Subcommittee on Coast Guard and Maritime Transportation Of The U.S. House Committee on Transportation and Infrastructure

Hearing on Mariner Education and Work Force

October 17, 2007

Testimony by:
Carl Annessa
Chief Operating Officer/ Vice President for Operations
Hornbeck Offshore Services, Inc.

On behalf of The Offshore Marine Service Association
990 N. Corporate Drive, Suite 210
Harahan, LA 70123
Phone: 504-734-7622
Fax: 504-734-7134

Good morning and thank you for allowing us to testify on this subject. My name is Carl Annessa and I am the Chief Operating Officer for Hornbeck Offshore Services, a publicly traded company which owns and operates vessels that support the offshore oil and gas industry, both domestically and internationally. Today I am testifying on behalf of the Offshore Marine Service Association. OMSA is the national trade association representing the owners and operators of U.S. flag vessels that support America's offshore energy infrastructure. By carrying all of the supplies and equipment and many of the workers to and from offshore facilities, our vessels are America's lifeline to the nation's offshore energy resources.

Today's topic is an important and timely one. The maritime industry faces some significant challenges in recruiting and retaining vessel personnel. But before we talk about what is wrong, let's talk about what is right, about the opportunities that are afforded those men and women who serve aboard vessels in our industry.

The maritime profession is an attractive career path for Americans

We don't spend enough time talking about what an attractive career path the maritime industry represents for Americans right now. A man or woman can come into our industry with little or no experience and, in a few years, rise to a position of

responsibility. It is a skilled profession with a clearly defined ladder of advancement. Most of the training is provided by the companies and is available when the mariner is ready to progress. And significantly, pay scales are well above most landside wages.

The offshore workboat industry expects a lot of our mariners, but the job may be demanding, our folks work in an environment in which safety is always the focus. As a result, Americans are statistically safer working on our boats than almost every workplace in the country. In the last safety survey of OMSA member companies, our reportable injury rate was one tenth that of the average American workplace, that includes jobs at sea or on land. And I might add that the survey covered 2006, a period of unprecedented demand when our industry was still rebuilding the offshore facilities damaged by hurricanes Katrina and Rita. Despite the difficulties we faced and our need to hire a large number of new green recruits, we still kept our incident rate at near record lows.

"Coming up through the hawse pipe" is worth protecting.

It is also worth talking about the way our mariners advance from the deck to the wheelhouse. We do hire a number of academy grads and have been impressed with the efforts by the schools to revise their programs to better prepare graduates for jobs on offshore vessels. But our industry still strongly supports the concept of advancing mariners from entry-level jobs on deck up to the wheelhouse as Masters, or from entry-level positions in the engine room to Chief Engineers.

The concept of advancing up the career ladder is known as "coming up through the hawse pipe." The phrase started with the British navy, but the way it is being practiced on our vessels today is a uniquely American approach.

For evidence of that, just look at the world fleet. You find traveling crews from one country, Able Bodied Seamen from another and officers from still another country. Each country has a specialty and a barrier separates the different positions. It is very rare, almost unheard of in some regions of the world, for a mariner to walk on the vessel as a green hand and one day become a captain.

But in this country and in our industry, that concept is a normal part of doing business. Our approach to our personnel needs is organized around the concept that our employees will advance and rise in their profession. As one company human resources director says: "When I hire entry-level employees, I don't look for deckhands. I look for future captains."

For Americans coming into our industry, the opportunity for advancement is defined by their individual skill, energy and dedication. They are rewarded based on their abilities and drive. That is a very American concept and it is something that is worth celebrating and worth defending.

The final point on the offshore career path is that the new generation of vessels that are being built today are designed with the comfort and health of the mariner in mind. Particular attention is being paid to crew quarters that allow mariners to improve the quality of their rest when they are off watch and wheel houses that have been ergonomically designed to help prevent fatigue when the mariner is on watch.

Maritime Personnel needs will be an ongoing concern into the future.

The committee has asked industry for specific information on our mariner needs. First, I need to say workforce shortages are not currently as bad as they have been for the last two years. Following the hurricanes, finding and holding onto mariners was so difficult that companies were often forced to tie up boats and turn down work because they could not find enough qualified mariners to crew them. Fortunately, we are not faced with such a problem now and we may once again have the luxury of being choosy about hiring just the right people.

But that is not to say that the need has gone away. This is more like a lull before the storm kicks up again. OMSA recently surveyed its members on their crewing needs. In addition to our normal, ongoing demand for mariners, the new boats our industry is building will require nearly four thousand new mariners over the next five years. Some of these individuals will be made available as older vessels are retired from service, but not all.

The industry must address concerns over an aging workforce.

Just as it is in many industries, the demographics of the aging workforce are a concern for us. Based on member data, OMSA estimates that 40 percent of our member's licensed officers are over the age of 50, meaning they are in the zone for retirement or reduced time at sea. These are our most experienced, most highly valued mariners. We hope to keep them as long as they want to work. But as we look at our crewing needs on a five-to-ten year horizon, we know we may need to replace four out of every ten officers. Again, we will need that deckhand that we hire today to grow to be a captain in the next decade.

One of the real wildcards on all of this is the Coast Guard's effort to develop policies on medical fitness for duty. No one wants to put a medically unfit mariner in the wheelhouse, but by the same token, we don't want to cut productive careers short because the government took a heavy-handed or ill-conceived approach. We will continue to work with the Coast Guard to produce standards that make sense. At the same time it is clear that whatever the final policy looks like, one of the major initiatives of the future for the maritime industry will be to promote wellness among our boat crews. Congress may want to consider avenues that would help promote the health of aging mariners. For our part we would welcome the chance to partner with the Coast Guard to develop wellness programs for the workboat industry.

Training must be designed to help the mariner progresses up the ladder.

Training is a critical and ongoing part of our reality, whether it is continuing education needed to move up in a mariner's profession or the routine safety, security and other training that is provided to the vessel crews. As I mentioned earlier, most of the training done in our industry is provided by the companies. It is an investment we make in our workforce.

There is a provision in the Coast Guard Authorization Act currently under consideration in the house that would offer a loan program for mariners. We support this concept and would like to see it pass. However, it is only a part of the answer and other approaches are needed. So much of our mariners' training is either paid for by the companies or is reimbursed by the companies once it is completed. Because the companies have taken on the training burden from the mariner, programs that provide incentives for training must involve the vessel companies.

Based on our experience, the most effective training for our industry must:

- Allow for local providers so that it can be accessed easily;
- Be broken in to small bite-sized chunks that allow mariners to take individual courses when they need them;
- Be run by training providers who have close working relationships with the industry so they know what is most effective;
- Be available as needed, i.e. be available next week, preferably on-line, when the mariner comes back to shore, instead of six months from now when the school's regular semester starts; and
- Place a very heavy emphasis on on-board training and assessment.

This last point is worth emphasizing. Our mariners need knowledge and skills that have practical application to their jobs. The best way to learn is by doing and the best way to prove they have learned them is by demonstrating that skill. Theory is of limited value and skill sets that they will never use on board their vessels are of questionable value.

Programs which assist companies with training have been effective.

One of the programs that has proven to be of great value to our member companies is On the Job Training, which pays a portion of the mariners' salaries while they learn the skills they need to advance. OJT could be improved by reducing the paperwork burden on smaller companies. We also find that workforce offices are organized for traditional jobs, where local workers apply for local jobs. Sometimes they are not organized to efficiently offer programs like OJT to an industry like ours where the company, the employee and the actual vessel where he or she may work are each located in entirely different places.

Another program of exceptional value has the Incumbent Worker Training Grant program. Current about 42 states offer some form of incumbent worker training. Louisiana's program is the one that our industry has had the most experience with. Under this program, money spent training mariners may be reimbursed from the state's

unemployment insurance fund. In order to qualify, the training must result in the individual mariner's pay being increased. The program is funded through unemployment insurance premiums. It is a win all the way around. Mariners receive more training, their pay goes up and money paid to the state's per capita unemployment assessment increases. According Louisiana officials, in the last eight years, this state program has provided $36 million dollars in funding to help train roughly 26,000 thousand employees who work on vessels or in shipyards.

STCW interpretations have been a major obstacle to advancing mariners.

The International Standards for Training Certification and Watchkeeping Code is the crewing qualification and competency standardization regulation for vessels that ply international waters, including those that operate coastal vessels in domestic service beyond the boundary line that defines when a mariner need comply with the certification standards of the Code. The STCW, as it is called, has proven to be a major hurdle for our mariners trying to manage their careers and for OMSA members trying to find commonsense ways to crew their vessels. The STCW is an attempt to create a baseline for the certification of the world's seafarers so that safe and secure navigation may be better insured on a global basis. That is a goal well worth supporting. The problem is that it is primarily focused on the training needs of large, unlimited tonnage (or unlimited size) ocean-going vessels. It requires our captains to study courses that they may never use in their careers. It requires our engineers to learn how to tear down and repair large ship engines that are not used on the types of vessels they will sail on.

Our sector is not alone in this. By OMSA's estimation, 95% of the vessels that fly the U.S. flag are limited tonnage vessels that operate on Coastal routes. Yet most of the mariners on these vessels must meet training requirements that are based on the requirements to sail on the largest supertankers and cargo ships in the world. There is a major disconnect between the Coast Guard's efforts to rigorously enforce the requirements of STCW when those requirements may be inappropriate or overly excessive for the vast majority of the U.S. mariners for whom the USCG grants licenses and certifications.

Right now, this is an obstacle for our mariners, but we can easily foresee the day when this will become an obstacle to the broader public policy objective of encouraging short sea shipping in America. Much short sea shipping is going to involve tug and barge units or smaller ships. As that mode tries to expand over the next few years, it may find itself hamstrung by the overly difficult requirements of STCW, at least the way it is interpreted by the Coast Guard.

But it does not have to be that way. We believe that the code was meant to be flexible and to allow countries to interpret the code liberally. However, the Coast Guard has taken a very rigid approach, been based on a big ship model, that is out of sync with the needs of the vast majority of America's seafarers. Our vessel masters will almost certainly never use a sextant, but they will need to know how to use their radar to safety navigate through

hundreds of offshore structures located in the Gulf of Mexico. We believe that their training requirements should reflect that reality.

Another of the key problems with the Coast Guard's approach to STCW is that it requires mariners to duplicate the exact same training requirements as they move up the career ladder. A mariner sitting through classes to become a third mate will wind up taking many of the same classes to become a master. The maritime industry, through the Coast Guard Merchant Personnel Advisory Committee identified the duplicative material that could be dropped, changed or modified. That change would save time, money and untold frustration. As part of its oversight function, Congress should encourage the Coast Guard to move forward and streamline the STCW training and qualification process.

Another area of concern is the way in which mariners are trained. The world around us has embraced technological improvements in how we learn, including computer-based training, e-learning, distance learning and virtual simulation. The Coast Guard has been reluctant to embrace these tools that are now in common use in nearly every other area of our lives.

It has now been 10 years since STCW was implemented in this country. We have learned a lot about what has worked and what has proven to be unnecessary, overly rigid and even counter productive. The time has come for the Coast Guard to work with industry on a major revamping of how the STCW is implemented in this country.

Congress may need to ensure that that review of STCW takes place and to make sure that when the Coast Guard sits down to represent this country at the International Maritime Organizations sessions on STCW that it is truly representing the needs of the American mariners who have frankly been ill-served by the requirements of STCW.

Coast Guard licensing reform is showing success, but more is needed.

The Coast Guard licensing process has been a hindrance to our ability to recruit and retain quality crews. The subject has received a lot of attention and it is not necessary to outline all of the problems today. OMSA was honored to testify a hearing this committee held on licensing problems last year. The good news is that the Coast Guard has instituted a number of steps that appear to be producing very positive results. The officers in charge of those improvements are to be commended.

Our concern is that the changes being made now don't go far enough. They focus on efficiency, how to reduce delays in the queue of mariners waiting for their licenses and documents to be processed. Even if the Coast Guard solves that problem, the licensing system is still a complex cumbersome mess, developed for another age with another type of mariner in mind. It doesn't meet the needs of our workforce today. It will take resources to fix and that is where Congress needs to become involved. We would urge you to provide the Coast Guard with the funding to revamp the current system.

Maritime workforce shortages are part of a national demographic trend.

Finally, how do we address the crewing shortages that currently face our industry and will continue to be with us in the future? We believe that we need to play to our strengths. At the start of our testimony, we talked about the positives of a maritime career. Now let's look at what our industry can do for the country. We have a unique ability to hire people who don't live anywhere near the water, put them to work for two weeks or a month at a time and then send them home to their own community with a paycheck that is usually well above the prevailing local wage.

This should help us recruit mariners, but it can also help those local communities. The Labor Department has projected that by 2012, the U.S. will have three million more jobs than people to fill them. Some have predicted that this will create a nation of labor "haves and have nots. " Cities and states that have jobs but not enough people to fill them are already advertising in cities with surplus labor, trying to entice the best and the brightest to move where there are more jobs and better wages. It is not hard to imagine that in the future, areas with chronic unemployment will run the risk of losing their most productive workers, a sort of "economic dustbowl" phenomenon.

Maritime is uniquely positioned to hire from higher unemployment areas

That's where we come in. We offer a way for people in depressed areas to find quality jobs without having to move anywhere. Employees who come to work with us stay in their local neighborhoods. Their kids continue to go to their local schools, they continue to belong to their local churches and they continue to support their local merchants. Except now when they get off the boat, they go home with a lot more money to spend locally. That should be a very attractive option that allies our interests with the interests of the local community.

We believe that one of the areas that could benefit from this approach is the Mississippi Delta. Just last month a number of OMSA members participated in a career fair held by Homeland Security Committee Chairman Bennie Thompson in Greenville, Mississippi. These companies are making a concerted effort to hire from that region, which as you may know has an unemployment rate above 10 percent. What tends to happen is that when someone goes offshore and starts to see the advantages of that career, they become our most effective advocates, as they bring friends and relatives into the industry.

A pilot project could assist the maritime industry and depressed communities.

We think that approach is worth pursuing as a policy initiative. We would urge Congress to set up a pilot project to help build effective partnerships between vessel companies and economically depressed areas. One important role that the Maritime Administration could play would be to help "sell" the idea of maritime jobs in areas where people have never seen an offshore vessel and have no idea of the opportunities that our industry offers.

If a pilot program were developed it could be set up to provide assistance for local employment specialists and school or college guidance counselors to promote the industry and put interested candidates in touch with maritime companies.

The final piece of this program could be to help provide funding to assist applicants in filing out Coast Guard (and soon TWIC) applications, provide for drug and alcohol testing and fitness for duty physical examinations. Potentially, applicants could receive the five day STCW Basic Training before they apply. An individual who has achieved those goals before applying has an enormous advantage over applicants who have not and will start at a significantly higher salary. Again we think areas like the Mississippi Delta are ideal places to test that sort of creative innovative approach to endemic high unemployment. We would be very pleased to take part in a pilot project to test that initiative.

Conclusion

To recap, we have some real challenges ahead of ourselves in addressing some of the workforce shortages that face the maritime industry. Some of those challenges are based on old negative images of our industry that refuse to die. Some of them are based on the demographics of an aging workforce. And some are based on obstacles that frankly have been placed in our path by government policies and an archaic licensing system.

However, we believe that we can solve the problem by playing to our strengths. We offer a professional career, that allows Americans with initiative to receive the training they need and attractive wages to rise through the ranks to positions of authority and respect. We also believe that our mariners, who undergo rigorous background checks, undergo drug and alcohol testing, and maintain our vessels as one of the safest workplaces in the country, are our the industry's best strength. If we can get that message out to the U.S. workforce, we can meet the needs of the future.

Thank you and I would be happy to answer any questions you may have.