



BEFORE THE

**UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION**

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*Building a 21<sup>st</sup> Century Infrastructure for America: Coast Guard Stakeholders' Perspectives  
and Jones Act Fleet Capabilities*

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Testimony of:

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**On behalf of**  
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On behalf of the Shipbuilders Council of America (SCA), I would like to thank Chairman Hunter, Ranking Member Garamendi and members of the Coast Guard and Maritime Transportation Subcommittee for the opportunity to provide industry perspectives on the Jones Act fleet capability to not only support the Coast Guard's mission, but also the Navy and the domestic commercial maritime sector.

I am John Graykowski, Government & Regulatory Advisor for Philly Shipyard, Inc., located in Philadelphia, Pennsylvania. Philly Shipyard Inc. (PSI) is located on the site of the former Philadelphia Naval Shipyard which was closed in the Base Realignment and Closure (BRAC) process in 1995. Following the closure, which had a devastating impact on the entire region around Philadelphia, a unique public-private partnership was formed to build a state-of-the-art commercial shipbuilding facility on the site of the naval shipyard. The design of the shipyard was modeled on modern international shipyards, and its build processes and material handling operations maximize efficiency and quality of production. Eighty percent of the production activities occurs inside buildings to limit the impact of the weather on operations and improve quality, efficiency and reduce production times. The shipyard is capable of producing three vessels per year, a rate that has been achieved in recent years.

PSI has achieved a remarkable record of on time deliveries of vessels of various types and in the recent series of product tankers vessels are being delivered following sea trials without any defects or exceptions, which is a clear indication of the quality of the work at PSI. Two classes of vessels are currently under construction at PSI. The current order book consists of one 50,000 dwt product tankers for American Petroleum Tankers (APT), with deliveries through early 2018 and two "Aloha Class" containerships for Matson Navigation Company (Matson), capable of carrying 3600 standard containers, with the first delivery scheduled in mid-2018 and the second in Q1 2019. All of these vessels will be given a notation of "LNG-ready" which will enable the owners to easily convert the vessels to full LNG capability at a later date in the future.

PSI is a proud member of the Shipbuilders Council of America, the largest national trade association representing the U.S. shipyard industry. The SCA represents 85 shipyard facilities and 112 industry partner member companies that are part of the vital supply chain that make up the shipyard industrial base.

SCA member shipyards are located along the eastern seaboard, the Gulf Coast, Great Lakes, on the inland river system, West Coast, Alaska and Hawaii and constitute the U.S. shipyard industrial base that builds, repairs, maintains and modernizes U.S. Navy ships and craft, U.S. Coast Guard vessels of all sizes, numerous Army vessels, as well as vessels for other U.S. government agencies. In addition, SCA member shipyards build, repair and maintain America's commercial fleet of 40,000 vessels that operate along our coastline, inland waterways and between Alaska, Hawaii and Puerto Rico. The more than 110 partner members of the SCA represent a significant portion of the vast supplier base that provide goods and services to support commercial and government shipbuilding and ship repair in the United States.

My testimony this morning will focus primarily on the capability and the capacity of the domestic shipyard industry and how the Jones Act enhances not only our industry, but our national security. The SCA strongly supports and promotes the Jones Act. The Jones Act requires that vessels operating in the domestic (coastwise) trade be built in the U.S. and owned and crewed by U.S. citizens. This policy, which is provided at no cost to the U.S. government, helps to maintain a merchant marine that is sufficient to carry our domestic water-borne commerce and also ensures that there is sufficient U.S. capacity to serve as a naval and military auxiliary in time of war or national emergency.

From our industry's perspective, the Jones Act also ensures that the U.S. maintains critical shipyard infrastructure and an associated skilled workforce that can build, repair, modernize and maintain the more than 40,000 vessels of the domestic "Jones Act" fleet. This industrial base also ensures there is a sufficient workforce to support the construction and repair of our critical national security fleets.

When we build for commercial markets, U.S. shipyards build some of the most technologically advanced vessels in the world. For example, the world's first LNG-powered containership was built in the U.S. and is now serving the Puerto Rican trade. Our shipyards also build world-class offshore service vessels for oil and gas exploration and production. According to the Maritime Administration, the U.S. shipbuilding industry ran a trade surplus in six out of 9 years between 2006 and 2014, resulting in a cumulative trade surplus of \$1.5 billion over that period.

According to a 2015 report from the U.S. Maritime Administration there are more than 110,000 Americans directly employed by U.S. private shipyards and an additional 280,000 employed by indirect and induced operations. The nearly 400,000 people who work in the U.S. shipyard industry generate \$25.1 billion in labor income and \$37.3 billion in GDP each year. Although shipyards themselves are located in 26 states, the Maritime Administration found that the indirect and induced jobs associated with the shipyard industry supply chain supported jobs in all 50 states and in all 435 Congressional districts.<sup>1</sup>

This data confirms the significant economic impact of this manufacturing sector, but also that the skilled workforce and industrial base exists domestically to build commercial, government and military vessels.

Thus far I've described the economic impact and importance of the Jones Act to the U.S. shipyard industry, but the Jones Act is also critical to U.S. national and homeland security.

In 2016, the Navy released an updated force structure assessment (FSA) that called for a fleet of 355 ships – substantially larger than the current fleet of 275 ships and also larger than the Navy's previously stated goal of 308 ships. The Jones Act ensures a commercial shipbuilding industry, supplier chain and workforce that can support building and maintaining these Navy assets.

The U.S. Navy has always and continues to support the Jones Act because of its national security benefits. U.S. shipyards pride themselves on implementing state of the art training and apprenticeship programs to develop skilled men and women that can cut, weld, and bend steel and aluminum that can design, build and maintain the best Navy in the world. Several SCA member shipyards are currently engaged in commercial ship construction for U.S. coastwise service and construction programs for the U.S. Navy, Coast Guard or Army.

A strong commercial shipyard base and a strong cadre of skilled mariners are crucial to fulfilling the Navy's role in maintaining a forward presence in the world's sea lanes and trouble spots. In a recent study, the independent Government Accountability Office (GAO) put it this way: “the

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<sup>1</sup> Maritime Administration, *The Economic Importance of the U.S. Shipbuilding and Repairing Industry*, November 2015. ([https://www.marad.dot.gov/wp-content/uploads/pdf/MARAD\\_Econ\\_Study\\_Final\\_Report\\_2015.pdf](https://www.marad.dot.gov/wp-content/uploads/pdf/MARAD_Econ_Study_Final_Report_2015.pdf))

military strategy of the United States relies on the use of commercial U.S.-flag ships and crews and the availability of a shipyard industry base to support national defense needs.”<sup>2</sup>

Additionally, we must remember that another key component of the National Fleet is the United States Coast Guard. Shipyard capacity is required for the Service’s desperately needed fleet modernization of its entire fleet from inland aids to navigation vessels to cutters of all sizes to icebreakers. Indeed, almost all of the shipyards that are building Coast Guard vessels also build Jones Act vessels. It is because of this law that the Coast Guard is receiving such robust competition to build its various classes of ships. I am proud to say that because of the Jones Act, Philly Shipyard is one of the five shipyards currently bidding on the Coast Guard’s heavy polar icebreaker replacement.

PSI is teaming with Fincantieri Marine Group (FMG) and VARD engineering in the design studies for this program. Recapitalizing the Coast Guard’s polar icebreakers is an opportunity for PSI to apply its commercial shipbuilding expertise and knowledge to a U.S. government vessel project. This opportunity would not have been available to PSI if it had not established itself building quality vessels for the U.S. domestic markets. The net result of this is to provide greater competition among U.S. shipyards for this critical program and a clear example of the importance of the Jones Act to our national security industrial base.

In conclusion, the Jones Act is not only critical to the U.S. shipyard industry, but also has significant economic and national security impacts for our entire country. The Jones Act allows the U.S., at no cost to the federal government, to ensure there is a capable workforce to build, maintain, modernize, supply and repair America’s fleet of 40,000 commercial vessels, U.S. Navy ships and Coast Guard vessels of all sizes.

Thank you again Chairman Hunter and Ranking Member Garamendi for allowing me to testify today. I look forward to your questions.

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<sup>2</sup> Government Accountability Office, *Puerto Rico: Characteristics of the Island’s Maritime Trade and Potential Effects of Modifying the Jones Act*, March 2013 (<https://www.gao.gov/assets/660/653046.pdf>)