



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

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February 8, 2021

**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 “State of the U.S. Maritime Industry: Impacts of the COVID-19 Pandemic”

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**PURPOSE**

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Tuesday, February 9, 2021, at 11:00 a.m. EST to examine the current state of the U.S. maritime industry amid the ongoing COVID-19 pandemic. The hearing will take place in 2167 Rayburn House Office Building and virtually via Cisco WebEx. The Subcommittee will hear testimony from the American Association of Port Authorities, American Maritime Partnership, American Waterways Operators, the National Association of Waterfront Employers, Shipbuilders Council of America, and USA Maritime.

**BACKGROUND**

**U.S. Maritime Industry**

*U.S. Merchant Marine and Fleet*

The U.S. Merchant Marine, 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

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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).

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 Nation's 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*, portions of which are now codified in Subtitle V of title 46, United States Code. 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,”<sup>4</sup> moving over 115 million passengers and nearly \$300 billion worth of goods between ports in the United States on an annual basis.<sup>5</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>6</sup>

The U.S. Government-owned National Defense Reserve Fleet (NDRF) consists of 100 government-owned vessels waiting in reserve to provide additional domestic or international logistic support with 46 vessels in the Maritime Administration's (MARAD) Ready Reserve Force (RRF), a subset of NDRF.<sup>7</sup> The RRF 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 85 are operating in international commerce moving goods between U.S. and foreign ports.<sup>8</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>9</sup> Over the last 36

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

<sup>3</sup> The Waterways Journal *How big is the Jones Act Fleet?* (January 18, 2019) available at <https://www.waterwaysjournal.net/2019/01/18/how-big-jones-act-fleet/>.

<sup>4</sup> *Merchant Marine Act of 1920*, portions of which are now codified in Subtitle V of title 46, United States Code.

<sup>5</sup> *National Strategy for the Marine Transportation System: Channeling the Maritime Advantage 2017-2022* (Oct. 2017), available at [https://www.cmts.gov/downloads/National\\_Strategy\\_for\\_the\\_MTS\\_October\\_2017.pdf](https://www.cmts.gov/downloads/National_Strategy_for_the_MTS_October_2017.pdf); *Economic Contribution of the US Tugboat, Towboat, and Barge Industry* (June 22, 2017), available at <https://www.maritime.dot.gov/ports/economic-contribution-us-tugboat-towboat-and-barge-industry-study>.

<sup>6</sup> The U.S. Waterway System Transportation Facts & Information, available at <https://usace.contentdm.oclc.org/digital/collection/p16021coll2/id/1429/>.

<sup>7</sup> U.S. Department of Transportation, Maritime Administration. (accessed Feb. 2, 2021) available at <https://www.maritime.dot.gov/national-security/strategic-sealift/strategic-sealift>.

<sup>8</sup> U.S. Department of Transportation, Maritime Administration. (January 2021).

<sup>9</sup> *Id.*

years, the number of U.S. flagged vessels sailing in the international trade dropped from 850 to 85 vessels.<sup>10</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>11</sup> Since the DoD relies on civilian mariners to crew the Government-owned fleet, maintaining a pool of highly trained mariners through the Maritime Security Program (MSP) is imperative.

Within the international U.S. flag fleet, up to 60 vessels are enrolled in the MSP.<sup>12</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 (FY) 2022, to provide military sealift for the United States Transportation Command within the DoD.<sup>13</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>14</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>15</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 by volume passes.<sup>16</sup> Ports are responsible for \$4.6 trillion in economic activity — roughly 26 percent of the U.S. economy.<sup>17</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>18</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, inland ports, 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>19</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>20</sup> MTOs

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<sup>10</sup> *Id.*

<sup>11</sup> Maritime Admin. Mark H. Buzby Testimony before the House Committee on Armed Services (March 8, 2018).

<sup>12</sup> U.S. Department of Transportation, Maritime Administration, *available at* <https://maritime.dot.gov/national-security/strategic-sealift/maritime-security-program-msp>.

<sup>13</sup> National Defense Authorization Act for FY 2020 (P.L. 116-92).

<sup>14</sup> Global Trade Magazine, *2020 U.S. Ports Summary* (last accessed May 26, 2020) *available at* <https://www.globaltrademag.com/us-ports/>.

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

<sup>16</sup> ASCE, *2019 Infrastructure Report Card, Ports* (Jan. 2017) *available at* <https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Ports-Final.pdf>.

<sup>17</sup> *Id.*

<sup>18</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>19</sup> Global Trade Magazine, <https://www.globaltrademag.com/us-ports/>

<sup>20</sup> MARAD, *Maritime Transportation System Summary* (2021) *available at* <https://www.maritime.dot.gov/outreach/maritime-transportation-system-mts/maritime-transportation-system-mts>.

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>21</sup>

### *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 is projected to double between 2015 and 2045.<sup>22</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 Section 50302 of 46 United States Code, MARAD established a Port Infrastructure Development Program to better support the development of port facilities. The FY 2021 *Consolidated Appropriations Act*, P.L. 116-260, provided \$230 million for the Port Infrastructure Development Program, with \$205 million reserved for grants to coastal seaports and Great Lakes ports; a \$5 million increase from FY 2020. 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>23</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>24</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>25</sup>

Other than ships required to be U.S.-built for the domestic cabotage trade, popularly known as *Jones Act*<sup>26</sup> trade, U.S. commercial shipbuilding faces steep challenges from shipbuilders in China,

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<sup>21</sup> Fed. Maritime Com. *Marine Terminal Operators* (2021) available at <https://www.fmc.gov/resources-services/marine-terminal-operators/>.

<sup>22</sup> DOT Bureau of Transp. Statistics, *Freight Facts and Figures 2017*, Table 2-1.

<sup>23</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>24</sup> *Id.*

<sup>25</sup> MARAD, available at <https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/3641/maradeconstudyfinalreport2015.pdf>.

<sup>26</sup> *Merchant Marine Act of 1920*, portions of which are now codified in Subtitle V of title 46, United States Code

South Korea, and Japan. These heavily subsidized foreign competitors accounted for over 90 percent of the global shipping tonnage delivered in 2018.<sup>27</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 coronavirus (COVID-19) is a virus strain that can cause mild to fatal respiratory illness to those persons it infects.<sup>28</sup> 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 late January 2021, COVID-19 had spread worldwide with almost 99 million confirmed cases and more than 2 million deaths.<sup>29</sup> In the United States, data released by the Johns Hopkins Coronavirus Research Center on February 4, 2021, totaled 26,561,428 reported cases and 450,887 deaths attributed to COVID-19.<sup>30</sup>

According to CDC data and statistics, COVID-19 is the worst pandemic in over 100 years since the 1918 influenza (H1N1) pandemic broke out and took over 50 million lives across the globe.<sup>31</sup> In the initial months of the pandemic, many cities, states, and entire countries remained on lockdown or operated under stay-at-home orders. In the more recent months, countries started to gradually re-open commerce and modify operations and activities, although many countries have had to enforce additional lockdown orders or travel restrictions as COVID-19 cases surged.<sup>32</sup>

#### *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>33</sup> As countries entered lockdown, 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>34</sup> U.S. ports experienced a 7.3 percent drop in container volumes in the first five months of 2020 caused by general shutdowns across many key markets in nations affected by the COVID-19 pandemic.<sup>35</sup> But as consumer trends shifted from in-person consumption and entertainment to at home and online retail purchases, the global supply chain failed to keep up;

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<sup>27</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).

<sup>28</sup> Centers for Disease Control and Prevention. (last accessed February 3, 2021) *available at* <https://www.cdc.gov/coronavirus/2019-ncov/symptoms-testing/symptoms.html?>

<sup>29</sup> World Health Org., *Coronavirus Disease Dashboard* (last accessed January 25, 2021) *available at* <https://covid19.who.int/>.

<sup>30</sup> Johns Hopkins Univ., *COVID-19 Dashboard* (last accessed February 4, 2021) *available at* <https://coronavirus.jhu.edu/map.html>.

<sup>31</sup> Fauci, A. IDWeek's 24 hours of COVID-19 "Chasing the Sun" 2020 virtual meeting. (Oct. 21, 2020) *available at* <https://www.eventscribe.net/2020/IDWeek/SearchByBucket.asp?pf=ChasingTheSun&f=CustomPresField66&bm=Chasing%20the%20Sun>.

<sup>32</sup> U.S. Chamber of Commerce, *Global Dashboard on COVID-19 Government Policies*, (last accessed February 3, 2021) *available at* <https://www.uschamber.com/international-affairs-division/covid-dashboard>.

<sup>33</sup> OECD, *COVID-19 and International Trade: Issues and Actions* (2020).

<sup>34</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>35</sup> Shipping Water, *Container volumes almost fully recovered despite large drop in the spring of 2020* (January 8, 2021).

upending long-standing trade patterns and causing bottlenecks at ports.<sup>36</sup> Containers are in high demand and short supply and U.S. ports are struggling to keep up with volume which is further complicated by a shortage of dock workers due to COVID-19 outbreaks across the United States. The cost of shipping a container of goods has risen by 80 percent since early November and has nearly tripled over the past year due to a ripple effect as cargo volume soars, containers pile up at U.S. ports, and ships sit anchored offshore, waiting to unload their cargo.<sup>37</sup> More than one-third of the containers transiting the world's 20 largest ports last month failed to ship when scheduled.<sup>38</sup> All the while American producers in the Midwest are having difficulties finding available containers to export their goods as carriers push to return containers to China as quickly as possible.<sup>39</sup> Industry fears the troubles effecting the global supply chain are just starting as they see record high pricing, and are bracing for increased delays and disruptions despite capacity increases of more than 30 percent in some routes such as the trans-Pacific.<sup>40</sup>

In March 2020, the Federal Maritime Commission initiated Fact Finding No. 29, International Ocean Transportation Supply Chain Engagement, in order to identify operational solutions to cargo delivery system challenges related to COVID-19. This fact finding was expanded in November 2020 to investigate potential violations of Section 41102(c) of Title 46 United States Code, Practices in Handling Property, by improper regulations and practices.<sup>41</sup>

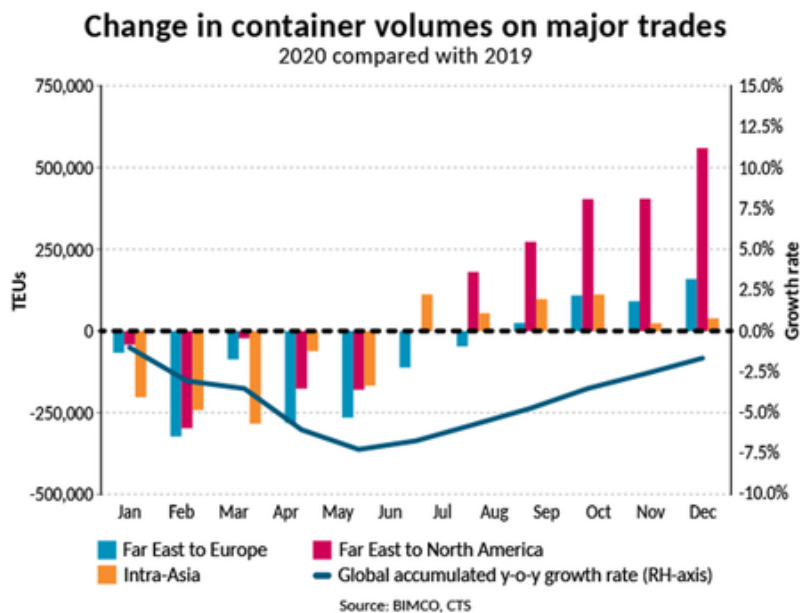


Figure 1- Shippingwatch, Change in container volumes on major trades (January 8, 2021) available at <https://shippingwatch.com/carriers/Container/article12674801.ece>

<sup>36</sup> The Washington Post, *Pandemic aftershocks overwhelm global supply lines* (January 24, 2021) available at <https://www.washingtonpost.com/business/2021/01/24/pandemic-shipping-economy/>.

<sup>37</sup> Freightos Baltic Index (January 25, 2021) available at <https://fbx.freightos.com/>.

<sup>38</sup> The Washington Post, *Pandemic aftershocks overwhelm global supply lines* (January 24, 2021) available at <https://www.washingtonpost.com/business/2021/01/24/pandemic-shipping-economy/>.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> Federal Maritime Commission, (November 1, 2020) available at [https://www2.fmc.gov/readingroom/docs/FFno29/FF29\\_41102\(c\)\\_%20Supplemental\\_Order.pdf/](https://www2.fmc.gov/readingroom/docs/FFno29/FF29_41102(c)_%20Supplemental_Order.pdf/).

## *Workforce Challenges*

Global shipping depends on nearly two million seafarers worldwide, who make it possible for the world to receive the goods and products needed for everyday life.<sup>42</sup> This is not including the seafarers or longshoremen involved in other trades, such as transportation of passengers, fishing, or response, who are also vitally important to the maritime industry. To much of the industry, maintaining operations during the pandemic requires their frontline employees to potentially be exposed to COVID-19 as they continue working while other segments of the industry stopped operations and furloughed employees as business faltered. Mariners working onboard vessels engaged in the international trade face lockdowns, mandatory quarantines, and travel and port restrictions imposed by governments around the world. These circumstances have created significant issues restricting crew changes and repatriation of seafarers, raising humanitarian concerns regarding the mental and physical safety of mariners stuck onboard vessels. The abandonment of seafarers internationally is among the many concerns that have arisen during the pandemic.<sup>43</sup>

Operators are also faced with social distancing requirements and increased cost of acquiring Personal Protective Equipment (PPE) for crew as public health measures became stricter in an attempt to prevent and manage outbreaks of COVID-19 on board vessels. Stricter public health measures also affect ports and shipyards as employers and employees work to prevent potential COVID-19 outbreaks.

### *U.S. Industry Requests for Assistance*

The ability to obtain PPE is dependent upon a well-functioning global supply chain of critical medical supplies. Ports, MTOs, and stevedores are continuing to find creative ways to keep workers safe in order to keep the supply chain functioning well. Those U.S. ports, MTOs, and stevedores, like many other hard hit parts of the U.S. economy, are also seeking federal help to shoulder additional costs tied to COVID-19 and to weather losses in maritime transportation, including from the cruise industry which is completely shut down in the U.S. through March of 2021.

To date, little federal assistance has gone to the U.S. maritime industry. Under the *Coronavirus Economic Relief for Transportation Services Act*, included in the FY 2021 *Consolidated Appropriations Act*, P.L. 116-260, passenger vessels carrying less than 2,400 passengers, ferries, and other passenger transportation groups such as buses companies, were provided access to \$2 billion in funding. The passenger vessel industry has been severely impacted by the COVID-19 pandemic. The Passenger Vessel Association, which represents much of the U.S. flagged passenger vessel industry, estimates lost revenue for the U.S. industry in 2020 at \$5 to \$10 billion with about 80 percent of the workforce either furloughed or laid off, and business for many has dropped 80 to 90 percent.<sup>44</sup>

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<sup>42</sup> Doumbia- Henry, C. *Shipping and COVID-19: protecting seafarers as frontline workers*. (September 24, 2020). <https://link.springer.com/article/10.1007/s13437-020-00217-9>.

<sup>43</sup> *Id.*

<sup>44</sup> Workboat, *Covid-19 has bludgeoned the U.S. passenger vessel industry* (December 1, 2020) <https://www.workboat.com/passenger-vessels/covid-19-has-bludgeoned-the-u-s-passenger-vessel-industry>.

In the 116<sup>th</sup> Congress, the *Maritime Transportation System Emergency Relief Program* was included in the *William A. Thornberry National Defense Authorization Act of 2020*, P.L. 116-283. This legislation provides comprehensive maritime emergency relief authority to enable the Maritime Administration to provide financial assistance to stabilize and ensure the reliable functioning of the U.S. Maritime Transportation System in the event of a national emergency or disaster, including, the current COVID-19 public health emergency. This relief authority has not yet been funded and no other sector of maritime industry has received designated COVID-19 federal assistance other than the passenger vessel industry stated above. AAPA as well as 36 other industry groups such as the National Association of Waterfront Employers have asked Congress to consider funding the Maritime Transportation System Emergency Relief Program, which would help allow them to keep workers and customers safe and ensure supply chains continue moving.

### **WITNESS LIST**

Ms. Lauren Brand  
President  
National Association of Waterfront Employers

Mr. Ben Bordelon  
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Mr. Mario Cordero  
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Mr. Jim Patti  
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Mr. Michael Roberts  
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Mr. Del Wilkins  
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