicemembers transitioning into the industry.

This Committee has been instrumental in bringing the services to the table to address these issues. The roundtables you have organized over the past few years have been a great example of what Congress can accomplish. In that line, we continue to urge the Coast Guard to continue working with the Navy to ensure that military personnel are given full credit towards their commercial credentials and licenses for comparable service attained at sea. We also urge them to continue creating clearer pathways forward to the credentialed positions that exist in the industry. We also hope that the Navy would work with the Coast Guard to ensure that their training and shipboard assignments can more closely mirror international maritime standards including the Standards of Certification, Training and Watchkeeping (STCW) that govern crewmembers in both the United States and overseas. Congress should also allow GI Bill eligible veterans to continue receiving subsistence benefits while they are enrolled in training institutions that are qualified by the Coast Guard to offer maritime course instruction leading to a commercial certification or license. Many veterans are deterred from entering a training program because they would potentially lose subsistence benefits during training before they begin receiving a steady income.

Rest assured, that no matter how difficult it is, U.S. maritime labor is committed to ensuring that for every mariner job there is a trained, skilled, and motivated mariner to fill it. When the balloon has gone up, U.S. maritime labor has never let a ship sail into harm's way without enough mariners aboard to get the job done safely. No matter what, maritime labor has always gotten the job done, and we will continue to get the job done.

As we have always said to our friends in the industry – give us the jobs, and we'll fill them.

Moving on, there are a few ideas that can help us bring new ships and more cargo into the merchant marine.

First, as this committee is aware, the 2008 Coast Guard Authorization Act gave the Maritime Administration the authority to enforce existing U.S.-flag cargo preference laws, but the agency has been unable to set the necessary enforcement. Despite the clear intent of Congress, MARAD continues to find itself blocked in the interagency review process from publishing implementing regulations for this authority. Without these implementing regulations, MARAD has been unable to use the power granted it by Congress to hold shipper agencies of the federal government accountable when they fail to comply with existing cargo preference requirements.

Evidence supports a strong belief in certain areas of the industry that the commercial fleet is missing opportunities across all the major sectors of cargo preference – whether it's defense related cargo, Ex-Im Bank financed cargo, or P.L. 480 and other food aid cargoes – and that this missing cargo is contributing to the decline of the fleet. It is critical that MARAD be able to use the power Congress intended it to have to hold other federal agencies accountable for following

the law. This is common sense, yet it remains an issue over a decade later. This must change.

A key legislative option to consider that would have a positive impact on jobs and ships would be rolling back the cuts to cargo preference that were enacted in 2013. The Maritime Administration (MARAD) has made it clear that the changes made to cargo preference in the Moving Ahead for Progress in the 21st Century Act of 2013 (MAP-21), which reduced the percentage of foreign food aid cargoes reserved for the Merchant Marine from 75% to 50%, were responsible for the loss of over 25 ships in the U.S.-Flag international fleet. Congress can reverse that change and restore the 75% requirement – or even expand the requirement to 100% to mirror the requirement for defense related cargo. Doing so would ensure the additional cargo needed to sustain the ships and jobs that existed just a few years ago, and help reverse the negative trend we have seen since that misguided change in the law.

On the Jones Act front, we continue to push for creative solutions to kickstart Short Sea Shipping projects across the country. MARAD's Marine Highways program is a good start, but more must be done to help make short sea shipping more than just a paper program. As we see more and more people concerned about climate change, the more sense Short Sea Shipping makes – not only will it result in new jobs and new ships for the Jones Act domestic fleet, it will help reduce greenhouse gas emissions by getting trucks off the highways and moving those goods via ships or barges.

A variety of tax related issues have been discussed over the years to promote the maritime industry. Most recently, Congress adopted the tonnage tax, which brings the industry in line with the tax regimes of most of our foreign competitors. Congress should continue to look at ways to use the tax code to incentivize shipping cargo on American ships. Past ideas have included tax breaks for shippers to encourage them to utilize American shipping companies to move their cargo.

These are just a few ideas that the industry has discussed over the years to help promote the industry. And while it is clear there are no silver bullets that can solve every problem the industry faces today, there is one idea – and one bill - that comes close.

The Energizing American Shipbuilding Act is a comprehensive bill designed to address all four of the major concerns – mariners, jobs, ships and cargo. This bipartisan bill, which was introduced in the last Congress by Congressman John Garamendi and Senator Roger Wicker, would reserve a small portion of exported American crude oil and liquefied natural gas for ships built in the United States, flagged American and crewed by American mariners.

The resulting cargo would be sufficient to create thousands of new shipbuilding and mariner jobs, while adding dozens, if not a hundred, new ships to the U.S.-Flag international fleet. With the lifting of the ban on the export of crude oil in 2015, the United States has seen rapid growth in the oil export business, yet none of that trade is being done right now on American ships.

Adding American crude oil and LNG to cargo preference is a simple, cost-effective way to help bolster both the U.S. shipbuilding industry as well as help us to boost the size of the U.S.-Flag international fleet, which has been losing ships steadily for several years. This bill is similar to

one that was passed in 1974 by Congress but vetoed by President Ford. In addition, given that this trade did not exist prior to 2015, it is not unreasonable for Congress to reserve a portion of this new cargo for American industries, knowing that the benefit to both national security and the merchant marine will be significant.

We look forward to Congressman Garamendi and Senator Wicker reintroducing this bill in the 116th Congress and we urge Congress to pass it and the President to enact it into law.

Now, let me be frank.

For decades, we have been coming to Congress, stressing the need for more ships and more jobs. Today is no different, and the need for these new jobs and new ships is more important than ever before.

I have testified before this committee many times, and each time I have stressed that those of us in the industry and our allies in Congress must stop constantly playing defense, protecting the ships and jobs we have. We need to go on the offense and start trying to find ways to grow the industry. We can't simply rely on maintaining MSP, stopping attacks on the Jones Act and cargo preference, and hope that things turn around.

They won't. Not unless we act.

Now is the time for action. It's not the time for us to play defense, or to accept half measures that are politically expedient but largely ineffective. We need bold leadership from Congress, and we look to the members of this Committee for that leadership. We have an opportunity now to fix these problems and put our Merchant Marine back on the right course. I urge you to stand with us.

The United States Merchant Marine has stood by America in peace and war for over two hundred years. If we want it to continue to do so, it is critical that we act today to not just protect but to expand the maritime industry and our international fleet. Working together I am confident that Congress, the Administration, and the maritime industry can find solutions that will result in more trained mariners, more mariner jobs, more ships, and more cargo – all the things needed to keep our Merchant Marine sailing now and well into the future.

Thank you for allowing me to testify today, and I look forward to answering any questions you may have.