



Statement of
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Before the

**House Committee on Transportation and Infrastructure
Subcommittee on Coast Guard and Maritime Transportation**

On

**Menace on the Red Sea: Securing Shipping
Against Threats in the Red Sea**

January 30, 2024

1. Introduction: Mediterranean Shipping Company and the Liner Shipping Industry.

Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee, thank you for the invitation to testify today. My name is Bud Darr. I am Executive Vice President of Mediterranean Shipping Company Group (MSC).

MSC is a global leader in transportation and logistics. As one of the world’s leading container shipping lines, and having by far the largest fleet, MSC has 675 offices across 155 countries worldwide, with the MSC Group employing almost 200,000 people. With access to an integrated network of road, rail, air, and sea transport resources which stretches across the globe, the company prides itself on delivering global services with local knowledge. MSC’s shipping line sails on more than 300 trade routes, calling at 520 ports, and is targeting net-zero decarbonization by 2050.

MSC is also a member of the World Shipping Council (WSC). The World Shipping Council (WSC) is a non-profit trade association that represents the liner shipping industry, which is comprised of operators of containerships and roll-on/roll-off (ro-ro) vessels (including vehicle carriers). Together, WSC’s members operate approximately 90 percent of the world’s liner vessel services including more than 5,000 ocean-going vessels of which approximately 1,500 vessels make more than 27,000 calls at ports in the United States each year.¹

The liner shipping industry provides American importers and exporters with delivery service for almost any goods or commodities to and from roughly 190 countries. Approximately 35 million TEU of containerized cargo are currently imported into or exported from the United States each year. The container shipping industry is one of the most important facilitators of the nation’s growth and ongoing economic activity.² Ocean shipping is also – by far – the most fuel-efficient form of transportation at scale on the planet.

¹ A full description of the Council and a list of its members are available at www.worldshipping.org.

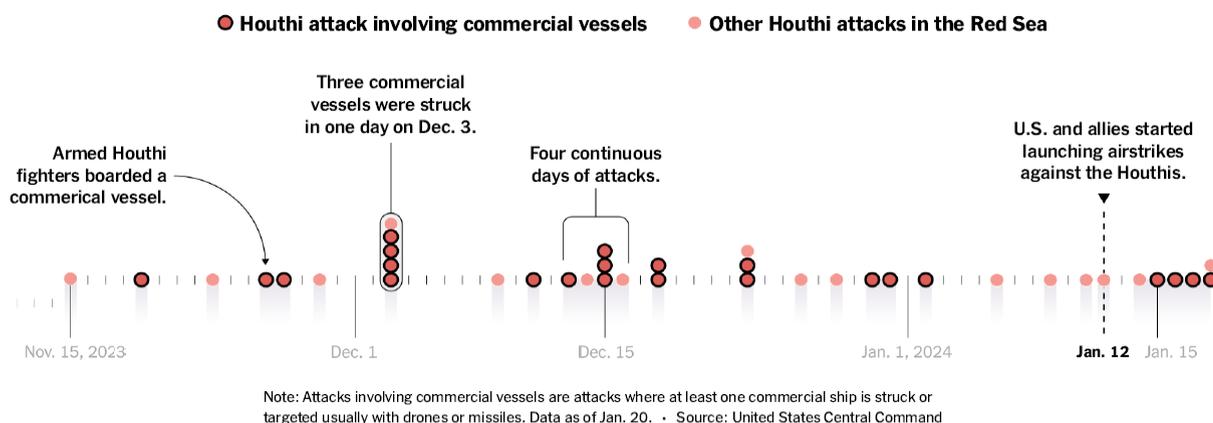
² Twenty-foot equivalent (TEU) is a general unit of cargo capacity based on size of a 20-foot-long intermodal container, which is a standard size box that can be easily transported by vessels, rail and trucks. In practice most containers are 40 feet in length.

2. The Red Sea and Gulf of Aden Security Situation Remains Dire.

Since mid-November, Yemeni-based Houthi rebels have launched attacks on numerous commercial vessels in the Red Sea. These attacks employ powerful long-range sophisticated weapons – typically only possessed by nation States – including ballistic and anti-ship cruise missiles and one-way attack drones. **The world has never seen attacks like these by non-State actors on commercial shipping.**

The Houthis started their attacks on November 19, with a brazen attack and seizure by helicopter, dropping heavily armed militants onto the deck of the car carrier M/V GALAXY LEADER, where they proceeded to hijack the vessel and take it to Yemeni internal waters, where its 25-member crew remains kidnapped today, and we should not in any way forget about them. On December 26, 2023, our vessel, the M/V MSC UNITED VIII, was transiting from King Abdullah Port, Saudi Arabia to Karachi, Pakistan, when the master was contacted on the radio by Houthi forces claiming to be the Yemeni Navy and ordering the vessel to head towards Yemeni waters. After the master refused, the Houthis became increasingly threatening, resulting in the master reaching out to coalition naval forces for assistance. The Houthis fired missiles at the vessel, in a series of attacks that lasted over an hour, with missiles exploding in close proximity to the vessel, which was terrifying for our crew. By sheer luck, there were no physical injuries to the crew or damage to the vessel. This was one of three ships in our network that were targeted by the Houthis, with one of these attacks resulting in direct damage but fortunately without causing casualties or a major onboard fire.

On December 31, 2023, Houthis in armed small boats attacked and attempted to board the M/V MAERSK HANGZHOU – getting as close as 20 meters as a contract security team aboard the HANGZHOU deterred their advancement. The militants were only stopped when U.S. Navy helicopters responding to the HANGZHOU’s distress calls were fired on by the Houthi small boats using crew served and small arms weapons, causing the U.S. Navy helicopters to respond in self-defense and destroy three of the four attack boats, and killing the militants. This attack represented the first counterattack by coalition forces against the Houthis resulting in loss of life. It is important to note that this particular attack occurred in morning following an aerial attack on the same vessel during the prior evening.



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In the initial wave of attacks, the Houthis appeared to be targeting vessels that had an identifiable Israeli ownership interest. For instance, the M/V GALAXY LEADER was flying the Bermuda flag and chartered by the Japanese shipping corporation NYK—but was listed in public

³ How Houthi Attacks Have Upended Global Shipping, New York Times, Jan. 21, 2024, available at [How Houthi Attacks in the Red Sea Upended Global Shipping - The New York Times \(nytimes.com\)](https://www.nytimes.com/2024/01/21/world/middleeast/houthi-attacks.html)

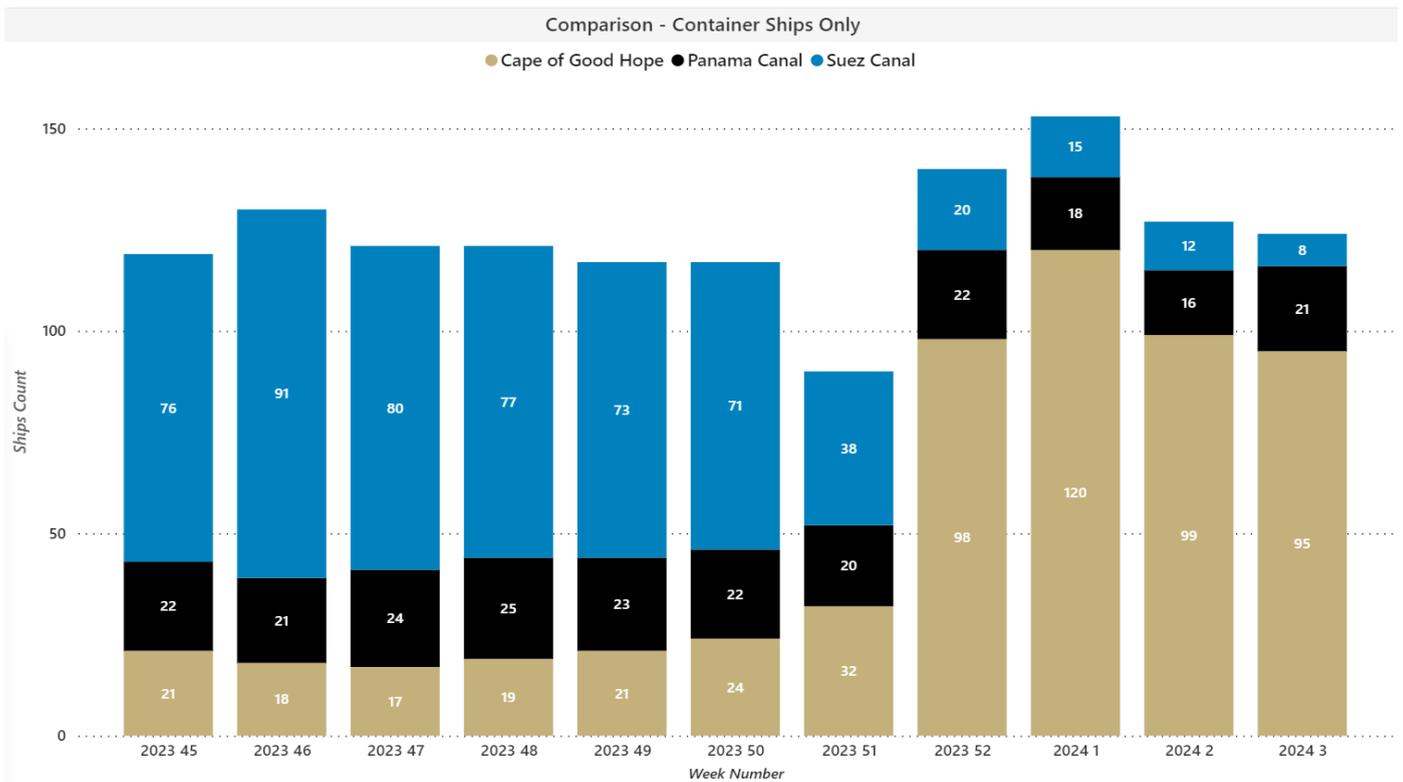
databases as being associated with an Israeli firm. Many vessels with Israeli ownership interests reacted by avoiding the Southern Red Sea, likely causing the Houthis to expand their targeting to all vessels calling on Israeli ports. **At present, the Houthi's targeting has become so attenuated from Israeli interests that it is indiscriminate, placing all commercial vessels transiting the Southern Red Sea and Gulf of Aden in the vicinity of Yemen at risk of being attacked.**

On December 18, 2023, the United States and its coalition partners announced the stand-up of Operation Prosperity Guardian (OPG), a defensive operation with the mission of providing naval presence to achieve deterrence. We applaud and appreciate the men and women from U.S. and coalition forces serving in OPG for standing the watch, and especially for the significant efforts they have made to protect seafarers and preserve the freedom of navigation. Unfortunately, the Houthi's continuing barrage of attacks show they are not yet deterred.

On January 10, 2024, the United Nations Security Council adopted Resolution 2722 condemning the Houthi attacks and demanding the Houthis immediately cease all attacks.⁴ On January 12, after a series of high-level U.S. and coalition nation warnings to cease attacks on commercial shipping in the Red Sea went unheeded, the U.S. and U.K. launched defensive attacks on Houthi land-based positions, to suppress their capabilities to attack commercial vessels in the Red Sea. The Houthis responded by expanding their targeting to include U.S. and U.K. vessels, and on January 22, they claimed to have attempted to attack the U.S.-flagged M/V OCEAN JAZZ. On January 23, the U.S. and U.K. responded with another series of attacks, resulting in the Houthis firing ballistic missiles at two U.S.-flagged Maersk Limited Line, Ltd. vessels on January 24, 2024 that were under direct U.S. Navy escort in the Gulf of Aden near Bab El-Mandeb.

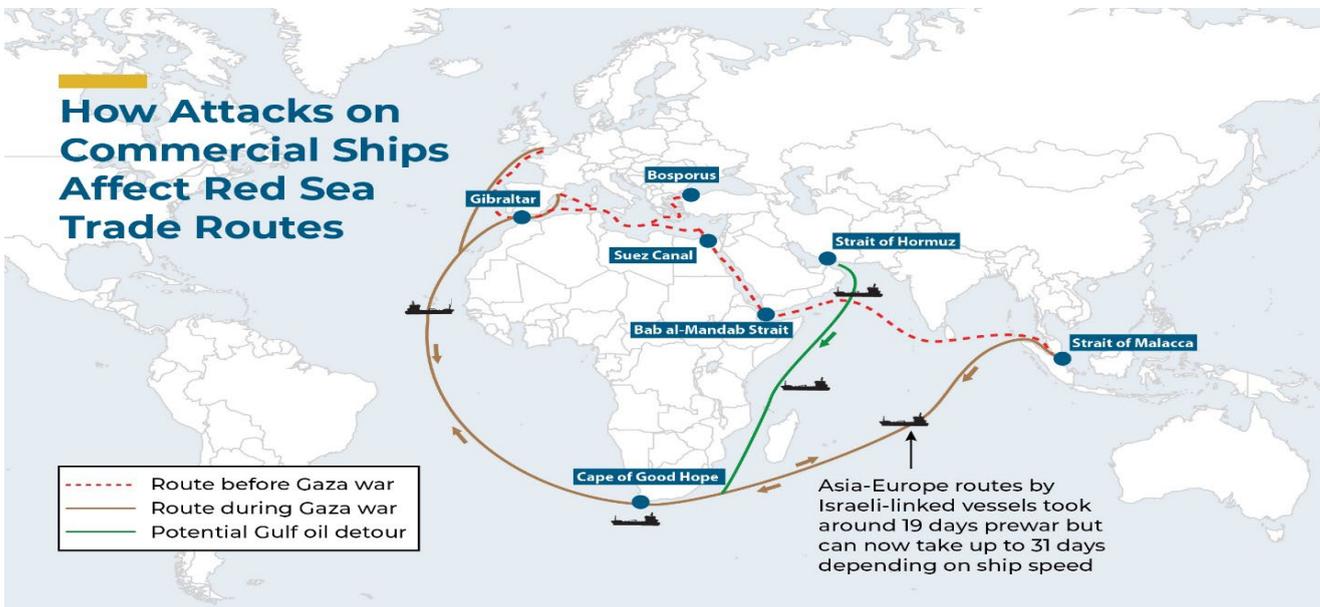
MSC has assessed that the security situation in the Red Sea and Gulf of Aden is not safe enough to protect our most vital asset – our seafarers – nor our customers' cargo or our vessels which are of course of great value, but genuinely insurable value as materiel assets. We are diverting services that would typically transit the Red Sea and the Suez Canal around the Cape of Good Hope (CGH), until we are confident the security situation is safe enough to have our seafarers return to the Red Sea. We are also aware that many other major ocean carriers and other shipping interests have made similar decisions, as depicted in the graph below prepared by the World Shipping Council, which depicts container vessels above 7,500 TEU diverting voyages from the Red Sea and Suez Canal to go around the CGH.

⁴ United Nations security Council Resolution 2722, Jan. 10, 2024, available at [N2400928.pdf \(un.org\)](#)



3. Red Sea Impacts on the Supply Chain.

The Suez Canal is a vital trade route for liner shipping and supports 10 to 15 percent of world trade and 30 percent of global shipping volumes. Thus, the decision to avoid the Red Sea and Suez Canal is a significant one.



Diverting around the CGH extends the voyage length from 8,500 nautical miles to 11,800 nautical miles – approximately 40 percent farther – and typically adds an additional 5 to 16 days of transit time, depending on the route, the ship’s particulars, and the destination.

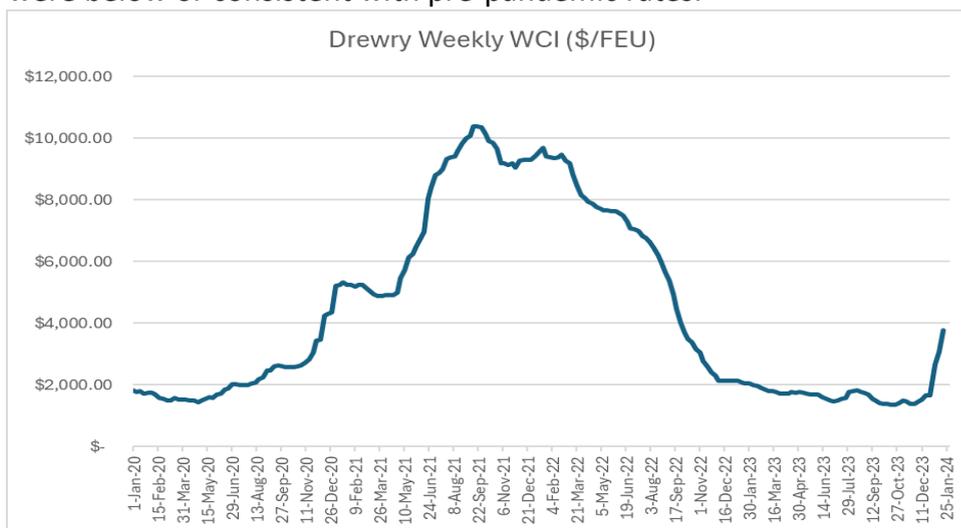
From	To	Distance (nm)	
		Via Suez	Via Africa
Singapore	Rotterdam	8,288	11,755
Singapore	Malta	5,948	11,678
Singapore	Norfolk	10,289	12,315
Mumbai	Rotterdam	6,320	10,743
Mumbai	Malta	3,980	10,666

From	To	Added Sailing Time in Days	
		17 kts	20 kts
Singapore	Rotterdam	8.5	7.2
Singapore	Malta	14.0	11.9
Singapore	Norfolk	5.0	4.2
Mumbai	Rotterdam	10.8	9.2
Mumbai	Malta	16.4	13.9

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MSC, like most liner companies, typically seeks to provide a consistent service at ports of call within our network. Diverting around the CGH requires significant adjustments to our global network to, among other things, add additional vessel capacity, make schedule changes, connect with transshipment points, and reposition equipment. These adjustments result in increased costs, and they have knock-on effects beyond the services that would typically transit through the Red Sea.

The Red Sea security situation has required MSC to re-wire its entire global network. Transits will take more time and involve additional costs, but we will keep global trade running and shipping costs continue to be a very small percentage of the overall cost of goods. As the chart below depicts, additional freight costs resulting from the Houthi attacks are rising from very low rates that were below or consistent with pre-pandemic rates.



4. Panama Canal Low Water exacerbating Red Sea Impacts.

Like the Red Sea, the Panama Canal is a critical route for liner shipping. Severe drought in Panama has resulted in a 36 percent reduction in Panama Canal transits. The Panama Canal authority recently announced it is cutting daily ship crossings to 22 per day, down from 38 per day last year, as well as reducing the maximum draft of vessels from 14.9 to 13.4 meters, which requires liner shipping using the canal to carry smaller numbers of containers. Prior to the Red Sea attacks, many shipping companies diverting from the Panama Canal to avoid delays or reduced cargo loads were relying on the Suez Canal and Red Sea as an alternative route for their vessels. The Red Sea security situation has severely limited this option, which puts further pressure on liner shipping companies, and requires diversions to longer routes to keep maritime commerce flowing.

5. Ocean Carriers are flexible, resilient and continue to move customers’ cargo.

MSC prides itself on providing reliable and cost-efficient global liner service to its customers

⁵ Sea Intelligence, Dec. 17, 2023, Issue 645.

to carry their cargo across the world’s oceans and deliver it to where they direct it. It is important to point out to the Subcommittee, however, that the present situation is unique and distinct from the situation we faced during the pandemic where the congestion was caused by U.S. land-based logistics being overwhelmed by unprecedented import demand. The land-based congestion in U.S. ports and supporting logistics infrastructure caused, at its height in November of 2021, more than 100 loaded container vessels to back up off of Southern California ports (there were similar backups off of other U.S. ports) because while there was plenty of container vessel capacity, the land-based logistics capacity could not efficiently process all the import cargo that was arriving.

We are hopeful that the Congress’s subsequent investments in U.S. port and landside infrastructure will at some point provide additional capacity and resiliency to handle similar future supply and demand surges caused by geopolitical and other unanticipated major events. MSC has made substantial and unprecedented investments in new vessel capacity – many of which are dual fuel vessels to support our efforts to advance to net-zero greenhouse gas emissions – and MSC now features the largest fleet in the world with some 800 container ships, with a capacity exceeding 4 million TEU. We assess that if we can continue to access U.S. ports uninterrupted, we have sufficient assets and capacity for the foreseeable future to ensure U.S. importers and exporters access to global markets.

6. Conclusion.

MSC is committed to serving the international trade of the United States, and our adaptability and resiliency to continue to move maritime commerce for importers and exporters across the world’s oceans despite the current geopolitical challenges are evidence of our commitment.

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