



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”

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**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.<sup>1</sup> 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

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

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 Operations Enduring Freedom and Iraqi Freedom, U.S. flagged commercial vessels transported 90 percent of sustainment cargoes moved to Afghanistan and Iraq.<sup>2</sup>

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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup> 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.<sup>7</sup> Over the last 35 years, the number of U.S. flagged vessels sailing in the international trade dropped from 850 to 87 vessels.<sup>8</sup> 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.<sup>9</sup> Since the DoD relies on

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<sup>2</sup> *Id.*

<sup>3</sup> MARAD, <https://www.maritime.dot.gov/data-reports/data-statistics/data-statistics>

<sup>4</sup> *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](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>.

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

<sup>6</sup> U.S. Dep. of Transp. *Maritime Administration United States Flag Privately-Owned Merchant Fleet Report* (March 2020).

<sup>7</sup> MARAD Calculation using CBP, Census, and commercial data sources.

<sup>8</sup> 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.

<sup>9</sup> Maritime Admin. Mark H. Buzby Testimony before the House Committee on Armed Services (March 8, 2018).

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.<sup>10</sup> 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.<sup>11</sup>

### *U.S. Ports and Marine Terminals*

Public ports in the United States play an indispensable role in local and regional economies throughout the nation.<sup>12</sup> 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 support services.<sup>13</sup> 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.<sup>14</sup> Ports are responsible for \$4.6 trillion in economic activity — roughly 26 percent of the U.S. economy.<sup>15</sup> 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.<sup>16</sup>

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.<sup>17</sup> 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).<sup>18</sup> 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.<sup>19</sup>

### *Port Infrastructure Development Program*

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<sup>10</sup> MARAD, <https://maritime.dot.gov/national-security/strategic-sealift/maritime-security-program-msp>

<sup>11</sup> National Defense Authorization Act for Fiscal Year 2020.

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

<sup>13</sup> *Id.*

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

<sup>15</sup> *Id.*

<sup>16</sup> AAPA, *The Economic Impact of U.S. Seaports* (2019) available at [http://aapa.files.cms-plus.com/2019\\_PortsFundingMap.pdf](http://aapa.files.cms-plus.com/2019_PortsFundingMap.pdf)

<sup>17</sup> Global Trade Magazine, <https://www.globaltrademag.com/us-ports/>

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

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

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.<sup>20</sup> 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.<sup>21</sup> In addition, there are more than 200 shipyards engaged in ship repairs or capable of building ships, but not actively engaged in shipbuilding.<sup>22</sup> According to the U.S. Maritime Administration, the U.S. shipyard industry supports more than 100,000 direct shipyard jobs across the United States, produces \$7.9 billion in direct labor income and contributes \$9.8 billion in direct GDP to the national economy.<sup>23</sup>

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.<sup>24</sup>

### **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

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<sup>20</sup> DOT Bureau of Transp. Statistics, *Freight Facts and Figures 2017*, Table 2-1.

<sup>21</sup> 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).

<sup>22</sup> *Id.*

<sup>23</sup> MARAD, <https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/3641/maradeconstudyfinalreport2015.pdf>

<sup>24</sup> 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).

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.<sup>25</sup> 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.<sup>26</sup>

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.<sup>27</sup> 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.<sup>28</sup> 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.<sup>29</sup> 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.<sup>30</sup> 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.<sup>31</sup> 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.<sup>32</sup> 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.<sup>33</sup>

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

<sup>26</sup> Johns Hopkins Univ., *COVID-19 Dashboard* (last accessed May 26, 2020) available at <https://coronavirus.jhu.edu/map.html>.

<sup>27</sup> OECD, *COVID-19 and International Trade: Issues and Actions* (2020).

<sup>28</sup> 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](http://www.dhl.com/content/dam/dhl/global/dhl-global-forwarding/documents/pdf/glo-dgf-ocean-market-update.pdf).

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

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

<sup>31</sup> 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](https://www.joc.com/breakbulk/breakbulk-carriers/wallenius-wilhelmsen-shrinks-fleet-coronavirus-demand-dip_20200323.html).

<sup>32</sup> *Id.*

<sup>33</sup> *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.<sup>34</sup> 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.

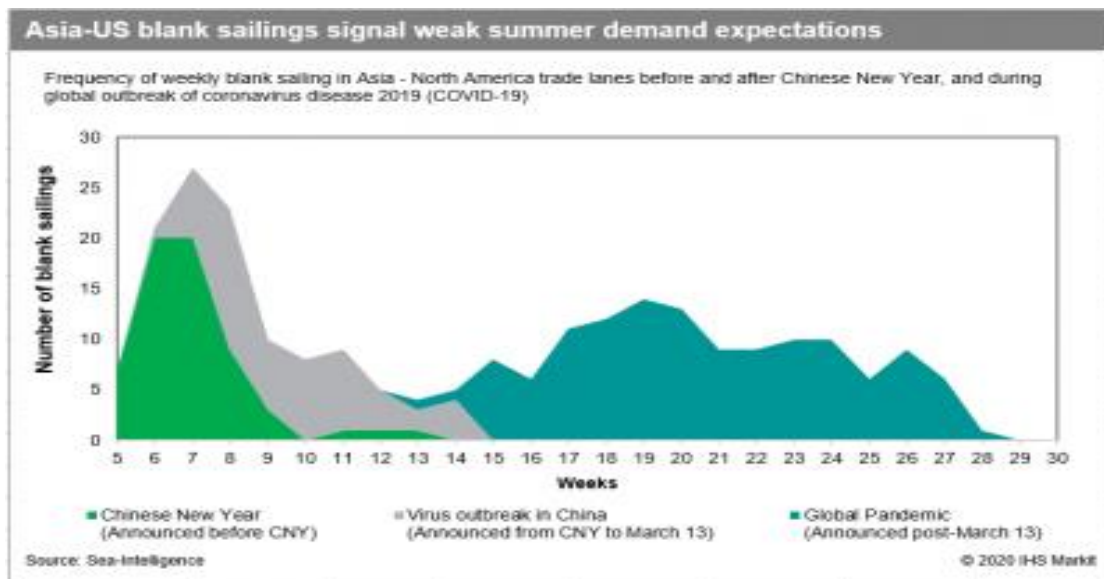


Figure 1-JOC, *Trans-Pac blank sailings a harbinger of soft summer imports (May 2020)* available at [https://www.joc.com/maritime-news/trade-lanes/trans-pacific/trans-pac-blank-sailings-harbinger-soft-summer-imports\\_20200514.html](https://www.joc.com/maritime-news/trade-lanes/trans-pacific/trans-pac-blank-sailings-harbinger-soft-summer-imports_20200514.html)

### 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.<sup>35</sup> AAPA asked Congress to consider a \$1.5 billion grant program for ports, allowing them to maintain their

<sup>34</sup> 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>

<sup>35</sup> 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*.

workforces and weather financial shocks that could reportedly trigger the direct loss of up to 130,000 jobs.<sup>36</sup>

**WITNESS LIST**

Ms. Lauren Brand  
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Mr. Eric Ebeling  
President and Chief Executive Officer  
American Roll-On-Roll-Off Carrier  
*On behalf of USAMaritime*

Mr. Michael Roberts  
President  
American Maritime Partnership

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<sup>36</sup> Letter from AAPA to House Committee on Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation, April 16, 2020, *COVID-19 Relief Package*.