



**CHAMBER OF SHIPPING
OF AMERICA**

TESTIMONY OF

MR. JOSEPH J. COX
PREIDENT & CEO

CHAMBER OF SHIPPING OF AMERICA

SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

HEARING

ON

"CREATING JOBS AND INCREASING U.S. EXPORTS

BY

ENHANCING THE MARINE TRANSPORTATION SYSTEM"

ON

TUESDAY, JUNE 14, 2011

AT

10:00 A.M. IN ROOM 2167 OF THE RAYBURN HOUSE OFFICE BUILDING

Chairman LoBiondo, Members of the subcommittee, ladies and gentlemen. As President of the Chamber of Shipping of America (CSA), I am pleased to testify before the subcommittee today on the issue of "Creating Jobs and Increasing U.S. Exports by Enhancing the Marine Transportation System."

CSA (under various names) has represented U.S. owners, operators and charterers since our inception in 1917. We have long contended that the U.S. is a maritime nation and has a large footprint in the domestic and international maritime communities. A very large percentage of the world's trade is dependent on access to the U.S. market. While we are currently going through a time of economic downturn and feeble recovery, we should recognize the issue of trade volume will not stagnate; it will begin to grow at some point. Our question today is really to what extent we can position our maritime transportation sector to take advantage of that growth thereby creating jobs in that. The ancillary and just as important issue is increasing the efficiency of our transportation sector so that exports will be priced to attract an international customer base. Mr. Chairman and Members, I am not a macro economist, or a micro one for that matter, and can't provide you with definitive testimony regarding the impact of our dollar value on the international market place. However, I can intuit that a lower cost of transport for U.S. made goods will be reflected in the final cost of the goods so a lower transport cost can only be a positive factor for our exports. In the following, I will comment on the efficiency of the maritime transportation sector and the value of uniform legal and regulatory expectations.

Marine Transportation System

Mr. Chairman and Members, over the years, I have experienced any number of groups, discussions and varied pronouncements regarding the marine transportation system. The highlights are the same; i.e., we are recognized as an efficient, low cost transport mode. I add that we are also regarded as having the lowest environmental impact. Is marine slower than some other transport modes? Yes. Do we get there? Yes. Do we burn hydrocarbons? Yes. Are we less polluting than some other modes? Yes. Because the answers to many questions regarding the U.S. maritime industry are positive, we should take any opportunity to develop a course ahead that allows the natural benefits of marine transportation to take effect. A few years ago, we along with many others engaged in the initiation of the Maritime Transportation System National Advisory Council (MTSNAC). We attended many meetings and engaged in many discussions among council members over time. Regrettably, while there were findings and papers developed, we did not see specific actions. Last fall, the Maritime Administration published a call for prospective members of a renewed MTSNAC. There is always the expectation that new members will bring a new focus on the usual problems; let's hope the new is more effective than the old.

I am convinced that a renewed focus on the maritime industry as an equal partner among our transport brethren will result in more efficient transport logistics, increase the number of jobs for our maritime community, both seagoing and shoreside, and make our exports more competitive in the international markets.

Marine Highways Cooperative

Several years ago, I was asked by the Maritime Administrator to assist in initiating what we then called the short sea shipping cooperative which was a partnership among private sector participants and the federal government; it subsequently was named the Marine Highways Cooperative. I am currently the Chairman of the Marine Highways Cooperative. When we started the cooperative, we knew that trade would be increasing and the need for an innovative look at how we transport goods was necessary. The web site for the Marine Highway Cooperative has a succinct description of the benefits:

"Marine Highways offer many benefits including fuel savings and congestion relief on crowded roads around and between urban metropolitan areas. Since the United States is the worlds' leading importer, it is important that there be as many options as possible for imports to move from our ports to their final domestic destinations. U.S. international trade is likely to double in the next 20 years, compounding already-existing demands on the Nations surface transportation system. Americas Marine Highways is an important part of this system."

Today, we should place the word "exports" into the description. What we perceived several years ago as a necessity to handle increases in imports will serve equally to the benefit of America's exports. Our principal role as a cooperative is to educate. We have funded a number of studies that indicate the benefits of including the maritime mode as a part of a transportation logistics scenario. Currently, we are very pleased with the development of a web based calculator which can be used by shippers to review various transport scenarios and see what the various costs are for specific transport decisions. The calculator includes among its parameters a portion that details the carbon emitted for the various decisions taken regarding transportation modes. Earlier in this testimony, I noted the relative benefit of maritime transportation regarding pollution, specifically air pollution. The calculator will allow a shipper, or anyone for that matter, to plug in parameters and receive a finding on the costs, including carbon emitted. While the financial cost of carbon emissions is emotive and elusive, we recognize the need for many to be able to indicate an environmental sensitivity which may impact their transportation decisions. The calculator will be ready for public use shortly; this week, our team is engaged in a final analysis. We will be pleased to notify the subcommittee when the calculator is on the web site available for use. We at the Marine Highways Cooperative are pleased with the calculator. I point out that while we are very modestly funded, the majority of our funds are from the private sector part of the partnership.

Mr. Chairman and Members, the industry has not been standing still waiting for our studies to be completed and absolute positives to be in place. The simple fact is that large ships have a cost to run and they make a profit when they are crossing oceans, not stopping at multiple ports. For example, there is an attraction to having containerized cargo collected at one place and the large ship makes one stop versus multiple stops to discharge or take on cargo. The model is called a feeder service; smaller ships make shorter runs to transport cargo to a central location where the larger ship loads for a trans-ocean run. The model works also for bulk commodities, e.g. grains. We are aware of feeder services currently running in California between Sacramento and ocean ports. There is also a barge to ship operation connecting Richmond to Hampton Roads and just yesterday, American Feeder Lines (AFL) started a feeder service linking Boston to Halifax. Yes, these are modest beginnings. What we have to focus on is the concept and the benefits to the U.S. Mr. Chairman and Members, I am positive that our seafarers and longshoremen, among others, see the benefits of the marine highway and we view them as partners in bringing a robust marine highway concept into being.

Harbor Maintenance Tax (HMT)

We believe the marine highway is a potential benefit to the nation and we regret there is one obstacle in the tax area. I recognize this is not the Ways and Means Committee; nevertheless, I will take advantage of the opportunity to address this topic. HMT is the ad valorem tax placed on cargo transported via maritime. The funds generated are used to pay for dredging U.S. ports. While there are many concerns with when and how the trust fund is used for dredging, and I note there are valid concerns along those lines, I focus here on the fact that the tax is applied to cargo transported within the maritime industry regardless of the number of times it is paid. Therefore, a cargo which has paid the tax once for a maritime movement pays again if it goes onto another maritime transport mode. So a cargo arrives at one of our ports and pays the tax and then pays again if it is transported by a ship/barge. I suggest we look into this situation. I have heard some say this is only a low hurdle along the maritime way although it is a hurdle nonetheless. To those who believe this is some type of tax relief, I point out that the trust fund has billions in excess now

and will continue growing; that is one of the concerns I refer to above, although it will not grow as much if the extremely modest amounts currently collected for multiple maritime movements is removed. I suggest we strongly consider deleting this double taxation. As I said, this is not the Ways and Means Committee although your reaction and findings regarding the patent unfairness of this double taxation will undoubtedly have an influence among your colleagues.

Business Expectations

While we focused above on the marine highway system, we should not ignore the impact of other issues on business decisions. Investment decisions are based on business models that rely, in turn, on the expectation of legal and regulatory requirements. One of the most unsettling aspects for a business to take decisions is to rely on a less than firm expectation for what may or may not be required at some future time. Today, we have a chorus of voices saying very different things about ballast water requirements. These include the international voice at the International Maritime Organization, our own two U.S. regulatory voices, the U.S. Coast Guard and Environmental Protection Agency, and regrettably, several individual states. We need one ballast water requirement for the nation; we do not need squabbling among those who would require us to meet differing objectives. We believe we should focus on achievable requirements. Last week, I heard a radio interview of a head of a state environmental agency who said the state was going to require performance "one thousand times better than the international standard". Given that we are just seeing the technical capability to conform to the international standard, I wonder what magic is available to meet a standard which is "one thousand times" more strict. I suggest we would be well served with a consistent, achievable standard that is reviewed over time and made more strict based on technological capability. The effect on a marine highway program in complying with multiple jurisdiction requirements is clear.

The industry is also observing and participating when permitted in the National Ocean Policy initiative established under Executive Order. We agree with the overall objectives established by the council and made several comments during development debate that individual agencies of the government have various responsibilities under law that cannot be relegated to secondary consideration. We do not know to what extent the council and their deliberations have been subject to Congressional oversight. We do know organizations such as the Coast Guard have been active regarding the council. We would welcome your review of the developments. Once again, this may not be your specific area of jurisdiction although the activity involves areas of your jurisdiction, my opinion I point out, and I believe there would be benefit to the marine highway if you decide to review what is taking place.

Piracy

Mr. Chairman and Members, I do not speak publicly anywhere on any topic without saying the word piracy. Ships are being pirated as we speak although the ships and cargo are insured. We have a great concern with the thousands of seafarers who have been held captive as hostages for months at a time. Now, they have the added concern not only with when they will be released but also with whether they will survive. We understand only too well what seems to be the intractable nature of the piracy occurring in the Indian Ocean. Great problems require great responses. Through this hearing, we renew our call for robust government action.

Thank you for listening to my testimony. I am pleased to answer any questions now and will address any further questions the subcommittee may forward to me.

JOSEPH J. COX

BIOGRAPHY

Mr. Cox graduated from the U.S. Merchant Marine Academy on February 10, 1967 and within a few days sailed for Vietnam. He spent two years on the Vietnam sealift and several years sailing as second and third mate to other parts of the world. He returned to the academy for one year to help institute a new midshipman leadership program. After leaving the Academy, he worked for the Maritime Standards Office of the Department of Labor where he eventually became a Program Manager of the Cargo Gear Certification Program.

After eight years with the Department of Labor, he accepted a position at the American shipowners' association, the Chamber of Shipping of America. He progressed through jobs as Marine Coordinator, Director of Marine Affairs, and Vice President and was elected President/CEO in 1997.

Mr. Cox has a Master's degree in Safety Management from the University of Southern California and was an adjunct professor at Northern Virginia Community College and Prince George's Community College for ten years. Among his professional duties, he has attended over seventy meetings of the International Maritime Organization on the U. S. delegation. He is the U.S. shipowner representative to the International Labor Organization in Geneva having been elected as the shipowner spokesman at five diplomatic conferences. He serves as President/Treasurer of the Marine Gas Hazards Control Program, is a member of the Society of Naval Architects and Marine Engineers, is Vice President of the International Cargo Gear Bureau and is Chairman of the Board of the National Cargo Bureau.

Mr. Cox resides in Fairfax, Virginia, a suburb of Washington, DC with his wife of 40 years, Lona. He has a daughter, Jennifer Conroy and a son, Brendan. He has two granddaughters, Madailein and Mary Katharine.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:

Joseph J. Cox

(2) Other than yourself, name of entity you are representing:

Chamber of Shipping of America

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

See 3.

no contracts.

no grants.

Signature

Joseph J. Cox

14 June 2011
Date