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HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE

HEARING ON CREATING JOBS AND INCREASING U.S. EXPORTS BY ENHANCING THE
MARINE TRANSPORTATION SYSTEM

JUNE 14, 2011

Good afternoon, Chairman LoBiondo, Ranking Member Larsen and members of the subcommittee.

On behalf of the Seafarers International Union as well as the American Maritime Officers, the International Organization of Masters, Mates & Pilots, and the Marine Engineers' Beneficial Association, I thank you for conducting this hearing; I thank you for the opportunity to testify; and I thank you for your continued support of the U.S. Merchant Marine.

As organizations that represent merchant mariners in both the domestic and international trades, including deep sea, inland and the Great Lakes, the Seafarers International Union and our fellow maritime unions have a deep interest in our nation's economic and national security. Our organizations are focused on jobs, increasing the size of our U.S.-flag merchant marine and seeking opportunities for workers across America to obtain the good paying, secure jobs that keep our economy moving forward.

President Obama announced his National Export Initiative in the January 2010 State of the Union address, and signed Executive Order 13534 in March. Through this initiative, the President intends to improve conditions that directly affect the private sector's ability to export, and he has set an ambitious goal of doubling exports in five years. We in maritime labor have welcomed the President's initiative and continue to support it.

However, in order for us to meet that goal, we must ensure that our U.S.-flag merchant fleet remains strong and viable in the international and domestic trades. We must ensure that our ports and infrastructure can handle the additional capacity needed to meet these goals. We must defend programs like the Jones Act and Cargo Preference that have been under attack. And we must innovate and expand our capacity by redeveloping new sectors of the industry, such as the Maritime Administration's Marine Highways Initiative. It is only by defending our existing programs, reducing the regulatory burden on our operators, ensuring the tax system is fair and competitive internationally, seeking opportunities to expand the industry both internationally and domestically and maintain the key government programs that keep the fleet afloat that will be able to create jobs and increase U.S. exports. It is through both innovation and the stalwart defense and support of our existing programs that we can effectively enhance the marine transportation system.

Increasing exports will require a focus on our international fleet in foreign commerce. From labor's perspective, the state of the U.S. merchant fleet in foreign commerce may be described as limited but effective, but also in need of more support. It is limited in the sense that the fleet has shrunk, and the percentage of international commercial liner cargo carried by American-flag ships is dangerously small

– somewhere around 3 to 4 percent. It is effective in the sense that our reliability and performance are second-to-none, particularly when it comes to productivity and safety. And it is in need of more support because such backing is entirely consistent with the stated goals of the Defense Department (DOD), the rest of the administration and Congress, and because what's good for the American-flag fleet is good for America.

For too long, we have allowed foreign competition to undercut the American-flag fleet and our ship operators. This foreign competition is often supported by generous tax regimes, little or no cost health care, and tax exempt wages for foreign seafarers by a number of foreign governments that make the international playing field far from even.

I mentioned the small percentage of commercial cargoes carried by U.S.-flag ships. The statistics change dramatically when one considers the fleet's performance in Operations Iraqi Freedom and Enduring Freedom. In those vital missions, American-flag ships carried the overwhelming majority of materiel to support our troops overseas. All of these vessels are commercial ships, most of which are enrolled in the U.S. Maritime Security Program (MSP) and carry commercial cargo when they are not being utilized by the military.

One way to ensure that we can handle an increase in exports is by having the organic, American capacity to support those increased exports. Our position is that the MSP program should be expanded. The current version of the program is effective, but by increasing the number of vessels, it could do more. It would cost literally billions of dollars to replicate or replace the tonnage and infrastructure currently available to our military through MSP. And that's just for the ships – the cost of replicating the manpower pool is incalculable. Put it all together and you've got a program that's been described over and over by our nation's military leaders as a bargain. Additional investment in the program would cost the treasury far less over time than the Defense Department receives in added value. DOD believes MSP is critical to their sealift capacity and has been effective.

They aren't the only ones measuring MSP's success. The Office of Management and Budget has given the Maritime Security Program the highest possible marks in the four categories it gauges.

Additionally, this program is an important part of our working partnership with DOD. Because of MSP and other sealift-readiness programs, such as the Voluntary Intermodal Sealift Agreement (VISA), our partnership with DOD is strengthened by allowing us the opportunity to be fully apprised of our military's requirements. As a result, we as an industry can prepare, plan and make the appropriate changes and investments to fully meet DOD's needs.

One other point on MSP: The program has successfully met one of its critical, intended goals, which was to recapitalize an aging fleet. There is no doubt about that success when one looks at our current international fleet, the vast majority of which has been replaced with newer tonnage.

We believe that in addition to expanding MSP, there are some other basic steps that will help maintain and grow the U.S. commercial fleet, which in turn will create good jobs for American mariners and help ensure that the U.S.-flag fleet plays a significant role in support of the President's export initiative. These steps include reviewing the tax code and looking for creative ways to develop more opportunities for U.S.-flag shipping. They also include vigorously enforcing our nation's cargo preference laws;

American-flag ships simply must receive their rightful share of international cargoes, especially as we move to increase exports.

Recently, one of the largest sources of government impelled preference cargo has come under considerable attack. The PL-480 Food for Peace program is the largest non-defense source of cargo for American-flag ship operators. A program that has enjoyed bipartisan support for decades, it has recently come under attack from a number of sources for a variety of reasons, mostly fueled by the current state of the economy and the federal budget deficit. In the most recent round of budget cutting, PL-480 was subject to massive proposed cuts that would have effectively ended the program as we know it. Too many people apparently consider PL-480 to be a foreign aid giveaway program and don't recognize that it is, in reality, a domestic jobs program. Under the program, food grown by American farmers, stored in American grain storage facilities, is transported on American ships by American citizen crews from American ports to hungry people across the world. The program has saved countless lives and has employed thousands of Americans in a variety of industries, including maritime. It is critical that the PL-480 program remain fully funded so that it can continue to support our domestic and international fleets.

It is also imperative that Congress and the administration continue to support the Jones Act. While it's true that the Jones Act applies only to domestic commerce, as the members of this subcommittee know, many of the companies involved in the Jones Act trades – and certainly much of the manpower pool – are intertwined with the international side of the business, both in terms of commercial activity and military support. The Jones Act is part of our industry's foundation; we simply cannot survive without it. Further, much of the cargo that will eventually be exported from the United States is transported on our inland waterways.

In that regard, we have been actively countering the most recent round of attacks on the Jones Act that began during the cleanup of the Deepwater Horizon last year. The non-partisan National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling confirmed the Jones Act did not in any way hinder the clean-up effort. Their report, "Deep Water: The Gulf Oil Disaster and the Future of Offshore Drilling" was prepared by the independent Commission at the request of the President. In addition, the United States Coast Guard confirmed that the Jones Act played no role in delaying the clean-up efforts, a fact to which Admiral Thad Allen has stated in testimony before this Committee. The USCG bolstered this unequivocal fact in its Deepwater Horizon comprehensive investigative report released in April 2011. Despite these undisputed facts, some in Congress and in the media have advocated for a repeal of the Jones Act. This is both misguided and dangerous. A repeal of the Jones Act would threaten our national, homeland and economic security. It would cost hundreds of thousands of maritime and related jobs across America and would weaken our ability to maintain our Armed Forces abroad through our sealift capability. And it would open the river arteries of our country to foreign workers, raising concerns about homeland security and illegal immigration. The Jones Act is too important to America to allow it to be sacrificed upon the altar of political expediency: We thank the many members of this committee who continue to remain stalwart defenders of the Jones Act.

But we cannot simply defend the Jones Act. We must actively work to increase the flow of cargo by ship domestically. Doing so would ease traffic congestion, reduce fuel consumption and air pollution, strengthen our merchant marine, enhance opportunities for domestic ship building and – most importantly – create thousands of American jobs here at home. Europe has already discovered that

using feeder vessels to transship cargo from one large entry port to smaller ports is an economical and fast way of getting goods and people from place to place. It's time for America to redevelop our coastwise trade. Redeveloping our coastwise trade will provide a much needed enhancement to our marine transportation system.

Doing so requires a number of regulatory and legislative fixes. First, the double taxation of containers under the Harbor Maintenance Tax (HMT) must end. The HMT is an ad valorem tax assessed on every container that enters a U.S. port, with the taxes ostensibly to be used for dredging and harbor and port infrastructure programs. If a container enters a U.S. port and then is transshipped to a second port, the tax is assessed again. This creates a disincentive for shippers to move their containers by sea rather than by truck or rail, where such double taxation does not exist. We support on-going efforts to fix this double taxation issue.

The use of the Harbor Maintenance Tax is another issue – and one that directly impacts our ability to meet the President's export initiative goals. Right now, over \$5 billion sits in the Harbor Maintenance Trust fund and those dollars aren't being spent on our harbors and rivers. This means that our navigation channels and harbors have been accumulating silt and sediment that make it more difficult for deeper draft vessels to navigate. The U.S. Army Corps of Engineers has reported that almost 30% of commercial vessels calling on American ports cannot carry full loads because of inadequate depths. Ships cannot transit our harbors fully loaded, which is inefficient and costly, both for exports and imports. We must use this trust fund for the purpose for which it was created – ensuring our ports, harbors and navigable rivers are dredged and able to handle the traffic they need to handle.

Mr. Chairman, no testimony on this subject from maritime labor would be complete without mentioning another part of the industry's foundation, which is the manpower pool. You and many other members of this subcommittee have been quick to recognize the U.S. Merchant Marine's patriotism, dependability and value to our country. I sincerely thank you for that well-earned credit to the civilian men and women who answer our nation's call time after time -- in the first Persian Gulf War, on 9/11, in Operations Enduring Freedom and Iraqi Freedom, during the tsunami in Indonesia, in Haiti, during the "Miracle on the Hudson" in January 2009, on our own Gulf Coast after hurricanes Katrina and Rita and the Deepwater Horizon, the Libya operations and the list goes on and on.

Just as our mariners can't go to work unless there's a fleet, those ships can't sail without capable seafarers. In the SIU, we're doing our part to help maintain a manpower pool of well-trained, loyal, reliable U.S. citizen seafarers. Much of those efforts are directed via our affiliated school in Piney Point, Maryland – the Paul Hall Center for Maritime Training and Education. We recruit all over the country and we conduct comprehensive training for different segments of the industry, both military and commercial, and for deep sea, inland and Great Lakes. The Paul Hall Center features a renowned trainee program, a separate entry program for military veterans, dozens of upgrading courses for experienced mariners, and an academic department through which seafarers may earn their GED and even a college degree. Our fellow unions also operate their own training schools in Easton, Maryland, Baltimore, Maryland and Dania Beach, Florida, ensuring that we have a solid base of knowledgeable and trained merchant mariners – both licensed and unlicensed – available at all times to support our national and economic security.

Those mariners don't distinguish between an MSP ship or a Jones Act ship or one carrying food-aid

cargo. They are ready to go to work no matter what, and they're always ready to answer their nation's call. But they are sustained by many different programs, all of which again contribute to national and economic security. These programs are critical to maintaining maritime jobs and will be key in ensuring the success of the President's export initiative.

One thing that I believe all American seafarers have in common with U.S.-flag ship operators is that we've become victims of unintended consequences. There is no need to tell this subcommittee about the great extent to which our industry is regulated. And as a general rule, I'm confident that maritime labor and American-flag operators don't object to being held to a higher standard. However, it has reached the point where both the individual seafarer and the individual operator at times are overburdened with rules and regulations.

Let me briefly mention a couple of telling examples, starting with proposed EPA regulations that would have wiped out a big part of the Great Lakes fleet and which still threaten to do the same in the coastwise trades. I'm sure these proposed rules were drafted with the right intent, and few would seriously argue against protecting the environment. But that protection doesn't have to come at the expense of the American-flag fleet and the U.S. Merchant Marine. The goals of protecting our environment and maintaining a strong American-flag fleet absolutely are not mutually exclusive.

As to the individual mariners, they now have to jump through so many hoops just to enter the industry, it is a deterrent to attracting new manpower. This is also a hindrance to job creation. Again, no one doubts the intent of the individual regulations and training requirements, but just to cite one example: When a mariner goes for his or her physical and drug screening, they essentially need to bring roughly 100 pages worth of supporting documentation for the doctor's review. Our folks are quite intelligent and capable, but they shouldn't have to be medical experts in order to pass a mandatory physical. And of course that's before they apply for a TWIC and merchant mariner qualification credential and an STCW certificate and whatever else may be required in a specific job.

I'm not suggesting that the industry return to the days of World War II, when the standard for obtaining mariners' credentials was having a pulse. And I want to credit the National Maritime Center for making progress on mariner credentialing and licensing. But there is room for improvement all the way around, and such improvement will benefit our industry as a whole. For instance, it makes sense for mariners to have a single document encompassing their qualifications and their clearance, and it makes sense for the industry to utilize a more streamlined physical.

In conclusion, maritime labor believes that we as a nation have to think and plan long-term, and such planning absolutely must include maintaining a strong American-flag fleet and a reliable pool of U.S. shipboard manpower. We must remove disincentives and instead create incentives for working in the American-flag industry. Ideally, we will reach a point where shippers look first for ways to use U.S. vessels, rather than having to be convinced. In that regard, we suggest using the tax code as an incentive, perhaps by providing credits for freight shippers who utilize U.S.-flag shipping. Doing so would make the U.S.-flag more competitive, would increase the size of the fleet, create new jobs and help us meet the President's goal.

Moreover, we should take advantage of our capabilities and our potential to be a huge part of the country's plans to boost exports. This should include PL-480 Food for Peace cargoes and Export-Import

Bank cargoes, among others. It should include most if not all of the supplies needed for our efforts in Iraq and Afghanistan. To that end, there must be no leakage of cargoes and no arbitrary waivers to the programs that help sustain our fleet. We have already seen far too much leakage of government cargo and it must stop. If we want to maintain a strong merchant marine, we must have vigorous enforcement of our existing laws.

When it's all said and done, the various maritime industry programs are fine, but we must not overlook one other imperative point. Namely, our industry's lifeblood is cargo. Cargo cures practically every ill. That's what keeps us afloat. As long as we have it, we can compete successfully with anyone in the world. It's what creates jobs and it's what will help continue our nation's economic recovery.

Mr. Chairman, again I thank you for this opportunity. I respectfully urge continued support of the Maritime Security Program, the Jones Act and cargo preference laws, and I further ask that any and all reasonable steps be taken in order to further encourage the maintenance and growth of the American-flag fleet and the U.S. Merchant Marine.

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Augustin "Augie" Tellez

Augustin "Augie" Tellez is the executive vice president of the Seafarers International Union. He was appointed to that position in November 2005 by the SIU executive board.

Previously, he served as the union's vice president of contracts and contracts enforcement from 1991-2005. In that post, he managed the SIU's collective bargaining and contract implementation efforts throughout all segments of the industry, including deep sea, Great Lakes, inland and passenger vessels.

Tellez was appointed as vice president in 1991 by the SIU executive board. He was elected to a full term by the union's membership in 1992 and reelected in 1996, 2000 and 2004.

He also serves as a trustee for the Paul Hall Center for Maritime Training and Education - a world-class, comprehensive vocational education institution located in Piney Point, Md. Additionally, Tellez chairs the Paul Hall Center's advisory board, composed of high-ranking industry representatives from labor, management and government.

Serving under the administration of SIU President Michael Sacco, Tellez has helped lead the union to numerous contractual gains and improved benefits for SIU members and their families.

As a Paul Hall Center trustee and advisory board chairman, he has helped spearhead the construction of two new, unsurpassed additions at the school designed to promote shipboard safety: the Joseph Sacco Fire Fighting and Safety School, which opened in 1999 and specifically is tailored for marine fire fighting training; and a state-of-the-art simulator building that houses top-notch simulators for shiphandling, engine room operations, liquid cargo procedures, crane operations and more. The latter opened in October 2000.

Tellez also worked closely with the development team that put together the union's Coast Guard-accepted training record book - a groundbreaking document first published in 1997 that is designed to help both individual SIU members and SIU-contracted companies comply with complex international maritime regulations.

Tellez worked his way up through the ranks, starting with the SIU in 1975 after graduating from the entry program at the Paul Hall Center's Lundeberg School of Seamanship. He sailed from the union's Brooklyn, N.Y. hiring hall as an able bodied seaman before coming ashore.

He served the union in various capacities in Jacksonville, Fla.; Mobile, Ala.; Tampa; Paducah, Ky.; Baltimore; and Houston. In 1980, he became the port agent for the SIU's headquarters port, located in Brooklyn.

Tellez in 1987 relocated to what had become the union's new headquarters in Camp Springs, Md., where he served as special assistant to the president. That same year, he was elected as the vice president for the Seafarers International Union of North America - the parent union of the SIU's seagoing component. A year later, he became the assistant vice president for contracts and contracts enforcement.



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: Augustin Tellez

(2) Other than yourself, name of entity you are representing:
Seafarers International Union; American Maritime Officers;
International Organization of Masters, Mates and Pilots;
Marine Engineers' Beneficial Association

(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:

Augustin Tellez
Signature

6-10-2011
Date