

**Testimony of
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On Behalf of the American Maritime Partnership
Regarding “The State of the U.S. Maritime Industry:
Impacts of the COVID-19 Pandemic”**

**Before the Subcommittee on Coast Guard and Maritime Transportation of the
House Transportation & Infrastructure Committee
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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 state of the American maritime industry 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.

As I will discuss in more detail below, it is in times like these—when our domestic transportation industry and our nation faces a historic pandemic—that we are well served by American mariners on American vessels in American waters.

II. What is the Jones Act?

The Jones Act is the fundamental law of the domestic maritime industry. As mentioned, the Jones Act requires that cargo moved between two points in the United States by water is transported on vessels that are U.S.-flagged, U.S.-owned, U.S.-crewed and U.S.-built. The Jones Act and related coastwise laws are the underpinning for the American domestic maritime industry, which is comprised of more than 40,000 vessels and supports 650,000 jobs with an economic

impact of more than \$150 billion annually, according to a study for the Transportation Institute by PricewaterhouseCoopers.

The reason we have a Jones Act can be encompassed in one word – security. The coastwise laws of the U.S. are essential to the continued economic security of the U.S. transportation system and to the maintenance of a U.S.-flag fleet to support that system. The Jones Act ensures that American mariners are constantly on the watch on our inland waterways, promoting homeland security. And finally, the Jones Act is critical to ensuring that our country has both the mariners and the sealift capacity to go to war, which is essential to our national security.

The value of the Jones Act is even clearer during this pandemic. As can be seen by the breakdown of the supply chain for basic medical goods at the beginning of the COVID-19 pandemic, America cannot be wholly dependent on foreign countries for our basic needs. The Jones Act ensures that America will have the ability to transport our own goods by water and a defense industrial base that is not hamstrung by unfair foreign competition. Today’s domestic U.S.-flag fleet has proven its capabilities to meet the demands of the pandemic, and our mariners have risen to the call of their essential worker status.

III. Summary of Key Points

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

First, despite the massive challenges associated with COVID-19, this subcommittee can be assured that the American domestic maritime industry will continue to deliver the goods that are essential to our nation despite one of the most difficult work environments in a generation. We take our responsibility as frontline workers very seriously and understand our obligation to ensure that America’s critical supply chains are not interrupted. In these difficult times, our nation’s economic, homeland, and national security can only benefit from an all-American industry like ours. I’m proud to tell you today that our industry has risen to the occasion to keep America moving during this historic pandemic. But there is more the government can do to support America’s maritime frontline workers to help keep them safe and able to keep domestic supply chains intact.

Second, one very positive development for the American maritime industry during this difficult period is the emergence of the offshore wind industry. This is one of the most important emerging markets for our industry, and we are proud to be full partners in the development of offshore wind as a renewable energy source. This partnership is expected to produce tens of thousands of jobs, tens of billions of dollars in economic output, and play a significant role in decarbonizing electricity production in the United States. American Maritime is excited to be playing a key role in realizing those expectations, as we are a dynamic and competitive industry that strives for best-in-class safety, efficiency and environmental stewardship.

Third, China’s shipping and shipbuilding industries have experienced dramatic growth in recent years, fueled by its export economy and extraordinary support from the Chinese government. The result is a Chinese commercial maritime industry that puts U.S. national security interests at risk both in peacetime and in the event of conflict. Americans have learned during the pandemic that depending on China for face masks and other critical supplies is not in our country’s best interest. America must develop a thoughtful and effective policy response to China’s maritime ambitions. A growing number of experts and scholars have begun to do this,

and have found, among other things, that the starting place for such a policy is to reinforce and expand support for the American domestic maritime industry and the Jones Act. We share that view, as we will discuss in more detail below.

I will now take these three main points—our industry’s response to COVID-19, the growing offshore wind industry, and concerns about China—in turn:

IV. COVID-19 Impacts on the Domestic Maritime Industry

I last testified before this subcommittee in May 2020, only two months into the pandemic. Then, as now, the maritime industry was recognized as essential by the Department of Homeland Security, meaning that we continue operating throughout the pandemic. Our ability to keep operating and deliver the goods for America is due to the men and women of our maritime workforce – those who work on the docks; those on board the containerships, tankers, bulkers, dredges and other vessels; those who pilot these vessels safely into port; and thousands of others who contribute to the safe and efficient operation of our domestic maritime supply chain. We are grateful for the dedication of these men and women. Because of their commitment and adherence to appropriate protocols we have been largely successful at ensuring the safety of these essential workers while continuing service to our customers. We also appreciate the continued efforts of U.S. government maritime authorities — the U.S. Coast Guard, Maritime Administration, U.S. Transportation Command and others — for their leadership on 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,

But there is still work to be done. Most importantly, we need to better ensure that the maritime workforce remains as free of COVID-19 as possible both for safety reasons and so that the domestic supply chain remains intact. Companies have had to improvise during the pandemic, developing special operating protocols to protect employees based on the best information available and developing testing and other safety protocols to ensure, to the best of our ability, that mariners entering the “bubble” of a ship are not infected with COVID-19. While testing, quarantine and other measures have been mostly successful, we are operating on borrowed time as the possibility of a COVID-19 outbreak severely impacting our domestic supply chain is an everyday reality.

We have seen glimpses of the potential impacts that such an outbreak could produce. Ports are backed up due to a surge of imports, but also a lack of workers due to COVID-19 infections. An overreaching government response to a suspected COVID-19 case onboard a cargo ship – where the ship is ordered to anchor instead of to a secure, controlled-access dock – could have enormous supply chain impacts. This is especially true for a non-contiguous area like Hawaii, Alaska or Puerto Rico, where the potential quarantine of an entire vessel, instead of the vessel’s crew, is of great concern. A single vessel may account for a large portion of the weekly commerce of the communities in the noncontiguous U.S. trades, such that any delay, no matter how slight, may have a serious impact on those states and territories being served.

The most important solution to these threats is to prioritize mariners for the COVID-19 vaccination and, in the interim, ensure that mariners have access to rapid testing. We were grateful that the Cybersecurity and Infrastructure Security Agency 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. That recognition allowed the industry to continue operating but did nothing to help reduce the risk of coronavirus exposure while continuing the work. We also appreciate very much that Federal Maritime Commissioners Maffei and Bentzel recently urged the Biden Administration to prioritize mariners for vaccination and rapid testing, emphasizing the mariner's critical role in moving medical supplies, personal protective equipment, and handling an unprecedented amount of consumer goods flowing into our nation's ports. But that is not enough. It is past time that the federal and state government agencies having direct input and actual authority over mariner safety do likewise.

As vaccines start to be rolled out across the country, it is crucial that our domestic mariners receive priority access as they work to move essential cargoes, ensuring that our grocery stores are stocked, our fuel is delivered, and the vital commerce that sustains this nation remains flowing.

V. American Maritime Environmental Leadership

At the same time that the pandemic has challenged our industry, we are also looking towards the future. Offshore wind is a critical new market for American Maritime and we are excited about the opportunity to support the production of renewable energy while ensuring that these jobs are filled by American workers. We also appreciate President Biden's strong support for the Jones Act in his recent Buy American Executive order, which confirmed that the Jones Act is "an opportunity to invest in America's workers as we build offshore renewable energy, in line with the President's goals to build our clean energy future here in America."

The potential scope of this market is enormous, with 19 offshore wind projects off the East Coast already planned. These offshore wind farms will consist of more than 2,100 wind turbines that will produce some thirty gigawatts of electrical power when fully installed and operational by 2030. The American Wind Energy Association (now part of American Clean Power) has projected that the development and operation of these wind farms will produce \$57 billion in investment and 45,000 to 83,000 jobs by 2030. Further offshore wind farm projects are likely to be proposed on the Atlantic, Gulf and Pacific coasts of the United States as these projects are successfully developed.

Other countries that are ahead of the United States in installing offshore wind power have benefited greatly from various government support programs. The EU has at this time some 3,072 offshore wind turbines installed vs. 7 in the U.S., producing 23 gigawatts of electricity. Further, the cost of offshore wind power generation in the EU has declined steadily with technological advances in the newer turbines. Like the Europeans, America will need prudent government policies to jumpstart offshore wind development in this country. Regulatory measures needing attention include a more predictable permitting process; a possible regional approach to local content requirements; prompt Coast Guard regulatory actions related to the vessels required to install and service offshore wind turbines; and support and planning for the necessary port infrastructure. However, offshore wind energy in the United States will benefit from the lessons learned in the EU, including, for example, the ability to install turbines with power generation capacities that are 3 to 4 times more powerful than first generation installations in the EU.

American Maritime is eager to invest in offshore wind opportunities. At the same time, we exist in a highly capital-intensive business and our investments in vessels and other infrastructure are long-term. We make those investments in reliance on U.S. law as it stands today and as it has generally stood for over 100 years. The recent confirmation in the FY2021 National Defense Authorization Act that all American laws, including the Jones Act, apply to offshore wind development on the Outer Continental Shelf provides us the certainty needed to invest in long-term offshore wind assets.

With this confirmation and the promise of a large new market for American assets, operators are already beginning their investments in ships to meet emerging needs. AMP member Great Lakes Dredge and Dock is moving forward with the design of the first Jones Act compliant inclined fallpipe vessel for subsea rock installation, a critical vessel for the building of offshore wind assets. Dominion Energy recently announced the beginning of construction for the first Jones Act compliant offshore wind turbine installation vessel, which is expected to be available to support wind turbine installations by the end of 2023. Other American companies are building service operation vessels to support the development of offshore wind off the East Coast. Our members stand ready to support the development of America's offshore wind network and we look forward to supporting this important renewable energy source.

Beyond offshore wind, American carriers are investing in new, environmentally friendly assets to support a more sustainable maritime industry. Shipping is the most energy-efficient mode of mass cargo transportation, and domestic carriers are taking important steps to improve their environmental footprint. For example, in the non-contiguous container trades, American carriers have recently upgraded their vessels to be some of the cleanest in the world. AMP members TOTE and Crowley recently built new state-of-the-art ships powered by liquefied natural gas (LNG) for the Puerto Rico trades. AMP member Matson also took delivery of their newest vessel last December, one of two combination container / roll-on, roll off ships that were built to run on a dual use LNG system. At the same time, AMP member Pasha Hawaii is building two LNG-fueled containerships in Brownsville, Texas that will eventually serve the Mainland-Hawaii trade lane.

Fueling these ships with LNG reduces emissions significantly, including a 100-percent reduction in sulfur oxide (SOx) and particulate matter (PM); a 92-percent reduction in nitrogen oxide (NOx); and a reduction of carbon dioxide (CO₂) of more than 35 percent per container, compared with fossil fuels generally used in the international maritime industry. American Maritime expects that the development of alternatives such as hydrogen fuel cells and / or renewable energy and storage technology may eventually lead to zero carbon propulsion solutions for marine vessels. Such technology is in its infancy, however, and any commercially scalable alternative is likely decades away. Given the very substantial benefits LNG provides in reducing overall emissions as compared to conventional marine fuels, U.S. policies should support the use of LNG as we transition toward a carbon-free future.

Investments in environmental innovation are occurring across the domestic U.S.-flag industry. American naval architects and engineers design these innovations and thousands of workers in American shipyards and related businesses build these vessels, helping to sustain our marine research and development capabilities and our shipbuilding industrial base and providing jobs for a new generation of American seafarers needed to meet military sealift requirements.

VI. National Security and the Challenge of China's Maritime Ambitions

As noted at the beginning of my testimony, support for the Jones Act and the American maritime industry is rooted in part on the recognition that military conflicts have historically depended on sealift to supply American troops in overseas engagements. American-crewed ships are much more likely than foreign flag ships to answer the call when American troops need resupply in different parts of the world. This is particularly true when the maritime domain is contested by our enemies. America also needs shipbuilding expertise and capacity so that it can build different types of militarily useful vessels if needed during a conflict. Our maritime policies, including the Jones Act, are therefore designed to assure that we retain a critical mass of Americans who know how to build and operate large ships and a core set of vessels and facilities, all so that we have something to scale up in the event of a military contingency. We could not create these capabilities and assets on a timely basis out of nothing. Without that critical base provided by American Maritime, we would be extremely vulnerable in a military conflict.

In addition to helping assure American control over our maritime supply chains in connection with an overseas conflict, the Jones Act also helps assure that Americans control our domestic supply chains, including those serving Hawaii, Alaska, and Puerto Rico and within the continental United States. The performance of these supply chains during the pandemic has certainly demonstrated the value of American Maritime control over them. Allowing foreign control over those supply chains would create serious vulnerabilities. For example, allowing state-owned Chinese shipping companies to control the route between Hawaii and the mainland would be obviously unacceptable, as the Chinese carriers could use their economic leverage over Hawaii's maritime logistics supply chain for purposes that would be contrary to our interests. In this scenario, economic pressure could be used against us even in the absence of a military conflict.

This Subcommittee has taken a serious look into the subject of China's maritime ambitions. In its October 2019 Hearing, "China's Maritime Silk Road Initiative: Implications for the Global Maritime Supply Chain" this Subcommittee heard from experts at the Department of Defense and other organizations concerning the maritime component of China's Belt and Road Initiative (BRI). It is well worth reviewing that testimony, which focused primarily on Chinese strategic investments in ports around the world. The geopolitical significance of those investments was made clear, with the Department of Defense witnesses noting, "Beijing has now explicitly linked China's global development framework with its overseas military ambitions." Further, "[g]iven China's demonstrated history of using economic leverage to exact political retribution against other countries, we are concerned these projects will increase partner nations' concessions from or exposure to Chinese influence or pressure."

Other testimony made clear that the Chinese government's strategic commitment to its maritime industry extends well beyond investments in ports:

"The Chinese economy is not a free market. It is a state-managed economy with an industrial policy. The Chinese government is transparent in its plans and goals. When it identifies strategic sectors, it uses a whole-of-government approach to build them up. . . . The Chinese shipping and shipbuilding industries are the beneficiaries of this policy, to the detriment of the U.S. industries."

This is according to Carolyn Bartholomew, who is the Chairman of the U.S. - China Economic and Security Review Commission. Her testimony briefly summarizes the growth of the Chinese state-owned shipping and shipbuilding sectors, and notes that, “[s]ubsidies for Chinese shipbuilding SOEs have harmed the U.S. shipbuilding industry’s ability to compete in the global market, and have led to shipyard closings and a reduced U.S. vendor base over the past several decades.”

A substantial body of information has been developed since that hearing. In the past year at least three studies and reports on this subject have been issued:

- “Strengthening the U.S. Defense Maritime Industrial Base,” Center for Strategic and Budgetary Assessments (CSBA), Bryan Clark, Tim Walton and Adam Lemon (March 2020). Among other things, this study found that a robust maritime industry, including a strong shipbuilding base and a ready pool of mariners, are important in this era of great power competition. However, the domestic maritime industry is facing pressure from subsidized foreign competition, especially in China, that undermines their ability to operate. The report explains that the threat of China in the maritime domain is significant, saying “the Chinese government has also slowly but systematically gained port access around the world for commerce, logistics and naval operations” as part of its goal of “boost[ing] trade and global influence by economic, political and military means.” The report highlights that the Jones Act is important to preventing further erosion of the domestic fleet due to pressures from China, noting the “[Jones Act] guards against the ability of China—the world’s largest merchant marine and global port management system—to take over shipping to U.S. territories and gain local influence during peacetime, only to threaten or deny shipping to CONUS during a crisis or conflict.”
- “Hidden Harbors – China’s State-Backed Shipping Industry,” Center for Strategic and International Studies (CSIS), Jude Blanchette, Jonathon E. Hillman, Maesea McCalpin and Mingda Qui (July 2020). This report sought to quantify the extent of Chinese government support for its state-owned shipping and shipbuilding sectors. After reviewing the different methods of Chinese whole-of-government support, it offered a conservative estimate that such support totaled “roughly \$132 billion between 2010 and 2018 . . .” Most of the *quantifiable* support came in the form of loans from state-owned banks, along with direct subsidies and equity infusions. More opaque forms of support include indirect subsidies, certain regulatory policies and forced tech transfer and IP theft.
- “China’s Use of Maritime for Global Power Demands a Strong Commitment to American Maritime”, Navy League of the United States (November 2020). This report highlighted the importance of maintaining a strong domestic maritime industry in the face of heightened threats from China. Specifically, the Navy League noted that “China understands it is critical as a national security issue to maintain a heavy industry in shipbuilding, in particular because it drives a range of other industries that are necessary to maintain a high level as a producing nation. Furthermore, the capabilities to build commercial ships are the ones that the Chinese are using to be able to mass produce their Navy ships.” In response to this targeted investment in shipbuilding, the Navy League

recommended a number of policies to strengthen the domestic maritime industry, while noting that “it is clear that the Jones Act plays an important role in keeping American shipyards operational when competing against heavily subsidized foreign yards.”

These studies show vividly that if China has targeted the shipping and shipbuilding industries as strategic to their larger objective of competing with the United States as a global superpower, they have assumed a commanding lead. The Navy League study mentioned above shows that of the 2,873 large commercial vessels under construction in 2019, 1,291 were built in China as compared to 8 in the United States. Similarly, large commercial vessels under the Chinese flag totaled about 6,000 as compared to less than 200 large commercial vessels flying the U.S. flag.

The vulnerability that this massive disparity creates for American security interests should be clear. In the event of a conflict, China is developing an overwhelming maritime logistics advantage to keep its supply chains functioning, while America would be increasingly challenged to do so. And even in the absence of a military conflict, China is gaining market power over international commercial supply chains that it can leverage to its advantage and to America’s disadvantage in ways not yet foreseen.

America should have a policy response to this problem. As a starting point, it should reaffirm the essential nature of the Jones Act and the American maritime industry it helps foster. It should also provide a roadmap to effectively deny China success in its geopolitical maritime ambitions.

VII. America’s maritime workers

Please allow me to conclude with some remarks about American mariners and other workers. These are the men and women who are responsible for ensuring that our nation’s supply lines have not been interrupted by the pandemic. It is not an exaggeration to say they are true American heroes. In these situations, it is overwhelmingly to our benefit that these mariners and maritime workers are Americans who are committed to the safety and security of our nation. The Jones Act ensures that these essential workers remain on the job, and we are grateful for this Subcommittee’s longstanding support for this crucial law.

Again, thank you for allowing us to be with you today for one of the first Coast Guard and Maritime Transportation Subcommittee hearings of this Congress. We are grateful for the chance to tell our story and to emphasize to you the exciting growth of our industry. I will be pleased to answer any questions you might have.