

TESTIMONY OF
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ON BEHALF OF USA MARITIME

IN THE
U.S. HOUSE OF REPRESENTATIVES

AT THE JOINT HEARING BETWEEN

TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE

AND

AGRICULTURE COMMITTEE
LIVESTOCK AND FOREIGN AGRICULTURE SUBCOMMITTEE

U.S. INTERNATIONAL FOOD AID PROGRAMS:
TRANSPORTATION PERSPECTIVES

November 17, 2015

Introduction

Good morning Chairman Rouzer and Chairman Hunter. I appreciate the opportunity to testify today on behalf of USA Maritime on the importance of the Maritime Security Program and food aid cargo preference to the international trading U.S.-flag fleet. USA Maritime is a coalition of ship owning companies, maritime labor organizations and maritime trade associations which directly or indirectly represent the vast majority of the privately owned U.S.-flag oceangoing

commercial vessels operating regularly in the U.S. foreign trade. For the record, I have submitted a list of members of the Coalition.

Summary

USA Maritime strongly supports the Maritime Security Program (MSP) and existing cargo preference laws applicable to military and civilian government-impelled cargoes. Taken together, MSP and Cargo Preference programs are the principal means by which our national interests are served by maintaining a U.S.-flag presence in international waterborne trade.

MSP is a government-private partnership between the U.S. government and the U.S.-flag shipping industry whereby the Department of Defense (DOD) is provided assured access to privately-owned commercial shipping assets, related global intermodal systems, and the active pool of U.S. citizen mariners necessary to deploy and sustain ground forces and related equipment during overseas combat operations. The development and implementation of MSP during the 1990s grew from an effort to re-engineer sealift capability as a consequence of “lessons learned” from the First Gulf War in 1990-1991. Less than a decade later in Afghanistan and Iraq, the effectiveness of MSP and its companion sealift readiness program were unmistakably proven during the sealift campaigns to support U.S. military operations and rebuilding programs.

The U.S. government also administers a framework of cargo preference statutes designed to promote and sustain a U.S.-flag fleet by prescribing a level of access to military and civilian government-impelled cargoes. It is important that these statutes and the related programs are adhered to by Federal agencies to ensure that taxpayer dollars are spent, at least in part, to promote U.S.-flag shipping and preserve national security as an alternative to the employment of foreign-flag shipping and foreign crews. Cargo Preference laws remain essential to maintaining a robust commercial U.S.-flag merchant marine. Virtually every privately owned U.S.-flag vessel engaged in the foreign trade depends to some degree on cargo preference to remain economically viable.¹ Indeed, absent cargo preference, it is no exaggeration to say that the U.S.-flag international trade fleet would continue to diminish to a level approaching MSP enrollment, currently at 60 vessels. Nevertheless, the history of cargo preference administration indicates that cargo reservation requirements are often not self-enforcing and strict Maritime Administration (MARAD) oversight is necessary to ensure that the law is followed and its purposes fulfilled across the U.S. Government. A new regulatory mandate to strengthen MARAD’s oversight and enforcement authority has been under consideration for seven years, and USA Maritime urges the Administration to renew its efforts to implement an effective regulatory enforcement mechanism.

The U.S.-Flag Commercial Industry is Critical to National Defense

Throughout its history, the United States has depended upon a viable U.S.-flag merchant marine for its economic and military national security. In his second annual address to Congress on December 8, 1790, President George Washington encouraged Congress to “render our

¹ E.g. Econometrica, Inc., “Maritime Security Program Impact Evaluation,” Submitted to the U.S. Department of Transportation, Maritime Administration (July 2009) at 26-27, 45.

commerce and agriculture less dependent on foreign bottoms.”² This proscription remains just as relevant 225 years later.

The United States benefits economically and strategically from an abundance of ocean coastline and internal rivers and lakes, and U.S. citizen merchant mariners who navigate, maintain, and work on the ships, tugboats, towboats, ferries, dredges, and other vessels that provide service in associated waterborne trades. U.S. mariners are expertly trained and perform their respective shipboard tasks to the highest of standards anywhere in the world. The importance and viability of a qualified pool of citizen mariners is distinguishable from many other civilian occupations since it is critical to U.S. national security and to America’s ability to project power.

Though it is fundamentally a commercial enterprise, the U.S. Merchant Marine has proven throughout history its capability to serve as an auxiliary force to the Navy. The often overlooked “fourth arm of defense,” as referenced by President Franklin Delano Roosevelt, the U.S. Merchant Marine and American seafarers have been called upon repeatedly throughout history to deliver U.S. military personnel and materiel to areas of conflict or emergency no matter where they occurred. Perhaps most notably, the U.S. Merchant Marine and civilian merchant mariners were integral to the Allied Forces’ victory in World War II, delivering nearly 270 million long tons of cargo in support of the war while risking their lives in the treacherous waters of the North Atlantic and Pacific Oceans. All told, 733 American cargo ships were lost during World War II. Though U.S. Government records management for merchant mariners failed to match the precision applied to the other services, it is widely held that proportionately, the U.S. Merchant Marine suffered a higher death rate during World War II than any of the Armed Forces. In fact, according to the 1946 Report of the War Shipping Administration “Up to V-J Day, 5,638 merchant seamen and officers are dead and missing; 581 were made prisoners of war.”

The maintenance of a strong privately-owned U.S.-flag merchant marine has remained an essential part of our Nation’s official national security strategy. According to National Security Directive 28, which was signed by President Bush in 1989, and which still governs sealift policy:

Sealift is essential both to executing this country’s forward defense strategy and to maintaining a wartime economy. The United States’ national sealift objective is to ensure that sufficient military and civil maritime resources will be available to meet defense deployment, and essential economic requirements in support of our national security strategy.³

This policy is reflected in more current pronouncements. For example, the Department of the Navy’s fiscal year 2012 budget request provided that:

This budget supports maintaining a robust strategic sealift capability to rapidly concentrate and sustain forces and to enable joint and/or combined campaigns. This capability relies on maintaining a strong

² Second Annual Address of George Washington (Dec. 8, 1790), in Edwin Williams, *The Statesman’s Manual* 37 (1854).

³ National Security Directive 28 (Oct. 5, 1989).

U.S. commercial maritime transportation industry and its critical intermodal assets.

As stated succinctly by General John W. Handy (then Commander, U.S. Transportation Command) in 2002 – “We simply cannot, as a nation fight the fight without the partnership of the commercial maritime industry.”⁴

As General Duncan J. McNabb (then Commander, U.S. Transportation Command) in 2011 informed the U.S. Congress – “USTRANSCOM’s partnership with the U.S. commercial sealift industry and the Department of Transportation has been vitally important in developing new routes for conveying cargo around the globe – particularly to regions with undeveloped infrastructure.”⁵

The U.S. Merchant Marine has continued to demonstrate its value as a strategic resource into the 21st Century providing worldwide shipping facilities and support to the DOD and to essential foreign assistance programs, as well as waterborne response related to domestic and international disaster recovery operations. The U.S.-flag industry’s sealift mission in support of U.S. military operations throughout the past decade was historically efficient, delivering more than 90 percent of all cargoes bound to and from Afghanistan and Iraq during OPERATIONS ENDURING FREEDOM and IRAQI FREEDOM (OEF/OIF). U.S.-flag ships also supported months-long recovery efforts in the U.S. Gulf of Mexico in the aftermath of Hurricanes Katrina and Rita in 2005; in response to devastating earthquake destruction in Haiti in 2010; and to bolster federal and state recovery efforts in the New York/New Jersey area that followed destruction to that region as a consequence of Hurricane Sandy. Few Americans will forget the evacuation of New York City on 9/11 and the selfless acts of U.S. mariners and private sector companies to evacuate citizens from Lower Manhattan – the largest and safest evacuation of citizens in U.S. history.

It is important to note that U.S.-flag capability brought to bear in the wartime and emergency missions noted above included both U.S. Government-owned sealift vessels and privately-owned commercial vessels. However, it is this same single pool of trained and qualified civilian mariners who are called upon during emergencies to crew government ships, the majority of which are idle but maintained in readiness for activation, while simultaneously meeting the requirement to continue crewing commercial vessels and maintaining services in the U.S.-flag commercial trades.

Origins of MSP

The First Gulf War in 1990-1991 had highlighted a need for more effective and dependable sealift assets from the U.S.-flag commercial fleet, as well as upgraded reserve capacity in the Government-owned surge fleet. An inadequate number of commercial vessels available to meet lift requirements together with readiness deficiencies encountered during the activation of

⁴ Statement of General John W. Handy, Commander, U.S. Transportation Command before the House Armed Services Committee, Merchant Marine Panel on the Maritime Security Program (MSP) (Oct. 8, 2002). Similarly, the Navy League of the United States has recently indicated that “[t]he ability to access this maritime capability of ships [the U.S.-flag commercial fleet] and seafarers is essential to our national and economic security.” Navy League of the United States, Maritime Policy 2011-12 at 17.

⁵ Id. at 15.

numerous government reserve vessels had forced the DOD to charter foreign-flag vessels to meet 23 percent of its dry cargo lift requirement.

During the effort to revitalize U.S.-flag sealift, special attention was directed to gaining assured access to militarily useful U.S.-flag commercial vessels. To achieve that outcome, MARAD collaborated with DOD's U.S. Transportation Command (USTRANSCOM) to develop and implement MSP and its statutorily required sealift readiness program, the Voluntary Intermodal Sealift Agreement (VISA).

Insofar as national security and sealift readiness during emergencies are the underlying purposes for maintaining the program, MSP sustains civilian mariner jobs to retain an active mariner pool and provides a multiplier effect of economic benefits that accrue from promoting a U.S.-flag international trade fleet. Nevertheless, MSP's value to the government is underscored in many ways. MSP provides national control of sealift resources and capabilities during peacetime and in emergencies. The level of contingency readiness that carriers agree to in their VISA contracts, dictates the amount of preferred access to military cargoes that the carrier enjoys during peacetime. In this way, the transition to a wartime logistical footing is made easier by retaining the same partnerships and processes utilized and ongoing with commercial providers. Together with the annual retainer payment, the expectation of peacetime cargo revenues has been expected to provide a portion of the overall MSP enrollment compensation.

The timing of MSP implementation in 1996 was fortuitous given the tragic events less than five years later on 9/11 and during the years that followed. As implied earlier, sealift support for the military campaigns in Afghanistan and Iraq was notably superior to what the Government and the maritime industry were able to accomplish during the First Gulf War. In the early stages of simultaneous military operations, the Government-controlled surge sealift components were timely activated and efficiently operated, and cargo volumes were large enough that it was necessary to involve MSP vessels in liner services from the outset. As the years of fighting wore on, the value and effectiveness of MSP was manifested with the liner service delivery of military cargoes to distribution points at or near the theatre. As the reliance on Government-owned surge assets diminished after the earliest years of OEF/OIF, DOD's reliance on MSP grew to a degree that since 2009 privately-owned U.S.-flag commercial vessels and their citizen crews have transported more than 90 percent of sustainment cargo needed to support U.S. military operations. Significantly, vessels enrolled in MSP carried 99 percent of those cargoes. Only three percent of OEF/OIF cargo moved on foreign-flag charters compared to 23 percent during the 1990-1991 sealift mission. U.S. citizen merchant mariners crewed all of the U.S.-flag vessels – government surge and commercial alike – engaged in the sealift mission.

The Government relies on a partnership with U.S.-flag operators and maritime labor organizations to obtain the assured access to the commercial sealift capability and civilian merchant mariners. MSP/VISA are administered jointly by MARAD and DOD's USTRANSCOM. With MSP funding, the Government leverages a relatively small investment, currently \$186 million annually for 60 ships of diverse capability, to gain assured access to military useful ships and related intermodal transportation networks. The investment also works to ensure the continued viability of both a U.S.-flag fleet engaged in international trade and the pool of seafarers to crew those vessels. Without a viable U.S.-flag commercial fleet and the American merchant mariners this fleet supports, the United States would be unable to deploy and effectively sustain its military forces on a global basis.

The Government – private industry partnership itself is unique, and it entails peacetime planning and an operational relationship through peacetime service contracts. The U.S. companies enrolled in MSP/VISA agreements are required to be managed by U.S. citizens, and those companies having a foreign parent are required to execute security agreements that protect the rights and interests of the United States. The companies have the equivalent of a “secret” clearance enabling participation in joint planning and operational exercises with U.S. military commands in a secure environment at regular intervals.

Effective October 1, 2015, the MSP authorization period was extended for 10 years through Fiscal Year 2025. Given the austere fiscal environment facing DOD and every other executive agency for the foreseeable future, it is important to note from a budgetary standpoint that the fleet of vessels and infrastructure available for military missions through the MSP is capitalized and recapitalized solely through the private investment of the owners and operators of enrolled vessels.

The availability of a trained and qualified mariner pool sufficient to support the activation and operation of the U.S. Government’s surge sealift assets remains a key element of U.S. strategy and planning. This organic lift includes MARAD’s Ready Reserve Force (RRF) which currently numbers 46 ships and the Military Sealift Command’s (MSC) 10 Large Medium-Speed Roll-on Roll-off ships (LMSRs). These vessels are maintained by commercial ship managers in prescribed levels of readiness and outported in reduced operating status (ROS) in commercial berths or in government facilities, available to be activated when crises arise. To promote readiness and to enable rapid transition to operational capability, ROS vessels are partially crewed while idle. Once activated and fully crewed, all of these assets, RRF and LMSR alike, fall under MSC’s operational control. The surge sealift capability comprised from these vessels enables the deployment of combat forces in the early stages of a conflict. Of course, the vessels themselves are essentially useless without trained civilian crews to operate them.

The current taxpayer investment in MSP of \$186 million annually is modest when compared to the alternative scenario that would call for the Government to acquire, operate, and maintain equivalent sealift capabilities on its own. When assessing the cost effectiveness of the MSP, it is important to understand this huge cost avoidance at the same time one evaluates the cost of Government programs and policies that support the U.S. Merchant Marine to achieve national sealift objectives. For example during the first 15 years that MSP has impacted American sealift policy, the U.S. Government benefited nearly \$70 billion in equivalent capitalization cost avoidance as a result of the vessel and intermodal infrastructure capabilities guaranteed through MSP/VISA and provided by the private companies participating in these programs. In comparison, outlays necessary to fund MSP operating agreements during the same period were less than \$1.9 billion. Accordingly, a further testament to MSP’s cost effectiveness lies with what the Government does not spend.

The Need for a Robust U.S.-Flag Fleet

Perhaps the largest bargain gained from the Government’s maritime investment lies in sustaining jobs on U.S.-flag ships which benefits America economically as a large international trading power while also ensuring our country has the readily available pool of trained and qualified citizen seafarers on which the nation relies to provide sealift during emergencies. A fundamental element of U.S. maritime legislative policy is -- and has been -- that “vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States”

(46 U.S.C. 51101). Of course, the application of this principle is especially true with respect to developing and maintaining the nation's military sealift capability. Military planners understand that America's security is best protected when our country relies on a commercial shipping industry domiciled in the United States, employing U.S. citizens both at sea and ashore, and subject to U.S. laws and regulations.

The United States has been able to respond to crises and support military operations in recent decades because its U.S.-flag maritime industry was sufficiently sized to do so. Likewise, U.S. sealift strategy calling first for the deployment of Government-owned surge assets followed by the use of commercially sourced ships for the longer sustainment phase of missions has been very effective. The critical component of this strategy has been maintaining a pool of qualified oceangoing U.S. mariners adequate enough to crew the Government's surge ships when necessary without disrupting commercial crewing requirements. However, recent trends are causing concern among military planners and industry officials with respect to the availability of U.S. mariners to meet surge and sustainment requirements for the duration of a conflict in the future.

The pool of U.S. mariners available to crew government ships when activated has been declining over the last decade, creating the distinct likelihood that America's national security will be adversely impacted in the near future if the trend continues. Much of this decline stems from the fact that it is increasingly difficult for U.S.-flag ships to compete in international commerce against heavily subsidized foreign flag vessels, many of which operate in a tax-free environment.

Competition in global shipping is fierce and survival depends on many factors. Quality of service can trump cost to a degree, but much of the market is driven by carriers adhering to a minimum level of compliance with international safety and environmental standards while employing mariners from under developed countries, all to minimize cost. Much of this occurs within open registries which account for more than half the ships in the world's commercial trading fleet. Competitive pressures have been magnified in recent years by the economic crisis worldwide and by an oversupply of shipping tonnage. The result has been a loss of U.S.-flag oceangoing tonnage and related afloat jobs. This is occurring partly due to the framework reduction of federal programs designed to support the maritime industry while other programs have failed to keep pace with rapidly changing national and international factors affecting shipping conditions and global economics. For example, DOD peacetime cargoes that were expected to be a principal source of compensation for MSP operators have declined due to the reduction in personnel and military bases overseas since 1990.

The mariner pool has been further impacted by other issues. The loss of shipboard billets when U.S.-flag ships leave commercial service has a compounding effect on the mariner pool since each billet supports roughly two individuals when vacations, training, and other time spent on shore are taken into account. The loss of billets also negatively affects the ability to recruit and develop new mariners to grow the mariner pool. International and domestic regulatory rules limit the ability of mariners to maintain and upgrade their seafaring credentials without meeting required sea time and recency service requirements. For example, a mariner could be required to take specified training to update practical experience in technical skills before being allowed to volunteer for an emergency sealift billet during a contingency.

Notwithstanding the willingness of U.S. mariners to maintain their qualifications and stand ready to sail – for any reason – into harm's way, the retention of mariners in the workforce is a growing and serious problem. This problem exists not only in the United States but globally,

especially among mariners in developed economies. For more than a decade, there have been concerns about a global shortage of qualified seafarers and the reasons are numerous and varied. It is a difficult and often dangerous occupation that, for many, is arduous to endure long term. Time away from family is probably the most prominent downside for individuals sailing far from home. In the modern age of containerization, expedited cargo handling, and sophisticated shipboard technology the job is more complex than ever. The sense of adventure once associated with going to sea has eroded significantly. A mariner today gets only a limited dose of “seeing the world”. Turnaround intervals in ports today are usually numbered by hours – not days – and access to the cities attached to ports of call has realistically been eliminated, or at best minimized. Security issues, together with strict limitations on the granting of port states’ entry visas also impact prominently in limiting port access. These and other issues cause some mariners entering the workforce to view it as a short-term opportunity to make some money rather than view the profession as a career. This is especially true in the United States where competition from onshore job opportunities is a significant factor that draws mariners away from sailing.

Due in no small measure to America’s standard of living and the reasonable expectations among all American workers for a living wage, health and pension benefits, a safe workplace environment, and other employment-related terms and conditions, it is difficult for the U.S.-flag maritime industry to compete in the international cargo markets against foreign flag of convenience vessels and crews from under-developed countries. This is why the Federal Government has implemented and must continue to oversee programs to support the industry.

There are far fewer opportunities in recent years for MSP carriers to benefit from peacetime military cargoes due to the substantial reduction in DOD’s peacetime footprint in Europe and Asia. The expectation that MSP carriers could rely on and benefit from DOD peacetime cargo revenues to supplement monthly MSP retainer payments was always intended as an economic incentive to enroll in the program. The combination of a flat annual stipend level until FY ’19 and an expectation that peacetime cargo levels will remain modest into the future is an issue of significant concern to MSP carriers that could soon jeopardize the program and existing levels of enrolled sealift capability.

All of this points to a continued need to maintain and enforce cargo preference regimes. The nation’s strategic sealift posture is directly dependent on an active pool of qualified U.S. citizen mariners. The OEF/OIF sealift missions clearly illustrated the demand for mariners during emergency scenarios. In an age when military conflicts do not impact significantly on seaborne commerce, the sizing of the U.S. citizen mariner pool must be robust enough to provide for the activation of otherwise idle surge sealift for an indefinite period to meet wartime demands at a time when commercial activity continues unabated.

It has been said that oceanborne transport is taken for granted by the American public. It’s predominantly about freight, and therefore essentially invisible to most citizens who view the television in their living room as having come from Walmart instead of from Asia. Until this past year (apparently), the United States had remained the largest trading nation in the world. Yet less than four percent of U.S. foreign trade is carried on U.S.-flag ships. The benefits of maintaining a strong maritime industry does not naturally resonate with many citizens, and our industry remains challenged to raise awareness about its strategic value. Thank you for the opportunity provided to us through this hearing.

Conclusion

Throughout U.S. history, the one constant has been that a strong commercial maritime capability enhances national security. This is as true today as ever. The Maritime Security Program remains the most important of the federal programs that assist U.S.-flag ships in international trade, and it should be supported, fully funded, and modified to meet today's economic challenges affecting U.S. flag shipping. The government also administers a framework of cargo preference programs designed to provide access to military and civilian government-impelled cargoes. These statutes and programs should similarly be supported by all Federal agencies to ensure that taxpayer dollars are spent at least in part to support U.S.-flag shipping and not spent in their entirety to support foreign-flag shipping and foreign crews. Finally, the domestic shipping statutes commonly referred to as the Jones Act should be retained to sustain the commercial shipping base that helps support the civilian manpower pool needed to meet defense requirements.

Members of USA Maritime –

- American Maritime Congress
- American Maritime Officers (AMO)
- American Maritime Officers Service (AMOS)
- American Roll-on Roll-off Carrier LLC
- APL Ltd.
- Hapag-Lloyd USA, LLC
- Intermarine LLC
- International Organization of Masters, Mates & Pilots
- International Shipholding Corporation
- Liberty Maritime Corporation
- Maersk Line Limited
- Marine Engineers Beneficial Association (MEBA)
- Maritime Institute for Research and Industrial Development (MIRAID)
- Sailors' Union of the Pacific
- Seafarers International Union (SIU)
- Transportation Institute