

**TESTIMONY OF MARK TABBUTT,
CHAIRMAN, SALTCHUK,
ON BEHALF OF THE AMERICAN MARITIME PARTNERSHIP
BEFORE THE HOUSE TRANSPORTATION COMMITTEE'S
COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE**

**“The Status of the Merchant Marine”
September 10, 2014**

Introduction

Good morning Chairman Hunter, Ranking Member Garamendi, and members of this Subcommittee. Thank you for the opportunity to testify today on the subject of “The Status of the Merchant Marine.” My name is Mark Tabbutt, and I am here today on behalf of the American Maritime Partnership, or “AMP,” the broadest, deepest coalition ever assembled to represent the American domestic maritime industry. AMP represents all segments of the American domestic maritime industry—shipping companies, ship construction and repair yards, and our industry’s skilled workforce. Collectively, we represent an industry that annually creates nearly \$100 billion in economic impact and supports nearly 500,000 jobs. We are the safest, most energy-efficient, and lowest-cost domestic mode of freight transportation. We appreciate the invitation to be with you today.

I am pleased to be with you today as AMP’s representative. I am the Chairman of the Board of Saltchuk, which is a family of transportation companies. We employ 7,500 people and have operations in the United States, stretching from the U.S. Virgin Islands to Barrow, Alaska. We provide critical transportation services to communities. In our domestic shipping operation, we currently move one-third of all general cargo that moves to Alaska and about 30 percent of all general cargo that moves to Puerto Rico. In Hawaii, we provide a lifeline to the islands by moving all general cargo moving on the water. We are a privately owned, second-generation family business.

Short Summary

My testimony today comes on behalf of the American domestic maritime industry—that is, the shipping industry that operates exclusively within the United States. Of the total U.S.-flag fleet, a significant percentage operates within the Jones Act—the business of transporting cargo by water from one U.S. port to another. I want to thank this Subcommittee for its consistent support. Certainty in government policy is the principal and critical ingredient that allows for success of the domestic maritime industry. Without it, the investment picture and growth profile I am about to describe could not take place. I am happy to report that this industry is experiencing an extraordinary renaissance.

The largest sector of our domestic marine transportation industry supports our energy infrastructure with the movement of crude, refined petroleum products, and chemicals. This sector has seen dramatic growth as a result of the shale oil revolution. This is driving record levels of new vessel construction orders and deliveries, and the order books at major American shipyards are filling fast.

Our industry is building state-of-the-art vessels with cutting-edge technologies that are breaking new ground not only in the United States but are also the first of their kind in the world. In fact, our industry is growing so fast that at times it has been difficult to hire all the skilled personnel that we need. To help address that situation, AMP and the American domestic maritime industry recently launched a major initiative to hire veterans for jobs in the domestic maritime industry.

It is a very good time to be part of the American domestic maritime industry. Our industry's contributions to America's economic, national, and homeland security have never been more important and are expanding every day.

An Industry Renaissance

The remainder of my testimony will focus on these four elements of our industry's renaissance: 1) the growth in domestic vessel construction; 2) the state-of-the-art vessels that are being built; 3) new markets from the shale oil revolution; and 4) our industry's program to reach out to military veterans to meet our staffing needs. I also highlight the benefits that consistent law and public policy provide to the steady growth of the American maritime industry.

1) There is a Renaissance of Domestic Vessel Construction in the U.S.

U.S. shipyards have a long history building commercial vessels, large and small, to meet domestic waterborne freight demands. But today, the American shipyard sector is seeing a significant resurgence of vessel construction. Attached to my testimony is a list of some of the large vessels that are under construction today at shipyards across the United States. As you can see from this chart, the new vessels are of different sizes, ordered by different companies, and being built in different yards throughout the nation. The vessels run the gamut in terms of service: containerships, roll-on/roll-off vessels, dredges, offshore supply vessels, large articulated tug-barges, and tankers.

And while this list focused on some of the biggest American vessels, the same positive message is true for smaller vessels. Consider this:

- The Gulf is back. Demand for offshore supply vessels is growing in the Gulf as the offshore oil rig count grew in 2013 and is projected to grow even more in 2014 and 2015. The health of the Gulf offshore supply vessel industry is a particularly important bellwether for our industry because states like Louisiana, Texas, and Florida produce among the highest number of American domestic maritime jobs in this country.
- We are building and retrofitting modern containerships and roll-on/roll-off vessels for the non-contiguous areas of the U.S., serving Puerto Rico, Hawaii, and Alaska. The vessels serving these American states and territories will be among the most efficient in the world. American shipping companies are very focused on providing reliable service to the non-contiguous areas.

- There has been a huge spike in the number of tank barges constructed or ordered over the past several years, tied of course, to the need to move far larger quantities of domestic crude oil and refined petroleum products.
- We have inland shipyards in this country that are building and launching an average of a new barge every single day of the year. New tugs and towing vessels are also being built to handle that increased demand.
- American vessels have been built and will be used to install offshore wind turbines, a potentially growing market in the U.S. A new major contract for the installation of wind turbines using domestic vessels was announced within the last month.

In short, the happy news is that America's maritime industry is growing, modernizing, and adjusting to new, exciting opportunities.

One footnote is especially important. This spike in commercial vessel construction is coming at a time when military ship construction is sharply declining due to deep federal budget cuts. As such, the expansion in commercial work helps keep shipyards operating and the technical expertise fully subscribed. We all know that the technical skills necessary to build vessels takes years to develop. If these highly skilled shipyard workers leave the shipbuilding industry for other industries, getting them back will be extremely difficult. Shipbuilding is critical to our nation's defense industrial base, and commercial vessel construction has helped fill the gaps caused by the cutbacks in military ship construction.

2) The New Vessels are State-of-the-Art, Modern Vessels.

As I said earlier, we are not just building vessels. We are building state-of-the-art vessels. The phrase "state-of-the-art" translates into many tangible benefits. For example, the vessels are safer, more productive, energy-efficient, and environmentally friendly.

There are many examples of cutting-edge technologies used to build and retrofit the American domestic fleet, but let me talk about the vessels I know about best—those that TOTE, Saltchuk's domestic shipping operation, are building at General Dynamics/NASSCO, in San Diego. These are two very large containerships—more than 750-feet long and more than 100-

feet wide called the Marlin Class. These will be the first containerships constructed in the world capable of running on natural gas fuel. Our family company's investment in this project is close to \$350 million.

TOTE's new Marlin Class vessels will use the world's first slow-speed, dual-fuel engines able to run on liquefied natural gas ("LNG") as well as heavy fuel oil, if needed. The use of these engines will virtually eliminate SOx and particulate matter emissions, drastically reduce NOx emissions, and reduce carbon dioxide emissions by more than 70 percent. In addition to the environmental benefits, these new ships will mean a safer working environment. LNG is non-toxic, non-corrosive, non-flammable, and non-explosive, which reduces potential threats to the health and well-being of our employees and the communities we serve.

Saltchuk is not alone. Other companies in our domestic industry are also investing and utilizing similar cutting-edge technology. Harvey Gulf is building offshore supply vessels capable of burning natural gas, Crowley has two general cargo vessels under construction in the Gulf capable of burning natural gas, and Matson recently announced it has signed for the two largest containerships ever to be built in the United States, also to be capable of burning natural gas. Our company has also committed to retrofitting our Alaska general cargo vessels to be capable of burning natural gas. The Jones Act, including the reliable trade routes it sustains in Alaska, Puerto Rico, and Hawaii, is the primary reason operators are capable of making investments to shift to natural gas fuel. In addition, vessels use natural gas fuel at U.S. ports on a scale that solves the supply problems for other transportation modes switching to natural gas fuel, like truck and rail.

3) The Shale Oil Revolution has Triggered new Domestic Shipping Activity and a Surge of Tanker and Tank Vessel Construction.

Rich Kinder, the chief executive officer of Kinder Morgan, recently said, “What has happened in shale plays across the country has stood the transportation network on its ear.” That would be an understatement when considering that the Energy Information Administration estimates that crude oil production in the U.S. will have nearly doubled from 2008 levels. The development of new domestic energy has set the nation on a path to becoming energy independent and has fundamentally changed the energy transportation industry.

The impacts can be felt in every part of global energy markets, including the transportation supply chain. Crude oil and petroleum products move primarily by pipeline, rail and vessel, and each of those three transportation modes is adjusting and rightsizing to highly dynamic energy markets.

The American domestic maritime industry is doing its part to help address the transportation changes. Referring back to the chart attached to this testimony, there are 22 new large tankers and articulated tug-barges under contract, not including options for future construction. These vessels will add approximately 6.4 million barrels of new capacity to domestic fleet.

Additionally, the construction of inland tank barges last year reached an all-time high with 336 new vessels delivered, totaling more than 8.2 million barrels of capacity. These inland tank barges are a critical component to helping the nation’s oil sector get its crude products to market, often working in conjunction with other sectors of the transportation industry, such as pipeline and rail, to provide multi-modal solutions to transportation needs.

4) The Domestic Maritime Industry has Launched a Veterans Hiring Initiative.

Finally, we want to make you aware of an initiative within the maritime industry to address one of the consequences of our growth and expansion—we need more people to staff our growing industry. The six State Maritime Academies, which produce more than 70 percent of the newly licensed officers in the American fleet each year, have a nearly 100 percent placement rate. For those without a college education, the maritime industry offers excellent career paths, too. Our industry needs steady, qualified workers and officers.

With that in mind, AMP has turned to the veterans community through an initiative that we call “Military2Maritime.” It is a truly symbiotic relationship. Veterans need jobs, and we need good, reliable workers. Those two “needs” come together in the domestic maritime industry. As you know, veterans make great employees—they tend to be more physically fit, hard-working, well-trained, reliable, and drug-free.

Our industry has always relied heavily on veterans, including those veterans whose military careers were aboard ships. But we have taken our outreach to a whole new level.

On June 5, AMP, Crowley Maritime, the Transportation Institute, TOTE, and many others in the domestic maritime industry sponsored a Military2Maritime job fair at the Port of Jacksonville in Florida that attracted more than 200 veterans. Dozens of employers and education/training institutions attended, and the feedback we received was exceptionally positive. A human resources official from one of the largest domestic shipping companies said he was struck by the number and quality of outstanding candidates that he met during the seminar.

On September 3, just one week ago today, we held another Military2Maritime event at the Port of Houston in Texas, sponsored by AMP, Kirby Corporation, the Transportation

Institute, and many others. The response was similarly overwhelming. So many potential employers signed up to recruit veterans that we simply ran out of booth space. The response from veterans was even greater in Texas, with more than 300 veterans signing up and attending.

We are already planning more Military2Maritime events. First, it is the right thing to do—to provide private sector career opportunities for the men and women who have honorably served our nation, often in harm's way. Second, it is good for our industry. It is a total “win-win” situation.

Conclusion

Thank you for the opportunity to bring you up-to-speed on the current health of the American domestic maritime industry. We are deeply grateful for this Subcommittee's support of the industry over the years. Although this Subcommittee is an exception, few people fully appreciate the importance of the American domestic maritime industry, which is sometimes called “the invisible mode of transportation” because so few people actually come directly in contact with it. And even fewer people realize that domestic maritime transportation is the cheapest, safest, and most energy-efficient mode of freight transportation in the nation.

As I said at the start of my testimony, in the domestic maritime business, our primary “ask” is for certainty. When companies like Saltchuk make extremely large investment decisions, as we have with our recent fleet revitalization effort, the last thing we want is proposals to alter fundamental laws like the Jones Act—proposals that would undermine our American domestic maritime industry renaissance. This Subcommittee's continuous and ongoing support for certainty in the policy structure governing our industry is highly valued and one of the key reasons that our industry is growing and thriving today.

Thank you.

Appendix—Select Recent Domestic Shipbuilding Announcements

| Carrier | Shipyard | Order | Est. Delivery |
|-----------------------------------|--------------------------------|--|---------------|
| Pasha Hawaii | VT Halter Marine, Inc. | One 692 ft. combo container/ Ro-Ro vessel | 2014 |
| SeaRiver Maritime, Inc. | Aker Philadelphia | Two 115,000 DWT product tankers | 2014 |
| Weeks Marine, Inc. | BAE Systems Southeast | One 8,500 cubic yard capacity trailing-suction hopper dredge | 2014 |
| Island Ventures II LLC | Edison Chouest affiliated yard | One 478 ft. OCV with a 400-ton crane, 3 independent engine rooms, and multiple moon pools and ROVs | 2014 |
| Moran Towing Corp. | Bay Shipbuilding Co. | One 150,000 barrel capacity articulated tug barge | 2015 |
| TOTE, Inc. | General Dynamics NASSCO | Two 3,100 TEU LNG-powered containerships | 2015 |
| American Petroleum Tankers | General Dynamics NASSCO | Five 50,000 DWT LNG-conversion-ready product tankers with 330,000 barrel capacity | 2015/2017 |
| Crowley Maritime Corp. | Aker Philadelphia | Four 50,000 DWT product tankers with 330,000 barrel capacity | 2015 |
| Seabulk Tankers, Inc. | General Dynamics NASSCO | Three 50,000 DWT product tankers with 330,000 barrel capacity | 2015 |
| Bouchard Transportation Co., Inc. | VT Halter Marine, Inc. | Two 250,000 barrel capacity articulated tug barges | 2015 |
| Kirby Offshore Marine | Gunderson Marine | Two 185,000 barrel capacity articulated oceangoing oil and chemical tank barge | 2015 |
| Seabulk Tankers, Inc. | Donjon Shipbuilding | 185,000 barrel capacity articulated tug barge | 2016 |
| Crowley Maritime Corp. | VT Halter Marine, Inc. | Two 720-ft. LNG-powered combo container /Ro-Ro vessels | 2017 |
| Philly Tankers | Aker Philadelphia | Two 50,000 DWT LNG-conversion- ready product tankers | 2016/2017 |
| Matson Navigation, Inc. | Aker Philadelphia | Two 3,600 TEU LNG-conversion-ready containerships | 2018 |