UNITED STATES OF AMERICA

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

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SECTION 301 HEARING:

PROPOSED ACTIONS: CHINA'S ACTS, POLICIES, AND PRACTICES TARGETING THE MARITIME, LOGISTICS, AND SHIPBUILDING SECTORS FOR DOMINANCE PUBLIC HEARING

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MARCH 26, 2025

10:00 A.M.

The 301 Committee met in the Hearing Room of the International Trade Commission, 500 E Street, Southwest, Washington, D.C., on Wednesday, March 26, 2025, at 10:00 a.m., Philip Butler, Chair, and Thomas Au, Co-Chair, presiding.

PRESENT

PHILIP BUTLER, Chair, U.S. Trade Representative

THOMAS AU, Co-Chair, U.S. Trade Representative

JACK KAMENSKY, U.S. Trade Representative

ANJANI NADADUR, U.S. Trade Representative

DAVID SALKELD, U.S. Trade Representative

RACHEL HASANDRAS, U.S. Trade Representative

ANDREW STEPHENS, U.S. Department of Agriculture

TYLER VAN PATTEN, U.S. Department of Treasury
IAN COOK, U.S. Department of Commerce
CHRISTOPHER HARTNETT, U.S. Department of
Homeland Security
LEO BAUNACH, U.S. Department of Labor
RYAN SULLIVAN, U.S. Department of State
SARAH BONNER, Small Business Administration
BECXI SANCHEZ, U.S. Department of Transportation
MARY LISA MADELL, U.S. Department of Transportation
MEGAN BARNHARTT, U.S. Department of Energy

ALSO PRESENT:
TYRELL BURCH, U.S. International Trade Commission
JAMILA THOMPSON, U.S. International Trade Commission

CONTENTS

P R O C E E D I N G S

MR. BURCH: Will the room, please, come to order?

MR. BUTLER: Good morning, and welcome.

The office of the United States Trade Representative, in conjunction with the interagency Section 301 Committee, is holding this public hearing in connection with the Section 301 investigation of China's targeting of the maritime, logistics, and shipbuilding sectors for dominance. Today is the second day of hearing in this investigation, which began Monday, March 24th.

As background, on March 12th, 2024, five labor unions filed a Section 301 petition regarding the acts, policies, and practices of China to dominate the maritime, logistics, and shipbuilding sector. The full petition is available on the USTR website under Section 301 Investigations.

The United States Trade Representative initiated this investigation on April 17, 2024. Based on the information obtained during the investigation, USTR released a public report on the investigation. The report supports the determination that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable and burdens or restricts U.S. commerce and is, thus, actionable. The report is available on USTR's website.

Based on the information obtained during the investigation, as reflected in the public report on the investigation, and taking account of public comments, as well as the advice of the interagency Section 301 Committee and advisory committees, the U.S. Trade Representative determined that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance is unreasonable and burdens or restricts U.S. commerce, and is, thus, actionable under Section 301(b) and 304(a) of the Trade Act.

In a Federal Register notice published on February 27th, 2025, the USTR announced proposed trade action in this investigation. The Federal Register notice is available on the USTR web page under the Section 301 Investigations page, and is published in the Federal Register at 90 Fed. Reg. 29,843.

The purpose of this hearing is to receive public testimony regarding the proposed action. The Section 301 Committee will carefully consider today's testimony and all written comments in response to the

Federal Register notice, including post-hearing rebuttal comments. The Section 301 Committee will then make a recommendation to the United States Trade Representative.

We are pleased to have international trade and economic experts from a range of U.S. government departments and agencies participating in today's hearing.

We will -- can you go ahead and introduce yourselves, please? Start at the end of the far left, please, your name and your agency.

MR. BAUNACH: Leo Baunach, U.S. Department of Labor.

MR. VAN PATTEN: Tyler Van Patten, Department of Treasury.

MR. SULLIVAN: Ryan Sullivan, Department of State.

MR. HARTNETT: Christopher Hartnett, Department of Homeland Security.

MR. KAMENSKY: Jack Kamensky, Office of the U.S. Trade Representative.

MS. SANCHEZ: Becxi Sanchez, Department of Transportation.

MR. STEPHENS: Andrew Stephens, U.S. Department of Agriculture.

MR. COOK: Ian Cook, Department of Commerce.

MS. BONNER: Sarah Bonner, U.S. Small Business Administration.

MR. BUTLER: And my name is Philip Butler. I'm with the Office of the United States Trade Representative and co-chair of the Section 301 Committee.

Before we proceed with the first panel of the day, Panel Eight, I will provide some procedural and administrative instructions.

The hearing is scheduled for two days, Monday, March 24, and Wednesday, March -- sorry -- March 26th. Today is the second day of the hearing.

The February 27th notice indicated that post-hearing comments would be due seven days after the last day of the public hearing. Because this hearing will conclude today, post-hearing comments are due on April 2nd, 2025.

Today, we will have seven panels of witnesses, with 32 individuals scheduled to testify. The provisional schedule has been posted on the USTR website.

We will have a brief break between the panels.

Each witness appearing in the hearing is limited to five minutes of oral testimony. The light before you will be green when you start your testimony; yellow means you have one minute left, and red means your time has expired.

After the testimony from each panel of witnesses, the Section 301 Committee will have an opportunity to ask questions. All questions will be from department/agency representatives; there will be no questions accepted from the floor. Committee representatives will generally direct their questions to one or more specific witnesses.

Again, post-hearing comments, including any written responses to questions from the Section 301 Committee, are due April 2nd, 2025. The rules and procedures for written submissions are set out in the February 27th Federal Registry notice.

Given the number of witnesses and the schedule, we request that witnesses, when responding to questions, be as concise as possible. We, likewise, ask witnesses to be understanding if and when the Chair asks that a witness conclude a response. In this regard, witnesses should recall that they have a full opportunity to provide more extensive responses in their post-hearing submissions.

No cameras or video or audio recording will be allowed during the hearing.

A written transcript of this hearing will be posted on the USTR website as soon as possible after the conclusion of the hearing.

With that, let's start with Panel Eight.

Mr. Ruhl, you're first. Thank you.

MR. RUHL: Thank you.

My name is Gregg Ruhl. I am the President and CEO of Algoma Central Corporation. Algoma is the largest carrier on the Great Lakes and St. Lawrence Seaway, although that's only about half of our business. We also trade along the east and west coasts of the Americas, often into and out of the U.S. The remainder of our business is marine shipping in the other geographies around the globe. We are a 125-year-old shipowner and ship operator.

Although Algoma is a Canadian publicly-traded company, I am a U.S. citizen and a proud American who celebrates the Fourth of July religiously. I currently live in Buffalo, New York, and I would love to see shipbuilding revitalized in the U.S., along with the manufacturing supply base needed to support it.

Before joining Algoma, I ran a U.S. Jones Act fleet and was chair of the Lake Erie Association, representing the U.S.-flag vessels on the Great Lakes.

Many of our customers at Algoma are either U.S. companies or companies that supply critical inputs to U.S. industries and communities. This month, we took delivery of four new ships; two from South Korea, one from Croatia, and yes, one from China. And we have additional vessels on order in China; orders that were placed well over a year ago, and will be delivered in the next few years. We made large, nonrefundable progress payments on these ships and we need them to be delivered unencumbered, so we can continue to help the American industries and communities we serve to thrive.

It seems to me that it has been well established through Monday's testimony that the proposed remedies will basically shut down what we refer to as short-sea shipping, small ships carrying small cargoes of low-value commodities for short distances.

It also seems to me that it has been well established that applying these remedies to existing Chinese-built ships, like ours, with no current connection to China and existing orders is damaging to the U.S. and not to China.

So I'm going to spend my remaining time outlining what, I think, would be an appropriate remedy, an appropriate port fee, and an appropriate structure that would accomplish the three primary goals of the USTR investigation.

One: Generate consistent guaranteed revenue to support U.S. shipbuilding.

Two: Discourage future orders from Chinese shipyards.

And three: Encourage future orders from U.S. shipyards.

First, to generate predictable revenue, the port fee must be applied across the board to all ships entering U.S. ports, regardless of the ship's flag or where it was built. The fee must be reasonable and adjust to various cargo sizes and values. Of course, it should only apply once when the cargo or container is first cleared in the U.S. I suggest 0.25 percent of the cargo value. Cargo diversion risk could be mitigated by asking Canada and Mexico to enact the exact same quarter-percent port fee or, if an agreement can't be reached, by enacting a land border fee at the U.S. border.

Based on a total of two trillion in goods imported and exported by ship annually, this 0.25 percent port fee would generate five billion per year to put into a shipbuilding trust fund.

Secondly, to dissuade future orders from Chinese shipyards, apply a higher fee to any new ships ordered after the effective date of this rule. I suggest doubling the fee to 0.5 percent of the cargo value.  This would have an immediate and profound impact on the shipbuilding market.

In fact, your proposed remedies have already practically frozen the market.  No one is placing orders from Chinese shipyards right now merely because of the threat that there could be a port fee on these ships.

Thirdly, to encourage future orders from U.S. yards, invest the money from this shipbuilding trust fund to modernize and increase shipbuilding capacity and efficiency, first, to meet the demands for required Jones Act fleet renewal and military needs.  Then, as shipyards become more efficient, offer slots to commercial shipbuilding, possibly providing a differential subsidy from the trust fund until U.S. shipyard costs are competitive on the world market.

In conclusion, our proposal sets up a system where everyone contributes a reasonable amount, market manipulations and loopholes are eliminated, and inflationary spikes and supply chain disruptions are avoided.

All that being said, if the port fees are applied as proposed by USTR, in our written submission, we've listed accommodations that will be needed to make sure the fees are far less devastating to American companies, consumers, and the overall economy.

Thank you.

MR. BUTLER: Thank you.

Mr. Bravener, your turn.

MR. BRAVENER: Yeah, good morning. My name is Scott Bravener and I am the CEO of McKeil Marine Limited, a Canadian-based, U.S.-owned short-sea shipping operator with operations in the Great Lakes, eastern seaboard, and Canadian arctic. I would like to thank you for the opportunity of appearing today to provide testimony on how the proposed USTR trade actions may inadvertently disrupt North American short-sea shipping operations, particularly within the Great Lakes/St. Lawrence Seaway system, a vital economic corridor, underpinning binational trade, manufacturing, and industrial supply chains.

The Great Lakes and St. Lawrence Seaway system is predominantly serviced by U.S. and Canadian domestic, purpose-built lakers, designed specifically for operations within those waters. Canadian domestic operators have embarked on an extensive fleet renewal program in recent years to replace a large portion of the fleet, which has been retired due to obsolescence. It is important to note that these vessels form part of a highly integrated, binational supply chain that has operated at close to capacity in recent years.

Maritime shipping remains a cornerstone of the economies of the Great Lakes states and the provinces of Ontario and Quebec, facilitating the transport of essential commodities supporting manufacturing, steel production, agriculture, and energy markets. The economic output of this region is equivalent to the third largest economy in the world.

The proposed actions appear to overlook the distinct role of short-sea shipping in the North American economy, focusing instead on transoceanic containerized shipping. Short-sea shipping operations vital to the Great Lakes and coastal trades lack the pricing flexibility of transoceanic shipping and cannot simply absorb substantial cost increases. The imposition of these fees would negatively impact the competitiveness of the U.S. and non-U.S. manufacturing sector, which relies on cost-efficient maritime logistics to maintain its competitive edge.

The proposed port fees also fail to account for the frequency-driven nature of short-sea shipping where repeated port calls amplify the financial burdens. These escalating costs place critical trade routes at risk, potentially disrupting cross-border essential -- cross-border commerce essential to regional supply chains and economic integration.

A retroactive approach without a structured transition period creates undue hardship for maritime operators without directly impacting Chinese shipyards, which have already been compensated for building these vessels.

Additionally, there is no clear assessment of cost passthrough effects on U.S. importers, manufacturers, and consumers, nor an analysis of whether the penalties will lead to inflationary pressures or material supply shortages within key industries. And while we're certainly supportive of efforts to address China's influence in global shipbuilding, the proposed measures lack a comprehensive strategy that accounts for the complexity of North American trade.

To achieve the policy objectives while minimizing the harm to the U.S. economy, we recommend the following: A structured transition plan should be implemented to reduce dependency on Chinese-built vessels. This should include a grandfathering provision for vessels procured or on order prior to the future implementation date, acknowledging that many operators that made investment decisions without prior knowledge of potential restrictions.

We also recommend exemptions and grandfathering provisions should be established for short-sea shipping vessels that trade within a 2,000-nautical-mile range of the U.S. coast.

And thirdly, comprehensive reinvestment strategy should be established to strengthen North American shipbuilding and industrial supply chains. This approach would provide targeted investment incentives to bolster U.S. shipbuilding and port infrastructure, ensuring the long-term competitiveness and resilience of our maritime industries.

We appreciate the opportunity to contribute to this discussion and in engaging with the USTR to develop policies that effectively address China's role in global shipbuilding while safeguarding North America trade and industrial stability.

Thank you.

MR. BUTLER: Thank you.

Mr. Dubreuil.

MR. DUBREUIL: Thank you very much, and I do commend you on the pronunciation of a very Francophone name. As you all have guessed, with this last name, I'm from the province of Quebec, in Canada, where I am the chair of the board for the St. Lawrence Shipowners. Our association represents the shipping sector that operates on a shared shipping containerized, which serves as the shipping gateway into the U.S. Midwest and allows our members to carry vital cargo, ergo, back and forth between our nations.

There is no doubt that the decline of the North American shipbuilding sector has left a void that China has elected to exploit. Many of our members have fleets that contain Chinese-built vessels, mainly because there is no longer any capacity to build full, new ships at a North American shipbuilding sector.  Our members routinely get turned away from North American shipyards in favor of lucrative, public-sector contracts.  Over the years, they have, therefore, turned to international markets and now have fleets composed of ships built in a multitude of countries, including China.

Our members should not be penalized for this lack of capacity, and I would begin by urging the USTR to avoid imposing fees on North American companies that have undertaken or trying to work with U.S. shipyards in the past.  After all, if there's no McDonald's in a town, you don't blame people for going to Wendy's.

Looking forward, however, it is necessary for western countries to be able to hold their own with robust and healthy shipbuilding sectors, and I applaud the United States leadership on this vital issue.

With a membership that includes a shipbuilding sector, we are also keenly aware of the massive undertaking it is to rebuild domestic shipyard capacity.  From a personal standpoint, I'm the grandson of a shipyard crane operator and I can tell you I believe there is no expertise like the North American shipbuilding expertise.

While we recognize that no solution is perfect, we, however, fear, or rather, we know that the USTR's proposed remedies will have many unintended consequences that will hurt the shipping sector, the shipyard industry, and, more broadly, the U.S. economy. We would, therefore, encourage the USTR to consider a different approach.

The first step is recognizing that there are significant differences in ship sizes, trade routes, and value of cargo; applying a one-size-fits-all remedy to all ships does not work, and simply put, the amounts proposed by the USTR cannot be absorbed by the short-sea shipping sector. In most cases, the proposed fees far exceed the value of the cargo our members carry. More importantly, faced with economic hardship, our members will be unable to reinvest in fleet renewal, meaning they will not be capable of turning towards American shipyards for new ships, which goes against the stated objectives of these measures.

There is a better way. I would begin by stating that short-sea shipping sector, which is predominant in the St. Lawrence River, should be protected from any measures that will add operational costs. This would ensure that shipowners we represent would have the necessary financial capacity to order new vessels from local shipyards.

Which brings me to our proposed approach; that we chart a course to build up a more robust, more competitive, and stronger North American shipbuilding sector. Such a strategy would integrate existing shipyards, suppliers, and maritime expertise across the region to strengthen local production and reduce reliance on China, and do so right now.

We've already established that North American shipyards have limited capacity, but all of them, on both sides of the border, have some capacity. By pooling these resources through specific agreements, we can reach your stated objective of having more U.S. ships built faster and for a more competitive price point.

Imagine a situation where fast, low-cost energy is powering a crane in Maine that places an aluminum hatch cover on a hull made of robust, U.S. steel, and where a Canadian self-unloading system is installed by specialized U.S. workers on ships meant to bolster and grow our collective North American economy. Isn't that what we should be aiming for?

Few nations enjoy the type of trade relationship that exists between Canada and the United States. As currently written, the proposed USTR measures would unintentionally impact that trade relationship, create severe supply chain disruptions, and hurt critical industries. Most of all, these measures are so disproportionate for the bulk and cross-border trade sectors that they will prevent most, if not all, trade.

Instead, let's protect the short-sea shipping sector, incentivize reinvestment, pool our shipbuilding capacities, and reclaim, together, our position as the top shipbuilding region in the world.

Thank you.

MR. BUTLER: Thank you.

Mr. Friis.

MR. FRIIS: Good morning. My name is Henrik Friis. I have over 40 years in international shipping and today, I run CSL Americas Group. We're located just outside Boston and is the leader in marine transportation and dry bulk cargo moving across North America, Central America, and South America, specializing in short-sea shipping. We manage a fleet of 18 ships able to carry between 45-

and 70,000 tons of cargo per shipment, outfitted with special self-unloading gear. Our fleet transports essential cargo such as gypsum, aggregates, coal, and salt, that are critical for the eastern and western coasts of the United States, as well as Hawaii, playing a crucial role in supply chains of many American companies. Our fleets are made up of ships built in Japan, Brazil, South Korea, and yes, in China.

Let me begin by recognizing the need to respond to China's trade practices and by stating that we support efforts to rebuild U.S. shipbuilding capacity and capability. However, it is essential to ensure that any proposed measures do not unintentionally harm regional trade and supply chains.

The particularities of our business is that we carry high volumes of low-value cargo across relatively short distances along both coasts. We never cross the ocean, and our transit times are only around four to five days per trip. But that also means that we are in port in the U.S. almost every day with a ship. This will mean, to a larger degree than any other shipping operator, we would be unfairly penalized if the fee is introduced as presented, since it would increase our customers' pricing by three to four times as today.

Also, I want to highlight that the trades that we operate in are generally under 2,000 nautical miles, meaning we are replacing land-based transportation, such as truck and rail.

If the fees are implemented as presented, it is my belief that our customers will immediately shift their cargo or try to shift their cargo movements to road or rail movement.  Doing so would have some impacts:  One, there will be no added revenue through our ships, because we would simply have to stop calling on ports in the U.S.  Lost in that shuffle will be all the gypsum that we carry; that's enough to build about one million single-family homes per year in North America. Additionally, ten million tons of aggregates that we carry that are needed for infrastructure projects and maintenance in states that do not have that type of material.

Secondly, many of our trades go to smaller ports, which would be hurt tremendously by the drop of volume that would question their reliability and the local economy.

Three, the sheer number of trucks and rail that would be required to carry our cargo would literally create havoc in the infrastructure. As an example, just one shipment with our ships replaces about 2,500 trucks on the road, and if that was to shift back to truck or rail, it would be a question of whether or not that would even be able to be accommodated because of the lack/shortage of rail and truck capacity.

So the proposed measures will severely and disproportionately impact short-sea shipping and the U.S. industries that highly depend on our business, and we, therefore, ask for a refined approach. You can do so by only targeting cargo that's over more than 2,000 nautical miles arriving in the U.S., or another choice would be to mirror what was presented in the SHIPS for America Act, introduced in Congress in 2024, with a more gradual approach to address the Chinese shipbuilding, while also having a ramp up approach to reestablish U.S. shipbuilding capabilities and capacity. This would give us the time to work with our customers to absorb the increases and allow for U.S. trade to continue. In fact, CSL Americas supported SHIPS for America in December and would be more than welcome to help USTR to refine its proposal to come up with something that would meet the objectives.

Several of the testimonies you've heard on Monday and today posed the same situations that we're talking about; short-sea shipping of low-value, raw material, with multiple port calls each year, which, in my opinion, would be severely hurt or even killed by this proposal. Adopting a 2,000-nautical-mile fee or a reduced speed that could be accepted by our customers, in my opinion, would still allow USTR to achieve its objective.

Thank you for your consideration.

MR. BUTLER: Thank you.

I will now turn to questions. I'll ask that committee members that ask questions, please introduce yourself and your agency. And we will start with the Department of Transportation.

MS. SANCHEZ: Thank you.

My name is Becxi Sanchez. I represent the Department of Transportation. This question is for Mr. Ruhl. Thank you very much for your testimony and for providing some proposals. We really appreciate those.

I would like you to take this opportunity to perhaps expand on how might those proposed adjustments and actions proposed by USTR be adjusted to reflect the realities of shipping in the Great Lakes, such as the fact that we're trading with smaller vessels and more port calls compared to transoceanic shippings?

MR. RUHL: Thank you for the question. And as far as the Great Lakes are concerned, you know, if you make -- for example, we have one customer, we make a hundred port calls a year, just servicing one steel mill across the border from a mine in Minnesota to a steel mill in Canada; that would be $100 million, and it would shut down the mine and it would shut down the steel mill.

So the proposal I'm making is a percentage of the values or a quarter of a percent, so it could work in short-sea shipping, I think. You know, I could be tarred and feathered by customers for offering anything. I mean, no one wants to offer anything, but I did the math for international shipping, and if it was the same for everything, it would be, let's say, a $70 barrel of crude, this would be 17 and a half cents; a $100 pair of sneakers would be 25 cents; a $2 wholesale gallon of gasoline would be half a cent. And as far as our entire economy, it would still generate a lot, but it would have to be across the board to be considered fair.

And I would say there would be probably still some, you know, maybe applications for waivers, but it would be one percent or a couple percent of the trade versus under this system, I think you're going to have 70 percent of the trade asking for an un reasonable or -- you know, accommodations for their trade.

MS. SANCHEZ: Thank you.

MR. COOK: Ian Cook, Department of Commerce. My question is for Mr. Bravener.

On what practical time line could the Chinese-built short-sea shipping vessels in the Great Lakes and St. Lawrence region be replaced with non-Chinese-built vessels?

MR. BRAVENER: Thank you for the question.

Great Lakes ships operate in a freshwater environment. So Canadian ships tend to last, because of the wear and tear of the St. Lawrence Seaway and operating in the saltwater environment of the Gulf of St. Lawrence, they'll tend to last about 35 to 40 years versus a U.S. ship will last, in the upper Great Lakes in freshwater, only about 70 years. So a number of those ships -- we've started replacing our fleets since 2010, so there's a lot of life left in some of these vessels. As recently as -- you know, as Gregg just touched upon, he took delivery last week of a new vessel that we expect to be here for the next 35 to 40 years.

MR. COOK: I guess as a follow-up to that: Are there any incentives that you could think of that would -- for short-sea shippers that would encourage replacement? Other than -- obviously, if there's that long of a lifespan, it's probably a tall order. Are there any incentives that you could think of that could alter that calculus?

MR. BRAVENER: Well, as an industry, I think -- and speaking -- I think I could speak for most, that we would be -- that we are very aware of the issue here, and we want to do our part to assist. We just -- the retroactive component is very problematic for us, but going forward, a prohibition or extensive fee structure that would make it prohibitive to build in China, we will be fully supportive -- and there's other countries in the world. And lakers were traditionally built in Canada and the U.S. up until the early 1980s, when the last ones were built. We'd like to have the ability to do that again in the future as shipbuilding is rebuilt over time, but that will take several years to rebuild that capacity.

MR. RUHL: If I could just add to Scott's comments.

At the moment, we have 30 lakers and they last around 30 years, so you can figure we'll probably need to replace one at about one a year, and we've done a bit of a renewal now for 12, so we have to replace the rest of the fleet over the next, say, ten years.

MR. COOK: Thank you.

MR. HARTNETT: Chris Hartnett, Department of Homeland Security.

Mr. Dubreuil, you mentioned, your oral comments, strategy -- post-strategy, to build North American shipbuilding capabilities and that your members are having difficulty finding shipyards in North America to place these orders. We're aware of the Canadian National Shipbuilding Strategy that's been going on for several years. So in your opinion, has that strategy been successful? Has it or has it not prevented the loss of sort of North American shipbuilding?

MR. DUBREUIL: Thank you.

It has -- I'm going to say the national -- the Canadian National Shipbuilding Strategy has certainly -- has certainly arrested the decline of the Canadian, at the very least, shipbuilding capability by providing multiple poly-sector contracts to many of the large shipyards in Canada to rebuild our Navy, to rebuild ferries, to rebuild icebreakers. We are now having some very healthy and certainly very capable shipyards.

However, the problem with that strategy is double-edged; right? So as much as now our shipyards and expertise remains in Canada, it's also only available to the public-sector contracts. Because the shipyard -- or the national shipbuilding strategy was so front-loaded with so many of these contracts, there was such a significant backlog in these projects. So right now, commercial ships are having trouble finding shipyards because they are competing with this type of project.

I can give you an example, a very concrete example. Davie shipyards, in the Quebec region, was recently awarded a $3.5 billion icebreaker contract. If we were to pass more bids, it would take up the exact same slip, basically the exact same dry dock that they have available for that project. The maximum we would be willing to pay for to build a laker in the commercial sector would probably be around $150 million. So clearly, for the shipyards, there's a difference in order strategies there that makes public-sector contracts that much more interesting for them, and of course, we can't blame them for that.

What we need to focus on is increasing the capacity overall in North America, so that there can be room for both those public-sector contracts and the expertise that has remained, but also for the private-sector shipbuilding.

MR. SULLIVAN:  Thank you very much.

Just to sort of follow up on that.  So as we're considering actions for any U.S. strategy, are there things that they do well that we should replicate?  So I understand very much what you're saying in terms of the yards were filled up by public-sector orders, and they couldn't get a private-sector one, but what are the tools that we can actually replicate from that strategy or add on that would address these concerns?

MS. DUBREUIL:  Very good question.

I'm going to say the key element, I think, to replicate and emulate is on everything that touches on the ship maintenance aspect as well.  So some shipyards are -- obviously can only do maintenance; some shipyards can do maintenance and construction. The ones that are, of course, involved in the construction sector are busy with those projects, but they aren't using workforce entirely, they aren't using some subcontractors entirely. So those subcontractors and that expertise is also available for the private-sector maintenance and repair sector, which is also equally as important. Once you bring in a new ship, you still need to put in dry dock every few years, you still need to have some paint projects done, some, of course, equipment updates that are done on a constant basis. So we need to continue to invest in that to make sure that both of those, basically both those tangents in the shipyard sector are going to stay healthy.

MR. SULLIVAN: Mr. Friis, can you clarify how many of your 18 vessels are Chinese-built?

MR. FRIIS: I certainly can. Right now, we have 18, as I mentioned, and today, only seven are not Chinese, so 11 of the 18, so about 60 percent are Chinese-built.

It's worth mentioning that, as some of the other panelists have mentioned, is that most of the ships have been built a long time ago. The last time we took delivery was 2015 of a Chinese-built ship. We have a new order that's being delivered over the next two, three years. So yeah, it is a high share, but it's been a long time since we've done it. We would certainly welcome the ability to grow the maintenance in the U.S. and to build ships right here. We want the competition.

MR. SULLIVAN: Great.

And you suggest that the USTR refine its proposal by limiting remedies to vessels that transport cargo over 2,000 nautical miles before reaching the U.S., with a special provision for Hawaii. Can you explain how your recommendation would not create a loophole that would undermine any response to address China's unfair practices?

MR. FRIIS: That's a good question. I think there's a lot of details that need to be worked out. At high level, we just think that the 2,000 nautical miles, this is where the U.S. economy really ends up getting hurt. I think there is a way, as well as was introduced by Mr. Ruhl, that customers can and will pay a fee if it means assisting the U.S. shipbuilding industry. I think it's just the size of the fee right now is just really hurting them and will kill their business. So I think that's a tweak that I would like to add, that I think there is a way to get funding and people will pay something, as long as it's allowing them to continue to move the product over time.

MR. SULLIVAN: This is Ryan. I have a question for Mr. Dubreuil.

Can I ask for your suggestion of the North American pooling of resources in shipbuilding, could you elaborate a little bit further on your strategy, specifically on how the cross-enterprise arrangement would be structured?

MS. DUBREUIL: I'm sorry. How the cross?

MR. SULLIVAN: The cross-enterprise arrangement.

MS. DUBREUIL: Absolutely. I was explaining that earlier, that there are some subcontractors -- so a shipyard obviously employs a number of people, but they don't necessarily -- not all of the people who are working on a ship are direct employees of the shipyard. There's often subcontracting companies that will come in and do a portion of the work. And again, some of these are doing a very specific role in the shipbuilding.

So I'm thinking, for instance, you know, ship electricians, for instance, that are installing electrical system on a ship will need to come in and do some work for a few months, maybe a year, while a new ship is getting built. But after that year, they may not have any work to do at that specific shipyard. So a subcontractor like that is made available to other shipyards in the region. So basically, in the North American region, where there could be some agreements that are made that way. Or even it could be some of the shipyard's own resources that are basically subcontracted to another shipyard, for instance, in creating those types of partnerships.

I'll give some examples. But it is not uncommon in Europe, for instance, that the hull of the ship can be built in one shipyard that will specialize in doing that, and then the hull will be towed to another shipyard for the combination block and cargo handling equipment to be installed.

So a structure like that will allow some of the existing shipyards to use some of the capacity that they might have to specialize in doing one type of, basically, of -- or one step of the shipbuilding process, and then bring it to somewhere else. And in doing that with that specialization, what we could end up with is basically shipyards that become experts of doing one specific part of this which allows them to reduce the cost, not have huge and ballooning workforces that sometimes are not always used at 100 percent, and basically be able to spread that amongst different shipyards so that we have more ships being built simultaneously.

MR. SULLIVAN: Thank you.

MR. BUTLER: Thank you.

Mr. Ruhl, I have an additional question for you. Can you explain further how your option 1A, would penalize Chinese vessels' operators if applies to all vessels regardless of where they were built?

MR. RUHL: This is the way I've rationalized it. The entire global ship marine industry has built ships in China at one time or another. The question was asked Monday: Who should pay? And I would say all of us should pay a little bit and get all of that together.

So option -- you know, the second part of that option is the clear one that is damaging to China immediately, and that is if you order a ship going forward, you will pay a higher fee and it will have a major impact, and, like I said, it's already having a major impact.

So -- but the first part is to -- is basically, it's not -- the first part is to generate the funds to create an efficient system, but to recognize that it's part and parcel to the part of the remedy that was suggested where if you have one Chinese ship, the whole fleet should pay; that's devastating to us, so I'm not advocating for this. But in this case, why doesn't the entire universe of global shipping coming into and out of the U.S. pay a smaller, even fee and that's what's used to generate. And then you don't pick winners and losers, commodities are then provided.

MR. BUTLER: Thank you.

MR. SULLIVAN: Mr. Ruhl, just curious, in your recommendation for eliminating cargo leveraging, what would the incentive be for Mexico and Canada to participate in a port fee structure?

MR. RUHL: Well, I'm an engineer, not an economist, but if they -- if you go to Gills Point where all of North America becomes kind of a hub for shipbuilding, and you know, they're just a huge supply base in furniture, everything, equipment, pumps. So I would suggest to Mexico and Canada that they use the .25 percent to also bolster their shipbuilding capacity and the supply base that supports it. That would be the incentive, that we would be working together on bolstering shipbuilding in North America. If they just take the -- if they put the 100 percent in and they just put it in their pockets and spend it on whatever they want, but if part of the agreement was let's all spend it on shipbuilding capacity, we create kind of a hub or a cluster in North America of expertise.

MR. BAUNACH: Leo Baunach, U.S. Department of Labor.

For Mr. Friis, would the proposed remedies lead your company to employ additional U.S. mariners, and are there any other steps that would need to be taken to achieve that role?

MR. FRIIS: Thank you.

Well, first of all, our company is foreign-owned with five vessels, so we don't currently employ U.S. mariners, but as is known today, there is a shortage of U.S. mariners worldwide. And if it's workable and if it's competitive and they're available, we'll do so. We already, today, are land-based. On the ships, we employ a lot of graduates from Mass Maritime, for instance, because they do bring that knowledge that's critical to us. So absolutely, we would welcome the ability to employ more because there is a shortage of seafarers today, and it's only going to continue to grow.

MR. BUTLER: Okay. Thank you to this panel.

We are going to take a quick break and come back at five minutes to 11:00.

(Recess.)

MR. BURCH: Will the room, please, come to order?

MR. BUTLER: Thank you. Welcome back.

We're going to start with Panel Nine now.

Mr. Gold, you have the floor.

MR. GOLD: Thank you for holding today's hearing. My name is Jonathan Gold. I'm the vice president for supply chain and customs policy for the National Retail Federation.

NRF is the world's largest retail trade association and empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing $5.3 trillion annually to GDP and supporting one in four U.S. jobs of 55 million working Americans.

A safe, efficient, predictable resilient, and timely supply chain is critical to the success of any retailer. The ability to ensure that products are available for consumers, whether they shop in store or online, is key to the retail supply chain.

A critical component of this supply chain is the maritime sector, which moves a majority of retail goods from their overseas origins to their U.S. destinations.

While NRF supports efforts to revitalize the U.S. shipbuilding sector, we strongly oppose the proposed remedies in this investigation. We do not believe that either proposed "per-port service fees" or the export requirements would force China to change its behavior and practices. Instead, they would only result in exorbitant shipping costs for U.S. businesses and further disrupt the maritime market. These proposed actions, if implemented, would have serious ramifications on U.S. competitiveness, supply chain efficiency and security, and U.S. economic security.

First, I'd like to note that the U.S. and China have maintained a bilateral agreement on maritime transport since 2003. The purpose of this agreement is to ensure that Chinese and U.S. vessels are provided access to ports and receive equally favorable treatment, including the assessment of duties and other costs.

The proposed actions are contrary to the spirit of this agreement. There are concerns that

China will take retaliatory actions to penalize U.S. shippers and shipping interests if these take effect. Any retaliation from China could also unfairly injure the small number of existing U.S.-based ocean carriers when they call at Chinese ports.

Second, we question whether Section 301 is an appropriate tool to address China's dominance in the shipbuilding sector and as a means to revitalize the domestic shipbuilding industry. There are alternative tools available to Congress and the Executive Branch to directly revitalize the shipbuilding industry, such as grants, tax incentives, to sector-specific regulations. There are also significant questions in regards to the implementation of these proposed remedies in addressing rebuilding the U.S. shipbuilding industry.

Third, the amount of money necessary to make the U.S. shipbuilding industry globally competitive is astronomical and doing so would also take decades. The costs to build a container, bulk, or other maritime vessel would be more expensive as a result of the escalating tariffs on key materials, such as steel, aluminium, and copper. It is unrealistic for the U.S. shipbuilding industry to make the substantial jumps necessary to meet the proposed actions and in the time frames proposed. U.S. shipping interests, including both importers and exporters, would be materially harmed during the time it would require for the domestic industry to begin making meaningful headway.

Fourth, the cost of international ocean shipping has notably grown over the years and would potentially increase due to the proposed service fees. Drewry Shipping has noted that an estimated 80 percent of vessels calling at U.S. ports could be subject to these proposed fees. However, only a small number of ocean carriers do not have Chinese-built vessels in their fleets. However, even in those cases, there are questions as to whether they would be impacted by participating in a shipping alliance with other carriers who own or operate Chinese-built vessels.

Ocean carriers have indicated that they would pass along the cost of these fees to their customers. Some have indicated that the cost could be between $600 and $800 per container -- which is significant considering the current average cost of transporting a container on the transpacific route versus the transatlantic route is $2,500 per unit. Carriers have also indicated they would be forced to withdraw services from smaller ports because it would be uneconomical to unload smaller container volumes; that could potentially result in job losses for whole communities.

The proposed actions could impact the efficiency and reliability of U.S. supply chains.  As ocean carriers shift services away from smaller ports, they will be forced to unload more cargo at larger ports or redirect shipments to Canadian or Mexican ports.  The challenge would be for any of these ports to handle significant increases in cargo volumes.  We would likely see increased congestion at those ports, which would impact trucking and rail services to and from the ports.

In a new study on the probable economic impacts of the four proposed remedies suggested by the USTR, Trade Partnership Worldwide found that, in every instance, the net impact on the U.S. economy would be negative.  As higher costs filter through the economy, the wholesale and retail trade sectors, from the stores to restaurants, would see declines in sales and employment.

In addition, we also submitted a letter signed by 370 trade associations in opposition to the proposed actions, including importers, exporters --

retailers -- and other stakeholders. NRF members have reiterated these concerns with regard to the cost of the fees being passed along, as well as the impact of the carriers rerouting vessels to minimize the fee impact. There is also concern about the cumulative impact of the multitude of new tariffs, potential reciprocal tariffs, and the port fees on retailers. They would have no choice but to pass along the costs, themselves, to their customers.

In conclusion, we believe the costs of these proposed per-port service fees and export restrictions would harm U.S. shipping interests and undercut U.S. competitiveness. In the interest of protecting U.S. businesses, consumers, and supply chains, NRF opposes the proposed actions and respectfully urges the U.S. government to consider other measures for addressing China's dominance in the maritime sector and revitalizing the U.S. shipbuilding industry.

MR. BUTLER: Thank you.

Mr. O'Brien.

MR. O'BRIEN: Good morning. Thank you for the opportunity to testify today. My name is Ken O'Brien, and I'm the president of Gemini Shippers Association. Our not-for-profit shippers association provides over 350 member companies with the capacity to achieve greater supply chain efficiency through volume, rate, and service agreements with ocean carriers. Collectively, our members represent a total volume equal to that of the top ten importers into the United States.

Let me begin by stating: We support the administration's commitment to re-establishing American maritime and shipbuilding leadership. The containership, the backbone of global trade, was pioneered by American innovation in 1956, and shipping remains central to our national economic security. A vibrant U.S. flag fleet, merchant marine, and shipyard industrial capacity and infrastructure supporting them is not optional but essential.

That said, while we support the principles that underpin USTR's investigation, we're deeply concerned that this proposed solution, a per-port-call fee targeting ships built in China or operated by a Chinese company, risks doing more harm than good, particularly for American businesses, importers, exporters, and consumers.

First, the proposed fee will increase the costs for American shippers and consumers. Our ocean carrier partners have indicated to us that this fee will be passed on directly to shippers, as a surcharge on their ocean freight bills. This will result in higher container costs to and from the U.S. raising the cost for consumers, ultimately putting inflationary pressure on the economy, which it runs counter to the administration's further economic objectives.

Also, the structure of the fee will unintentionally undermine U.S. port resiliency for our infrastructure. Because the fee is designed to be assessed per port call, carriers will likely reduce the number of port calls and load-center into major gateways. Secondary and tertiary ports, essential to both agricultural exporters and regional economies, will be bypassed. This shift -- this will shift work onto U.S. highways and rail networks, further congesting highways, degrading our infrastructure, and increasing inland transportation costs for shippers.

Third, the fee will not generate sufficient U.S. shipbuilding capacity in the near term. You know, the hard truth is that the industrial base is not there to build these big container ships. Recently, Matson Line built a series of 3,600 TEU container ships for roughly $92,000 per TEU. The latest large container ships built in China of 22,000 TEU were only $10,000 per TEU, an 89 percent difference.

The cost gap is not just due to the shipyards' scale but the entire ecosystem: Steel prices, workforce costs, and the underlying government subsidies. Beyond building costs, U.S. flag operations are 2.7 times higher than their foreign-flag competitors. Without investment, the fees will not bring shipbuilding back, but they will harm U.S. commerce.

So we offer the following policy alternatives: We think you have to build the shipyards first. We believe there needs to be a coordinated multi-agency plan to rebuild the shipyard industrial base, starting with targeting investments in core facilities and the labor force, because it's really a marathon not a sprint.

Right now, we have about 200 deep-sea ships in the United States out of 56,000 sailing today. This problem took decades to create and it's not going to be fixed overnight. We have to have a comprehensive, stepwise plan to build the capacity without hampering the current economic growth.

I think we also have to target high-impact vessels. We don't really need to rebuild the entire global container fleet to regain our maritime sovereignty. Instead, I think we should focus on vessels which serve our national security strategic sealift purposes, things such as LNG, roll-on/roll-off, high lift sealift ships. These are the ships that will ultimately support the U.S. military, that the military relies on, and that maybe we have a domestic industrial competitive advantage if we build them here.

We have to incentivize the U.S. registry. Rather than punishing the presence of foreign-built ships, we need to create tax crewing and operating incentives for foreign-flag operations to reflag under the U.S. flag. The U.S. should make it more convenient to sail under the U.S. flag than under a flag of convenience, as most do today.

We also need to phase in fees as the capacity starts to exist. Any fee structure intended to disincentivize Chinese-built ships should be introduced only after U.S. yards can meet market demand and should target specific ship classes that the U.S. is strategically positioned to build. A blanket fee with no capacity backup is simply a tax, not a policy.

Chinese dominance in shipbuilding is not a market accident but a result of a multi-decade, state-backed industrial policy focused on subsidized shipping to support its exports-driven economy. We must invest with equal seriousness and purpose to rebuild our maritime strength.

In conclusion, while we support the administration's underlying mission, we caution greatly against policies that will shift costs onto the American businesses and families without delivering a corresponding benefit.

Thank you.

MR. BUTLER: Thank you.

Mr. Diaz.

MR. DIAZ: Thank you for this opportunity. I wish the best for all thoughts of making America and Americans successful. This proposed action will be disruptive to general trade in and out of the U.S. and will place financial and unintended consequences on Americans and small businesses who have no culpability in this crisis. These are Americans that only acted with the great spirit of American entrepreneurship.

I've been in the maritime industry for

30 years. I started with Lykes Lines, and then I moved CP Ships, outside roles, and I was also an NPOCC for many years.

Today, I'm the chief operating officer of World Direct Shipping, which is a niche short-sea maritime carrier that functions from Mexico into the U.S. We have over 150 calls per year in small Port Manatee, Florida; that means $150 million, according to the proposed actions. This proposed action will be a disruption of trade, of international trade.

On a macro basis, ocean carriers will avoid U.S. ports, causing higher freight rates. Domestically-sourced and internationally-sourced cargo prices will increase, and the ones who will pay for this will be American consumers.

Ports: Smaller ports will be outbid. Carriers will avoid small ports and some carriers will also call Canadian and Mexican ports, and just cross-border the cargo to avoid the fees. Other carriers will only call at one port instead of multiple ports, making congestion, putting a lot of pressure on local municipalities and highway structures to get all their cargo to the final destination. Of course, all this impacts higher costs, shortages, and failures.

Environmental: Truck and rail have higher carbon emissions than ocean; that's another impact.

Additionally, exports are going to suffer. 73 percent of global multipurpose vessels are PRC manufactured.

This proposed action will have tremendous impact on U.S. exports.

To revitalize and resurrect the maritime industry, the USTR should establish the appropriate foundations to harvest a new maritime industry. They should incentivize, not penalize, and this a penalty, a penalty against Americans who just acted out of goodwill.

Some of the subsidy USTR should consider: Exempt short-sea carriers. These carriers have a vital role in transportation. They reduce rail and truck congestion on roads. They also reduce border issues, such as illegal immigration, human trafficking, and drugs.

Lease to U.S. private sectors old, retired, or obsolete military sea installations for the purpose of shipbuilding/ship maintenance.

Eliminate the failed Jones Act, that will increase the demand for maritime transportation.

Place incentives for all U.S.-made vessels when calling U.S.-funded ports and terminals. This means discounts for port dues and terminal charges. After all, all these ports are federally funded and yet, we have one of the most expensive port system in the whole world.

We should also grandfather those PRC-manufactured ships that have been calling the U.S. for years before any kind of proposed action.

The fees are also exorbitant. If you propose these fees, a lot of niche short-sea carriers will be out of business, a lot of small businesses also.

M&R facilities: Incentivize ships/carriers to use U.S. facilities. Ships that have a certain percentage or amount of maintenance or repairs done in the U.S., should receive special waivers. American shipbuilding needs to reestablish itself in repairing ships.

As I stated before, I'm the chief operating officer of World Direct Shipping, an American family-owned business. We created WDS in 2014 with the mission to create a commercial highway between the Mexico and the U.S. Our hope was not only to make this viable but also to improve the lives of people we touch in the areas that we operate.

WDS owns three ships. Two of those ships are PRC ships. These ships were purchased used, and the purpose was not to support the PRC, nor to disparage U.S. shipbuilding, but to fulfill our entrepreneurial mission. In 2023, WDS created 16,000 jobs and generated 2.6 billion of economic value and we also contributed 94.8 million of state and local tax revenue. All of this is in jeopardy.

The proposed action cannot force the market to use American-made ships, because they are strictly unavailable. You all have a very important task to protect and increase U.S. strength. This proposed action will be punitive to American operators for legal purchasing decisions made years ago. To succeed, instead of cutting down existing business, start laying the seeds to create new ones.

Thank you.

MR. BUTLER: Thank you.

Mr. Brzytwa.

MR. BRZYTWA: Good morning. My name is Ed Brzytwa. I am vice president of international trade at the Consumer Technology Association. Thank you to USTR and the interagency members of the Section 301 Committee for the opportunity to testify today on the important documented problems USTR has identified and the actions it has proposed.

CTA represents the more than $537 billion U.S. consumer technology industry, which supports more than 18 million U.S. jobs. Our members include over 1,200 companies from every facet of the consumer technology industry, with 80 percent being startups and small business. We also own and produce CES, the most powerful technology event in the world, which showcases international policies concerning existing and new technologies.

The proposed actions and their obvious negative impact on the U.S. economy are of such concern to CTA members that we felt compelled to sponsor the Trade Partnership Worldwide study that has been submitted to you in written comments and also to sign the letter to Ambassador Greer with over 300 business organizations. We are taking this very seriously because we think this is going to negatively impact the economy and harm consumers ultimately if you take forth all these proposed actions.

So we have alternatives to suggest to you in our written comments and in our testimony today.

First, we strongly recommend that the U.S.

Trade Representative seek collaborative measures with international allies and partners. That may not be en vogue, but we think it's an important recommendation. By working together we can distribute the burden and prevent any single nation from experiencing disproportionate economic impacts. Multilateral solutions are undoubtedly more effective in countering anti-competitive practices and ensuring a level playing field in the global market than unilateral actions, which is what USTR is proposing.

Second, the proposed actions must be proportionate, narrowly tailored, and precisely targeted. We must address the specific practices considered unreasonable without causing undue harm to U.S. stakeholders. Therefore, we recommend that the USTR refrain from implementing fees on PRC-built ships entering U.S. ports, as such measures could adversely affect the U.S. economy and consumers, as the Trade Partnership Worldwide Study indicates. We are already experiencing tremendous uncertainty with respect to other policy proposals by this government and this would add to that uncertainty and those burdens on U.S. consumers.

As an alternative, we suggest the USTR explore other actions to encourage more shipbuilding in the United States. One such action could involve collaborating with international allies to promote investments in U.S. shipbuilding operations as a matter of national security. By fostering partnerships with countries that have robust shipbuilding industries, the U.S. can attract foreign direct investment, technology transfer, and expertise to bolster its domestic shipbuilding capabilities.

The administration could also work with Congress on policies to enable both domestic and foreign companies willing to establish or expand shipbuilding facilities in the United States. These measures should incentivize and spur shipbuilding efforts, enhancing the competitiveness of the U.S. shipbuilding sector, and creating jobs, and stipulating economic growth.

U.S. technologies play an essential role in reviving the shipbuilding industry. Technologies that CTA members have invented, innovated, and developed. The administration should work closely with the U.S. tech sector to ensure that our shipbuilding practices are technologically sophisticated, scalable, and cost-effective, enabling the U.S. to compete effectively with China in concert with our allies.

Lastly, if the administration imposes remedies, if it does, we urge it to provide a transition period or delayed implementation, allowing time for businesses to adjust to these changes smoothly.

In conclusion, while the CTA supports efforts to address unfair trade practices, we urge the USTR to consider the broader economic implications and adopt measures that are balanced, targeted, and developed in cooperation with international partners. Our goal is to ensure that any actions taken effectively address the issues without causing significant harm to U.S. commerce and industry.

Thank you for your time and consideration.

MR. BUTLER: Thank you.

Our questions will start with USDA.

MR. STEPHENS: I have a question for Mr. Gold.

You testified that the proposed fees will result in cost increases of hundreds of dollars per container for cargo owners. How would these cost increases translate to the retail prices that consumers might pay?

MR. GOLD: Thank you for the question.

I think there are a lot of issues in that. Retail prices, when you look at the price of the average container with the average rate right now of $2,500 and you're adding six to eight hundred dollars to that cost, that's significant, on top of the additional tariffs that companies are paying right now as well. So it all adds up. I couldn't tell you exactly what the price impact of that is going to be, but it's certainly not going to be small, especially for small businesses who don't have the ability to really pass on those costs; there's significant concerns for them about their ability to stay in business at this point in time.

MR. STEPHENS: Thank you.

MR. BUTLER: Next question is for Mr. O'Brien.

How can the proposed actions be designed so as best to counter China's unfair practices? How can the proposed actions be designed to minimize pass-on to cargo owners?

MR. O'BRIEN: Thanks for the question.

So I mean, I think the hard part in it is, of course, in the deep-sea trades, you know, foreign-owned shipping companies, you know, ultimately will pay the fee, and then how do you stop it from being passed on to ultimately their customer, the shipper? And having spent over 20-plus years doing pricing for ocean shipping companies, I can say that is simply supply and demand. If -- you know, ships are moveable; right? If they can't make money here, they'll move the ships to other trade routes, and we've seen that happen in the past.

And so generally, if supply and demand is in the favor of the shipping company, that'll come down as a surcharge. If supply and demand is in favor of the shipper, maybe they'll have to absorb that surcharge. But today, there's no -- inside the Federal Maritime Commission, OSRA of 2022, Shipping Act of '84, where there's nothing today that's stopping a shipping company from negotiating a price with their shipper, and if they have the ability to pass that on, there's really nothing today that, you know, the federal government can do to stop it. So really the shippers are actually at the mercy of the shipping companies and, really, that's its policies.

MR. BUTLER: Thank you.

MS. BONNER: Mr. Diaz, this question is for you. In your submitted written testimony, you mentioned that you propose placing incentives for all U.S.-made vessels when calling in U.S.-funded ports and terminals. You stated this means discounts for port fees and terminal charges, makes no sense that that Americans finance these port installations and service costs are the highest globally.

Could you please expand on this statement and your views, and maybe discuss any of these prices, and I might have a follow-up.

MR. DIAZ: Okay. So in that excerpt you just read, basically, in the -- for the U.S.-flagged carriers was to give an incentive or discount to these U.S.-flagged carriers when calling a U.S.-funded port. Now, most ports are being funded by Department of Transportation on federal funds, and our ports and terminals in the United States are among the highest cost in the whole world, and these are all American funded. So the idea is to give a discount and incentivize, you know, the U.S.-flagged ships. My idea behind everything is always incentivize, not penalize. And you know, I see that what's happening with these fees is a penalty. I think if you incentive, you're going to get a lot more bang for your buck.

MS. BONNER: Thank you.

Just as a follow-up, in your concept of incentivizing, do you believe that this would incentivize the purchase of U.S. ships or just flagging?

MR. DIAZ: I think with -- well, also -- I also -- one of my answers is to eliminate the Jones Act, maybe not eliminate but modify. The Jones Act that the United States has is one of the most strictest cabotage laws in the whole world. You know, they've got three facets: Of course, it's got to be owned by American, crewed by American, and shipped by the manufacturer. I'd alleviate some of those rules, and maybe if you want to stimulate more of the maritime industry, maybe make that a requirement but don't make it be U.S.-manufactured ship. I think it's like Mr. O'Brien next to me just said, is that you have to start somewhere, and we're trying to get the ball on the five-yard line, and you know, we haven't received the kickoff yet. So that's the idea behind it.

MR. VAN PATTEN: Tyler Van Patten, Department of Treasury.

Mr. Brzytwa, what alternative action would you propose that will not undermine the goal of reducing inflation while at the same time appropriately countering China's unreasonable targeting of the maritime sector?

MR. BRZYTWA: Well, I think that working with our allies is critical here. I know that's a difficult prospect for the U.S. government, but we have very strong, robust, and historic allies that do have tremendous capacity for shipbuilding: Japan, Korea, across European countries. For any of you who have ever taken a cruise ship, they're very likely made in Europe. I mean, why would we need to reinvent the wheel? I think we should invite our allies to work with us to build shipbuilding capacity in the United States. And that's not necessarily going to deter China from building ships, but it's going to create a greater scale and more capacity, where if we just try to do it by ourselves, we might not ever achieve the objective.

I also think that reducing the burden that companies face when it comes to inputs, particularly producing tariffs on inputs for shipbuilding would be incredibly valuable. And again, I know that's not something the U.S. government might want to hear but we have a very -- an increasingly high-cost manufacturing environment in the United States. It has deterred many companies from choosing the United States as a place to manufacture. And I'm telling you, in the technology industry the tariffs on inputs, in particular, have been the biggest impediment from choosing the United States as a place to manufacture. And if we continue down this route, this tariff route that seems -- that we seem to be on, it might not lead us to a place where we can manufacture in a cost-competitive way, vis- -vis China, and build ships, for that matter.

MR. SULLIVAN: Mr. O'Brien, you mentioned targeted investment in core facilities and labor force development and also create tax breaks for operating incentives. Where would this money come from to do all of this?

MR. O'BRIEN: Thanks for the question.

So I guess I would say that when we look at how we've invested as country over the last five decades, if it's something that's important, we've made the money appear; right? And so I'm not saying that flippantly, I just don't think there's a direct correlation between tying it to an import container and building a shipyard. There's just not a -- there's not a cause and effect there.

And so how could you do it? I think investment tax credits is a great way to do it, and it's a great start. I think you also have to look at, you know, for shipyards, and one of the speakers in the first panel talked about, you know, shipyards that are really about repair and maintenance versus new builds. If you look at our new-build shipyards today, they are largely focused on military complexes and that work, of course, and so would a commercial ship ever fit in there? I think if you gave them an incentive to do that through taxes. You know, these are U.S. companies, and so there is a U.S. tax base there. So I think a lot of it can be done through incentive versus a tax.

MR. SULLIVAN: So would you argue that the public sector should fund a lot of this, this same public sector that's funded by taxpayers, who are also consumers?

MR. O'BRIEN: I would argue that there's certainly a misallocation of costs to directly tie it to an importer. I think it makes more sense, personally, to tie it to the broader base of U.S. policy, and so that is truly all of us versus just some of us.

MR. SULLIVAN: I have a follow-up question for you. You mentioned national security and targeting specific sectors, and I think that's admirable, we've done that for a very long time. But in the Merchant Marine Act of 1936, it states, "we shall have a merchant marine sufficient to carry substantial part of the waterborne export and import of foreign commerce." So do you believe the United States should not be in the business of supporting foreign commerce?

MR. O'BRIEN: So I would start -- I would go all the way back to Allen Mahan's that "we're a maritime nation", at the end of the day, and foreign commerce is really the underpinning backbone of our economy. And so, no, I think supporting maritime commerce is super important.

That said, I think if you look at the Transpacific, just as one trade lane, the largest trade lane in the world, 26 million containers a year, does the U.S. merchant fleet have the import on U.S. hulls, U.S.-built ships, all of them, absolutely not, in my opinion. I don't see the value there. I think what we do need is a sealift capacity to where we can have a presence and determine our own fate as a nation to some degree. And so should we be able to carry trade in a time of war? Should we be able to carry on commerce with everyone we're not fighting with? Yes. Should we be able to carry our military goods and support our military outposts overseas? Absolutely. Do we need to be able to carry every single thing? I just don't see it. I think we should really focus on what's most important, tying it back to national security and defense, and then working our way back to things that are less critical.

MR. BUTLER: Thank you.

First, I just want to remind the room that there are no cameras, video, or audio recording allowed during the hearing.

I also have a question for Mr. Gold. The U.S. has programs like Title XI, Federal Ship Financing, and the Capital Construction Fund, yet China's dominance in these sectors has persistently increased. Can you explain further your suggestion to employ grants and tax initiatives?

MR. GOLD: Thank you for the question.

I think we have to look at all options on the table. I think looking at the Title XI, the Capital Construction Fund, for ships, the SHIPS Act, that is something we take a look at, that kind of incentive to bring more money towards new shipbuilding. I think identifying what are the key barriers, what are the real financial needs that are needed for the yards, for the workforce, all that needs to be taken into consideration.

So I think the administration needs to evaluate all the options that are on the table and see what makes the most sense. So I think inviting the carriers and others, shipbuilders, all to have this conversation to figure out what works, what won't work, how do we spread the cost around, I think it needs to be taken into consideration.

I think if you're going to move forward with these proposed fees, I think the government needs to take a look at its own economic analysis, is this actually going to work? Are the monies going to be available? I think you heard earlier on the first day panel that these fees alone aren't going to help to improve the U.S. shipbuilding.

So, again, looking at how do we incentivize the shipyards? How to make sure we have the right skilled workforce, which has been a huge issue that hasn't been discussed. You know, all that needs to be taken into consideration. So it's more research on what are the options available, you know, the financing, the grants and other available funding for financing, is an important part of this whole process.

MR. BUTLER: Thank you.

MR. SULLIVAN: Mr. Gold, just to follow up on one of your answers from earlier providing the adding up of the fees that would be passed on to the consumer base. Is your testimony, on Monday and today, about alternative fee structures, based on the value of the cargo and other assessments, how would those potential alternative fee structures impact the negative elements that you're describing today?

MR. GOLD: Look, any fees that can be assessed on the carrier can be passed on to the cargo holder. At that point, the cargo holder has to make a determination on how much that is going to be passed on to the consumer. But that minimum fee structure, that's always going to be passed on, but it's important to understand that, as Mr. O'Brien said, this is part of the oceanic contract. The carriers are going to pass along this cost, not necessarily depending on the ocean carriers but on the cargo holders.

MR. SULLIVAN: Mr. Diaz.

MR. DIAZ: Yeah, let me expand on that. It's basically -- Mr. Gold is correct, as a carrier, we're going to go ahead and assess the ship. Now, how we do it, may be different. It may not be a net percentage basis; right? We may say, for example, if the fee is assessed to us -- we may assess on a per container basis, maybe $50 or something like that, all right, instead of a per value. A per value, it becomes -- in my business, which is short sea, it becomes very difficult to assess. We have a three day transit, so we have to do the documentation and get the invoices out. So we want to say, hey, every time you ship with us, it's going to cost you $50 extra per container for this -- for the USTR or for the PRC.

MR. GOLD: Another thing I'd like to add really quick, too, that you've got a lot of importers and exporters that are under contract negotiations. This is the time when the ocean carriers are trying to figure out what the regional rates are going to be for next year. There's some chaos and confusion in these contract negotiations, on both sides. So they don't know if there's going to be a fee and, again, how the carriers are going to assess it. So I think that's something else that needs to be taken into consideration, how these contracts are done, trying be wrapped up in May. And right now, there's a lot of uncertainty in what this means for the markets going forward.

MR. SULLIVAN: Thank you.

And, Mr. Diaz, a follow-up for you. When you're discussing amendments to the Jones Act requirements for the U.S. manufacturing and shipbuilding, it seems, when you talked about incentives, carrying cargo would be a prime incentive, at least when it comes to U.S.-manufactured ships, the requirement, as it's been filed, the creation to carry cargo across the trade, how would we potentially leverage that cargo incentive on a more broad basis to ensure U.S. manufacturing? Essentially, how do we create that demand for U.S.-manufactured ships, potentially leveraging cargo carrying as the incentive that you described?

MR. DIAZ: Well, speaking on the oceans, first, obviously, the Pacific and the Atlantic and the Gulf, port to port, eliminating those restrictions would be very helpful and I think it would create a larger demand. Also, that includes the shipments to the islands, Hawaii and Puerto Rico. The more demand that you could put into that, the more supply that you will encourage. And also, easing the restrictions is going to lower the prices, the prices of the cargo. Because right now, it's -- you get on a U.S.-flagged ship, it's very expensive. So a lot of consumers are avoiding it. They rather just go road or rail, it's cheaper. So there is a competition. And take it first hand, my competitors are trucks. So I'm competing with cross-border traffic from Mexico to the U.S., so I compete every day with these trucks; right? And that's what these port to port -- they are competing against trucks and rail. So if you can create a better demand to go port to port with U.S. flag and also ease U.S. flag requirements, you will start increasing supply, and you'll see a lot more people interested in getting into that business.

Now, whether you ease the U.S. manufacturing part or the crewing, that remains to be seen; that would need to be analyzed a little bit more.

MR. SULLIVAN: Mr. Gold, you mentioned our bilateral maritime transport agreement with China. Do you believe USTR's conclusion in the report speaks to China undermining that bilateral maritime relation, or do you feel like USTR's conclusion was incorrect?

MR. GOLD: If it's okay, let me get back to you with the answer on that.

MR. SULLIVAN: Thank you.

MR. KAMENSKY: I have a question for Mr.

Brzytwa as well. Could you elaborate a little bit on how the proposed action would impact the decisions of your members, that is the consumer technology companies?

MR. BRZYTWA: So as I said at the beginning of my testimony, 80 percent of our members are small business startups. This means that -- that when it comes to importing, there's a disproportionate impact of any measure that increases their costs. So look at the COVID-19 pandemic, the shipping rates, especially for containers, went up, like skyrocketed to historic levels. The small business members, especially the startup members who had a limited amount of capital, they had to reallocate resources towards paying for importing the products that they had made in other countries; right? They're U.S. companies, but they couldn't manufacture in the United States. They had to import those products and they're paying for containers in a way that they didn't anticipate.

And it's the same way for increased tariffs. They -- I've had some of our members tell us that they didn't have the immediate resources to -- they paid the tariff, but they're not going to get paid by their customer for several weeks or months and, therefore, it's unclear whether the company could remain viable. I mean, if we impose these fees as a country on, you know, U.S. ships entering U.S. ports and the pass through happens all the way down the supply chain to the shippers and then, ultimately, to the customer, the small businesses, they're going to be harmed because of the price increases that they have to impose might increase the cost of the product where they lose market share, they lose their customers entirely.

And so that's the real risk here is that we're creating such a high-cost structure that the U.S. businesses cannot supply the U.S. market, at the end of the day. They cannot supply product in an affordable way. And that's the biggest concern for our members, is that, you know, the margins are thin already and now, we're creating even thinner margins through these types of proposed actions.

MR. SULLIVAN: Mr. Gold, you have concerns about China invading U.S. ports through a lot of our ports. Do you think that a land border fee would, you know, be sufficient to stop that evasion?

MR. GOLD: The short answer is yes. Look, I think there's been an awful long discussion about putting an HMT perming tax title fee on Canada and

Mexico. There was a discussion back in 2010, 2011. There were concerns from Pacific Northwest ports about so-called conversion to those ports being the offshore choice, and when carries and retailers decided what ports they wanted to go. You know, the Canadian ports filed VHO, again, China to. They sail again from China to North America, give three days to Chicago. So we didn't see HMT as an issue, but I think putting a land border fee, again, is the issue of just upping the costs for, you know -- raising for -- what's the end goal here? What are we trying to do? Fee upon fee upon fee, tariff, tariff, tariff is causing concern and impact to the economy.

MR. BUTLER: Thank you. Thank you to this panel.

I want to remind you that any additional material you can submit in your post-hearing comments. We're just going to take a few minutes for a break and start the next panel, and so let's reconvene at 11:40, please.

(Recess.)

MR. BUTLER: Thank you.

So we're at the beginning of Panel Ten. I just want to remind everyone to, please, bring the microphone close to your mouth and please project, so the court reporter can hear everything. For those of you up here, please say your name and before you ask any questions and your agency, so we can keep an accurate record; appreciate that.

So let's start with Mr. Friedmann.

MR. FRIEDMANN: Good morning. Good morning. Thank you very much.

Peter Friedmann, executive director of the Agriculture Transportation Coalition - AgTC. The Agriculture Transportation Coalition has been cited by the Journal of Commerce as "the principle voice of agriculture exporters in U.S. transportation policy." That's what they say. And we've been that for quite a few decades. Actually, the AgTC, as I'll refer to it as, is comprised of the U.S. Agriculture and Forest Products exporters and importers primarily, but also importers nationwide, in all commodities, in all states.

As we take a look at this proposal, I think, initially somebody has not done their homework. There's some basic mathematics that just hasn't been done. This is different than tariffs. This is sanctions on our own economy. I didn't think that was necessarily the objective of any administration to impose sanctions on our own economy, and here's why: There's nothing that we produce in agriculture or forest products in this country that cannot be sourced from somewhere else in the world. If we can't deliver affordably and dependably to our foreign consumers, those foreign consumers have plenty of alternative sources they can go to. And I'm going to give you some examples of what happens when we don't do the math, and we don't do the homework, specific in the testimony that's been provided in front of you, and you will see that the specifics show you why the proposed remedies in this Section 301 proposal threatens the very existence of large segments of U.S. agriculture and large segments of this country that depend on agriculture. So let me proceed to give you some examples.

Where I say there hasn't been some homework, it doesn't appear there's been any analysis of the price sensitivity of global agriculture trade. It also doesn't appear there's been any analysis as to the fungible nature of global agriculture trade, and I'll illustrate it with this: The hogs in China, they don't give a damn where those soybeans come from. Whether they come Minnesota, North Dakota or Brazil, they don't care. There's no branding on there. There's no swoosh. There's no three stripes. They don't care. Same for all our agriculture, they don't care where it comes from. And U.S. agriculture, as it is, is already fending off countries that are sourcing the same products that we are shipping.

So proposed here for you all -- and I can read you some, but you have it in front of you -- how sensitive are these products?

Let's start with almonds, huge export product from California central valley, and it's always been one of those -- I couldn't say there's one product that we produce in agriculture that cannot be sourced elsewhere in the quality and the quantity that we do here; that used to be true up to about a year ago. Australia has moved into that market now. With the fees you're proposing in this Section 301, the fees you're proposing in -- on the ship, and it's -- listen, already been stated the ocean carriers, just like any carriers, trucking company, airline, they're going to pass on those costs to their customers. They have to do it to stay in business.

Those would increase the price of the market by two cents per pound. The market today is

3.15 when you're selling to India, for example, $3.15 a pound; this will increase it to $3.17 a pound. That's two cents above the market, you're out of the market. It isn't that they buy less, they buy none from the U.S. They you go through here for forage, which is hey, alfalfa, $30 per ton. It will increase the price that we have to pay receive; that knocks you out of the market completely. And we go through lumber $75 a cubic meter; this will increase the cost of delivered, knocks U.S. out. There's plenty of competition when you're selling to China, for example, Chile.

MR. BURCH: Your five minutes has expired.

MR. FRIEDMANN: It has -- I'm sorry. I didn't watch. Thank you. There's a lot more good stuff right in here.

MR. BUTLER: Thank you, Mr. Friedmann.

Mr. Gale.

MR. GALE: Good morning. Thank you for the opportunity to testify. My name is Jerry Gale, I'm Dole's chief legal officer. Like the great majority of those offering testimony Monday and today, Dole supports the efforts to revitalize the U.S. shipbuilding industry. We have serious concerns about the proposed action as written. Shipping is a big part of our 175 history. At Dole, while we are a relatively small shipowner, we are the largest fresh produce company in the world, with the most recognized brand and we are the largest supplier of bananas in the U.S. We have been using our own specialized vessels for bananas from the beginning. Bananas are not only important to Dole; however, they are also a critical part of the U.S. consumers' daily diet. Looking at the slide that's attached to my testimony, as shown on Slide 1, bananas are purchased by about 74 percent of American households, more than any other fruits. Slide 2 shows that U.S. shoppers made more trips to the grocery store to buy bananas than any other staple, more than milk, two times as often as eggs and three times as often as bread. And on Slide 3, you'll see that bananas have by far the shortest cycle of days between purchase among all fruit and that bananas are off store shelves at a higher rate than any other staple. Four times faster than milk, six times faster than eggs and 15 times faster than bread. On Slide 4, despite meeting all those demand focus categories, bananas have the lowest cost of all fresh produce. The average shopper spends two and a half times less on bananas than the closest competitive fruit out there and despite buying bananas so frequently. That lower retail price makes bananas a critical part of U.S. food security and affordable nutrition for Americans, but it also results in a very low profit margin. Because bananas cannot be grown in the U.S. and cannot be store, it is critical to get that fruit from the farm to the stores as quickly as possible. High efficiency and low costs are both critical. Underscoring this, the fresh produce trade is unique among U.S. importers. Bananas must stay cool and must remain in a controlled atmosphere or the ripening process will begin and the fruit will rot. We must use small ships that can handle 100 percent refrigerated containers. And those vessel are very rare in the global shipping market. Because almost every American buys bananas almost every time they go to the grocery store, we have to deliver fresh bananas at the same time every week or grocery store shelves will be empty. To make this happen, we make over three hundred U.S. port calls a year. Slide 6 shows our weekly shipping routes. When delivering we have to use small regional ports because they are willing to give us preferred birthing rights so that our ships can be unloaded immediately upon arrival and keep moving. We cannot accept the congestion and unpredictability of larger ports. Large shipping companies use a three-day window, for example, in determining whether a ship is on time, but Dole uses a four-hour window. And Slide 7 shows the relative size of the ports that we use. Putting all this together, the proposed fees will cost Dole more than two times the total cost of running our entire U.S. fleet, which is, itself, the most expensive part of our complicated supply chain. We cannot absorb the proposed fees. Our margins are too low and our ships are too small to spread that cost when compared to the large carriers. Slide 5 shows visually that size discrepancy between the ships that we use and the ships the large carriers use. The U.S. fresh fruit trade will be severely impacted by the proposed fees, but so will the U.S. consumers. Because bananas are so integrated into the U.S. diet, nearly all Americans will immediately feel a significant price increase triggered by these fees. Bananas along with bread, eggs and milk, consumer data shows that the price of bananas are what shoppers look at when comparing the relative prices between two grocery stores, and the grocery store prices as a whole. So the impact of banana price increases will also have significant spill over effects on the perception of inflation more broadly, grocery prices will simply look and feel more expensive to the U.S. consumer.

In the interest of time I echo the testimony of others, primarily on Monday, but also from that last panel, about the devastating impacts to smaller ports and the resulting loss of jobs, damage to local economies, port congestion and delays elsewhere, and ultimately even higher costs for companies like Dole to rely on these ports. I also echo the testimony that you heard from exporters. Each year, Dole vessels carry approximately one and a half billion dollars of U.S. goods when returning to the tropics. These U.S. goods would become less attractive when compared to the cost of foreign goods and U.S. trade competitiveness and trade balances will suffer.

Finally, I also want to underscore something that has been brought up by many of the participants of this hearing, the inherent unfairness of penalizing decisions made in the past with no viable alternatives. Of the nine vessels that Dole uses to bring fruit to the U.S. only four, the four that we purchased most recently were built in China, no other ship builders would build them for us, including in the U.S., and nothing else close to the kind of vessels we need was available in the secondhand markets.

As for solutions, you've heard many of them today, let me just reiterate a few, certain vessels like those carrying fresh produce and other food stuff should be exempt, smaller vessels like those that Doles uses should be exempt. At the very least, a proposed action --

MR. BURCH: You've gone over your time --

MR. GALE: Thank you.

MR. BUTLER: Thank you.

MR. GALE: That was time.

MR. BUTLER: Ms. Castillo.

MS. CASTILLO: Good morning. My name is Alejandra Castillo, and I am the president and CEO of the North American Export Grain Association. Thank you for the opportunity to appear before you today. We are a trade association representing exporters with U.S agriculture commodities and their direct products, including, but not limited to, grains, oils, seeds, soybean meal and the distillers dried grains for solubles. My testimony today is supplemented by formal comments we submitted with our trade associations, the International Grain and Feed Association and the International Seed Oil

Association.

We welcome the U.S. government's commitment to restoring domestic ship building and reducing our reliance on Chinese-built ships. However, we ask that the U.S. government consider alternative approaches that stimulate ship building through incentives and international partnerships as opposed to the proposed actions that will penalize U.S. agriculture to the benefit of competitors. Given the current makeup of the global dry bulk fleet, it is not possible to implement the proposed actions without immediate and great implications in agriculture. By our estimation, it will take many years to establish the necessary domestic ship building capability and the ability of U.S. flagged and U.S.-built vessels to serve as U.S. grain exporters. In the meantime, these proposed actions will reduce U.S. competitiveness to the benefit of our competitors. Every year, American farmers and producers harvest over 130 million metric tons of oil seeds and over 450 million metric tons of grain, which supports nearly 500,000 U.S. jobs, adds more than $150 billion to the U.S. economy and helps put high quality, healthy food on American families plates. Nearly one-fourth of all grain and

40 percent of all oil seeds grown in the United States are exported to markets around the globe helping to contribute to the strong U.S. trade surplus for the bulk export of these commodities. U.S. grain producers and grain exporters depend on the global bulk freight fleet, which is currently 50 percent Chinese-built. Only .2 percent of the global fleet is built in the United States. Just seven bulk carriers are flying the American flag and only five were built in the United States. The implementation of any of the proposed fees and export restrictions would leave U.S. farmers without feasible pathways to export, putting them in a devastating and enduring disadvantage, and unfortunately only boosting the export prospects for farmers in other nations. Our economic analysis shows that an additional $1 million fee on vessels carrying agricultural exports would increase costs in the vast majority of shipments between 15 and $40 per extra time, which equates to 50 cents to $1 less per bushel and could negatively effect farm gate returns. This jeopardizes the $65 billion U.S. trade surplus in the grains and oils sectors.

Within days of the USTR's publication of its proposed actions, availability of vessels beyond late May and early April have plummeted, which means U.S. exporters are already losing business to international competitors, reducing U.S. export revenue and potentially increasing our trade deficits going forward. U.S. grain and oil seed exports support the entire American agriculture and rural economy, including through inland transportation, processing, manufacturing and production agriculture. Agriculture export markets are both highly competitive and price sensitive, and with U.S. grain exporters operating high volume and low margin businesses even in good market conditions.

For all of the reasons listed above, we strongly encourage you to continue to explore alternative responses to China's targeting the maritime, logistics, and shipbuilding sectors in ways that promote U.S. industry and promote harm to U.S. farmers, producers, exporters, and ultimately, American families. If, however, the proposed actions are implemented, we request an exemption for agriculture experts from the proposed fees. We further ask that this exemption extend to imported ingredient products that are necessary to support production, agriculture and the animal feed industry. Without such relief, U.S. agriculture and the positive impact it has on the broader U.S. economy would suffer significantly.

I close by emphasizing that the grain and oil seeds industry supports the end goal and objectives to increase the U.S. maritime strength and presence; however, the proposed actions present irreversible harm to our bulk agriculture exports and erosion of the strong trade surface we have on these commodities.

Thank you for the time and the opportunity to speak to you today.

MR. BUTLER: Thank you.

Mr. Shaffer.

MR. SHAFFER: Good morning. My name is Adam Shaffer. I'm the vice president of International Trade and Global Affairs for the Recycled Materials Association, also known at ReMA. ReMA is the world's largest trade association representing private recyclers. Our members consist of predominantly small and medium sized enterprises operating at thousands of locations nationwide and worldwide. Our members are integral to the U.S. economy and are instrumental in processing, brokering and consuming end of life materials such as steel, aluminum, other metals, paper, plastics, glass, textiles and other electronics sourced from a diverse set of commercial, industrial and residential operations nationwide.  Our industry supplies high quality renewable resources for everything from essential infrastructure, like bridges and buildings to consumer products like laptops, soda cans, boxes and vehicles.  ReMA members provide U.S. manufacturers with a reliable source of inputs which is helping to make made in the U.S. possible.  The recycled materials industry in this country supports nearly 600,000 good paying jobs and generates $170 billion in global activity annually.  Each year, our industry processes approximately 156 million metric tons of recycled materials.  The majority of which is consumed domestically, but 30 percent is exported to meet global demands for these materials. These exports represent recycled materials not utilized by domestic manufacturers.  As U.S. recycling output exceeds domestic demand, making exports essential to our members's businesses.  These exports also contribute to the reduction of the U.S. trade deficit by nearly $30 billion each year.  Our industry supports tens of thousands trade impacted jobs nationwide, including transportation of logistics at ports nationwide.  ReMA applauds the

USTR and the Trump Administration for pursuing actions to revitalize the U.S. shipbuilding industry. Our members play a critical role in shipbuilding -- materials sourced by many manufactures in the supply chain, either in the form of structural steel plate or other materials like aluminium or plastics. Our industry stands ready to meet the ambitious goals set by the administration to restore U.S. shipbuilding to international and global prominence.

Many American steelmakers are prepared to increase production, utilize recycled content and the steel plates that are critical for these vessels; however, given the complexities in the supply chain, we ask that the administration carefully consider the full impact of the proposed port fees on U.S. businesses that are dependent on competitive shipping rates. The port fees, as proposed, will be borne not only by importers but also by exporters, including U.S. recyclers, which can significantly increase the cost of business, making U.S. companies and recyclers less competitive. It is the stable and cost effective shipping options from the U.S. ports that contributes to the ability to our materials to make it to the global marketplace. These materials create a demand for U.S. recyclables that is directly and indirectly responsible for thousands of American jobs. These jobs are at stake along with the other benefits of a robust recycling marketplace if increased fees targeting Chinese ships produce, unlikely dramatically so, traffic in U.S. ports. While there's little doubt that China has used its dominance in these sectors to the detriment of U.S. shipbuilders and other nations. Current non-Chinese shipping capacity is unable to meet the growing demand of U.S. manufacturers and exporters. Consider that many of these vessels produced in China are not actually the vessels that are used to transport U.S. exports from American ports. These exports would be responsible for paying port fees, even if they are produced using key U.S. allies. There's simply a lack of vessels that would not trigger the fee to meet the current export shipping requirements. At risk is the $28 billion exports from the U.S. recycled materials industry, more than 70 percent of which transit via North America. While the proposed port fees pass on directly to importers and exporters alike, our competitiveness will be negatively impacted, resulting in the closure of many operations nationwide that are dependent upon the export business. In many cases, recyclers charter and hire vessels to export all cargo, some of these require two or three port visits, which would likely result in several million dollars worth of fees. China's current position of shipbuilding threatens the prospect for U.S. shipbuilders and our allies. But assessing fees on the U.S. -- on the Chinese ships at domestic ports instead of promoting U.S. shipbuilding will effectively make U.S. ports and by extension U.S. exports less competitive compared to countries that do not impose the fees. We urge reconsideration of these proposed fees which would also include a waiver to the extent that the vessels are engaged in export from the U.S.

I thank you for the opportunity to and look forward to your questions. Thank you.

MR. BUTLER: Thank you.

We're going to turn to questions now, and reminder to everyone to, please, reintroduce yourself each time you ask a question.

MS. MADELL: Thank you. I'm Mary Lisa Madell from the Department of Transportation. I had a question for Mr. Friedmann.

Do you have any suggestions for how the proposed actions could be adjusted to take into account of the particular challenges for agriculture exporters, particularly the problem of port calls and moving away from the small ports?

Thank you.

MR. FRIEDMANN: Thank you for that question, and absolutely true, the smaller ports are critical for agriculture exports. For example, beef and pork that move out of the U.S. Midwest, the impact would be threatened or promised, shut down of Port Hope, for example, the world's largest ocean carrier, saying if I'm going to pay these fees, I'm going to pay them in a place where I can advertise with a lot of containers, therefore, that would be Long Beach, Los Angeles, therefore, not Oakland. But that's just one example, that are many other ports that would be subject. That port is critical, not so much for California, but for Missouri, for Kansas, and all these places, North Dakota, South Dakota, Kansas, Colorado. Oakland and many of these smaller ports are the ports of the heartland of the United States, that's how they get out and that's where they have the cold storage facilities and all the rest that are needed by agriculture. So my view on this whole thing is this, the U.S., at one point, tried to compute -- we have something called the capital restructuring fund. It's still on the books. It's still at the Department of Transportation and that was our attempt to compete in this area. I think if having ocean carrier services, sufficient carrier exports and imports is important and the U.S. government and the people have to decide we're going to fund it, like semiconductors. A few years ago, we decided to fund it. Electronic cars, ports, the space program; those are all things we decided are important and we funded it, but we don't fund it by taxing some other sector of the economy and that's no mistake, this is nothing but a tax on another sector of the economy. And I think we just got to decide, like the capital restructuring fund and other programs that have existed in this area, we just have to fund it. We can't tax our way into a competitive ocean shipbuilding program.

MS. MADELL: Thank you.

MR. STEPHENS: I have a question for Mr. Gale. My name is Andrew Stephens from Department of Agriculture.

The first few comments to everybody: Despite the length of Mr. Gale and Mr. Friedmann's testimony, I enjoyed it, I appreciate Mr. Gale's slides, and the examples that Mr. Friedmann gave, congratulations on behalf of -- on your brief.

And, Mr. Shaffer, appreciate your testimony. If you could elaborate in your post-hearing on the impact on our local recycling systems. I know that that recycling materials -- in that, for example, cardboard is essential. If you don't have a good rate for cardboard in an old system, it doesn't function. So interesting hearing about that.

And for, Mr. Gale, can you elaborate more on steps that can be taken now should to move forward within the shipbuilding industry that could influence a future shipbuilding industry?

MR. GALE: Sorry, steps that could be taken now to influence future?

MR. STEPHENS: Influence future shipbuilding --

MR. GALE: So that's a very good question. I think, overall, the design -- or the desire of the country to revitalize the shipbuilding industry is positive and having the availability of both shipyards to build ships and to repair ships is critical. I mean, we -- the last panel talked a lot about the ability to repair, and that's something that's critical to us as well. We have one example. We have two vessels that were up for dry dock a few years ago. We approached three different boards here in the U.S. to do that dry docking rather than send them back to Asia which puts them out of service for extra weeks and, obviously, costs a lot of money. One of them never responded. One of them said we're waiting for Navy contracts, we don't want to put you in our dry dock in case we need it for the contract. And the third one hemmed and hawed so much that it was clear they didn't feel they had the skills necessary to do that dry docking and the repairs that we needed, so we that had to go to Asia. We went -- had to go to Korea, in that instance.

But -- so your question, getting back to that specific question, it's very -- I mean, that's the whole point of this hearing -- right -- is to decide what we can do to encourage U.S. shipbuilding. I think it's -- if you go to back to what China did to get back to the 50 percent market share that they today -- and the investigation that U.S. did to try to identify what actions they took; I don't want to call that a playbook, but we should certainly look at that to see what can we do to counter that. We, obviously, need to understand how our competitors are behaving to be able to counter that and compete fairly. And if -- and just putting a fee on all

Chinese-built ships and any ships that are in port that to include China-built vessels is not even close to what China did to get to where they are today, and it didn't make sense to them and it worked. Their efforts worked, so it doesn't make sense to us either.

MR. STEPHENS: Thank you.

MR. COOK: Yeah, Ian Cook, Department of Commerce.

My first question is for all of our ag folks here on the panel. What share of U.S. domestically produced agricultural products are exported, and as a follow-up, what percentage of U.S. agricultural exports are transported on Chinese-built vessels?

MR. FRIEDMANN: I'll take the second one first. Chinese-built/Chinese-owned would be the two you're looking at, because this proposal also talks about any ship that's in a fleet that has a Chinese ship somewhere in that fleet. So I would say if you're just talking about Chinese-owned/Chinese-built is about 29 percent, 28 percent now, and that's rapidly changing because all the new ships have been -- the last couple of the years, are being built in China, so about that percentage now. Yeah.

MS. CASTILLO: I'd like to add to that. So the first part of your question, what percentage of agricultural exports; correct? So that is anyway from 40 to 50, if we segment that by commodity, corn production we usually export about 30 percent, soybean between 40 to 42 percent to a particular market.

As a whole, the second part of the question, if we look at the current commercial fleet coming from China, it's anywhere from 50 and 55 percent; it may be give or take a couple of extra percentages. On a good year, we have 21,000 vessels that are exported out of this country, of which only seven are flying the U.S. flag and only five were built in the U.S. Right. So that should give you an idea -- an approximation of that. Approximately 48 percent of the global fleet is Chinese-built and just .2 percent is U.S. built. For agricultural exports, we consistently account between 40 and 50 percent of all carrier demand exports, so we're basically using up the entire capacity or availability of ships that are out there in the market right now. Sure, we can use a Japan or Korea-built vessels, without a 55 percent fleet availability that absolutely undermines and really curtails our ability to move over 450 million metric tons of any commodity that we produce.

MR. COOK: I thank you. Ian Cook, Department of Commerce.

I have one other question for Mr. Shaffer or two questions I guess. So how would the proposed fee structure impact U.S. recycling exports, in particular? And then as a second question, I know you mentioned the bulk vessels. Are there other vessel types that the recycling industry uses? And maybe give us a sense of the proportions and if they travel by container and that relative to the bulk of transits?

MR. SHAFFER: Sure. Thank you. Those are good questions. So our industry, we do represent the broad spectrum of commodities from some of the consumers, so what you would get from residential streams from paper and plastic. The value was is significantly lower versus the metal, some of the steel or the copper, the value is higher. So there's not a kind of one size fits all across our membership, across our industry, but we've done some quick back-of-the-envelope calculations -- effective if you run anywhere from between a $600 and a $800 fee on a container, for example, you could see it represent -- based on the tonnage that would go into that container, you could see as much 70, 80, even a 100 percent -- value of what's being exported on some materials. Other materials, it could be two, three, four percent, maybe even as low as one, depending on commodity preference. So there's no one size fits all. But we've looked at the -- beyond the bulk situation. We've looked at -- our members who are doing 10, 12, 14, maybe up to 20 containers a month, which is not -- which is very low volume for some of our members. They estimate they are all using companies -- shipping companies that have Chinese fleet -- or Chinese vessels in their fleets, so they will be impacted to the point where they may not just be able to export at all. They have to fully take some of their materials off of the global market and not be able to invest in our local technology, our local equipment, our local communities, like they have been.

So it does have a significant impact -- we talked a little bit in our comments about national security, because recycled steel, for example, is a significant component of how steel in this market is made. So if these markets and you can't invest -- recycling infrastructure in this country, you can't make steel in this country without it. 70 percent is made here, so it's all interconnected. So in order to have a country viable -- you need to have the option to export the excess material.

MR. COOK: Great. Thank you.

MS. MADELL: I have a question for Mr. Gale.

Mary Lisa Madell from the Department of Transportation.

Well, two questions. One is, I was wondering if you could tell us if there was a time line for when you think you might be refreshing your fleet? And then, I wondered if you had other adjustments to suggest that could be effective in reducing the impact on your company, perhaps delaying in implementation, an adjustment period, a shift to a per-container fee?

Thank you.

MR. GALE: Yeah, thank you for the question.

As to the first one, the time line refreshing our vessels, we -- given our margin, we try to really run the vessels as long as we can. We have four that are considered at the very end of their lifeline, and they happen to be the ones that we're currently using to service the European market, so they won't be impacted by this. But they are part of the fleet, as a whole, especially if you look at the percentages that are talked about in the current form of the proposed rule, if we took those out and just went to the third-party carriers, then all of the percentages jump up quite a bit. So those would be refreshed probably in the next five to ten years. And then from there, we usually look at about a five-year rotation for a vessel or two to come up to be refreshed.

And then on the second question, other adjustments to suggest to the proposal, other than the ones that I mentioned. There were -- one that I've heard by a few different testifiers, especially those that service the -- focus on a short haul, on 2,000 or less than nautical miles; that would cover the majority of our transport from the tropics up to the U.S. is generally 2,000 or less nautical miles. Again, it depends on how you calculate that, however if it's from first borne port to last borne port and there was a question earlier, I think, of how do you -- would -- how would -- how would help discourage people getting around that short haul rule? And you know, there's certainly ways you can do that based on the total voyage of the ship, but one potentially would be focusing on transatlantic or transpacific carriers only, that those two routes would be subject to the fees, where the short inter-American routes would not be.

And then the size of the vessels per container, that's critical. I think we just can't spread out the same kind of fees across a 1,000 TEU container ship as well as 16,000 TEU container ship, so if you make a per-container fee, that makes a lot more sense. Obviously, it still causes our price to go up, but it's something that the American consumer wouldn't probably notice as much if you work out the details and find a way around that. Yeah, I think there were a lot of other good options that were suggested today as well.

Thank you.

MS. MADELL: Thank you.

MR. STEPHENS: For Ms. Castillo, you suggest an exception from the exports form the -- from the proposed fees, how would such exemptions be structured and what actions would you suggest -- investigation if there's -- and I'd like to hear your thoughts but I'll start with that.

MS. CASTILLO: Thank you for the question. I guess let me start by answering that question on what is under the current structure, what does that mean per commodity; right? So the cost increases are projected to increase the U.S. agriculture exports in the U.S. farm production, the reason behind that is because reduced production reduced exports which brings down prices. So if we look at U.S. production, we're looking at a decrease of 82.3 percent due to the loss of exports by about 64.39; that would have an average cost of about $3 billion. In U.S. soybeans, the decrease is expected to be 18.17 percent. And looking at a $10 billion loss or decrease to the farmer for that. On U.S. corn, the anticipated decrease is 3.57 percent due to reduced exports of 1.78 percent, which would equal three billion annually; right? And so if whatever alternative we are looking at for exemptions, that is what we need to cover to ensure that we are made whole, basically, not competitive. And I think that's a really key part of the conversation that we need to consider is not just to have the availability to run ships, but it's actually being competitive to actually put commodities on a ship on the water and out to customers. If we cannot make that number, that differential, then we really need to ask ourselves if we are at a different, worse or equal --

And I'm sorry. I missed that second part.

MR. STEPHENS: If you want to exempt ag, how would then how would you meet the requirements of the remedies, so I how should you make --

MS. CASTILLO: I guess the only way that I can answer that kind of -- the sentiment behind this is, one of the things we consistently hear from consumers of the U.S. products, U.S. commodities is in a price differential, so when a different origin is priced better or less expensive then the U.S. they prefer U.S. because they know that we are reliable. They know that our transportation system is dependable and efficient and we get our stuff when we say we're going to get out stuff. And so, to me, an alternative that moves us away from that, we cannot make that money up.

MR. STEPHENS: Thank you.

MR. HARTNETT: Chris Hartnett, Department of Homeland Security, question for Mr. Shaffer.

How would you suggest that the United States create a stable and cost-effective U.S. shipping options from U.S. ports.

MR. SHAFFER: Can you repeat the question, please? You mean, as it relates to the exports, or if we had to the design the program, itself, like what --

MR. HARTNETT: As it relates to the exports.

MR. SHAFFER: Yeah, there's -- as part of our testimony, we did push for a -- there to be some sort of, you know, thoughtful approach on how exports could, in fact, be exempt. There's so many jobs that are tied to the export-focused business, and we're looking at either some sort -- some sort of special consideration, and the way that the proposed action is, it's not import versus export, it's on the ships, itself, and so in order to have a reliable shipping, you do need the vessels to come in. So it, ultimately, it would be very difficult for a specific export to carve out, but I do think, given the number of jobs and the number of economic activity that are related to the exports, that some sort of special consideration should be, but we'll look to address that further in post-hearing comments.

MR. STEPHENS: For Ms. Castillo, and to keep on time, could you answer your post-hearing brief. You mentioned that half of bulk ships are Chinese. How many bulk vessels are owned by fleets with other Chinese ships -- because the remedy would have different categories of possible fees, so to say half of Chinese vessels, but how, many of those of the entire fleet available to the U.S. ports are owned by these companies that would -- these other fleets -- so when you post your brief, could you give an estimate of that.

MS. CASTILLO: We will share those. Thank you.

MR. SULLIVAN: This question is for Mr. Shaffer and Ms. Castillo.

Ms. Castillo, you have mentioned that around 50 percent of the bulk fleet is Chinese-built. Let's assume for a second that the remedies applied here are just on Chinese-built ships that come to ports, not on fleets that have Chinese vessels, would your members be more inclined to charter non-Chinese vessels?

MS. CASTILLO: Would they be more inclined?

MR. SULLIVAN: Yes.

MS. CASTILLO: I think they would have to be. I don't know if it's a matter of inclination. If the ability of 55 percent of the vessels is not there, then we absolutely would have to look elsewhere to make that up. I don't know if I'm answering that question correctly, but 55 percent, 55 percent of vessel that have ability and all of a sudden is gone really puts a strain on our ability to choose, which is why we're seeing such significant impact and immediate impact upon even hearing of the proposal, because there's just not a lot of other ships out there.

MR. SHAFFER: I think our concern is if the removal of the fee for shippers that do not -- if you're transporting on, say, a Japanese or Korean vessel, that those prices might also increase to match just slightly below than whatever the Chinese-operated or Chinese-built vessels are going to be. So either way, we would expect a significant increase of the costs on this, so we don't think this really addresses how to bolster the U.S. shipbuilding industry.

MR. SULLIVAN: Thank you. And I think it would be helpful for us to understand what percentage of the global fleet you -- your industry of what your fleet is using, because I imagine it's not a 100 percent of the bulk fleet, but understanding where there would be room to maneuver also, but it would be helpful for USTR.

MS. NADADUR: I'm Anjani Nadadur for the

USTR's.

Mr. Shaffer, you touched on this a little bit, but could you help us understand what would be the impact on your members if Chinese vessels or Chinese-built vessels were just no longer available. For example, how many jobs would be lost? How much in exports would be lost?

MR. SHAFFER: Yeah, so thank you for the question.

So our industry, each year, we export about 28 to 30 billion worth of recycled materials across the commodity spectrum, about 20 billion of that goes offshore, so outside of North America. Most of trade in North America is done by rail, but most of the impact for the other 20 billion dollars to Asia, Southeast Asia, to South America, it tends to be on the shipping lines that are -- that have Chinese vessels in their fleet at the moment. So we looked at the 30,000 U.S. jobs are directly linked to our trade focus, to the export focus of our industry. So I wouldn't say all of them, of course, but there's a significant portion, especially some of the smaller, medium-sized companies that are operating only a few containers a month. But there's a lot of the down stream impact; that's what some of the panel has talked about, you know, if that there are ports that are unavailable, local port or something like that is unavailable, and you have to ship extra lead times to the Port of New York or some of the larger ports, you're going to increase your costs and transportation costs and logistic costs and some of the consumers won't be able to take it. So even if it's all kind of -- everything is connected in terms of -- even if you're not using Chinese vessels, there's still going to be significant impact.

MR. STEPHENS: One final question for any of the panels who would care to go into post-hearing briefs, be specific. If you want an exemption or some other accommodation, what would that be or what would that look like?

So I look forward to seeing that. Thank you.

MR. BUTLER: Okay. Thank you to this panel. We're going to take a lunch break now, and reconvene at -- take like an hour long break and reconvene at 1:30, starting with Panel 11.

(Recess.)

MR. BURCH: Will the room please come to order.

MR. AU: Thank you.

With that, I would like to proceed to Panel Eleven, and I would like to invite Mr. Young to provide testimony.

MR. YOUNG: Thank you, Mr. Chairman. Thank you members of the panel. Thank you. Good afternoon to all. Thank you for the opportunity to speak at this hearing.

My name is Peter Young and I'm administrative counsel for the European Union Delegation to the United States. In my statement, I shall highlight the main elements to the written comments that the EU submitted to the Department of Transportation. And from the outset, I would like to highlight the great importance that the EU attaches to economic and trade cooperation with the U.S. has been a key driver of economic growth, prosperity, and peace for both sides of the Atlantic with clear benefits for our citizens, our workers, and our businesses. The trade in goods in 2024 was worth some 86 billion some euros or $938 billion, and relied on a significant degree of the well-functioning maritime transport sector. The sentiment, moreover, in which the maritime operators play an important role. The EU recognizes some of the concerns by USTR during this investigation, notably that result from state subsidies and non-market practices on the global shipbuilding market. Similarly, we can recognize the importance to ensure the resilience and security of its maritime services and logistics sectors, including through the promotion of its domestic shipbuilding construction capabilities.

However, we doubt that the remedies, as proposed, would be effective in addressing these concerns, and, in fact, we are concerned that they would rather impose additional costs on operators and risk disruption in global logistic networks and international trade.

Let me briefly set up the views to the different actions being proposed. As regards to port service fees, we are very concerned the as proposed port service fees are not only planned to target Chinese maritime operators, but also all operators whose fleets include Chinese-built vessels, as well as the operators of those that have already placed prospective orders for the Chinese vessels for delivery over the following 24 months.

The reality is shipping -- have very few alternatives to Chinese-built vessels. Initial industry estimates indicate that this measure would lead to an important increase in the costs that would negatively impact global shipping, including of the U.S. exports.  There could also be unintended consequences.  Could be higher costs at U.S. ports, shipping lines could rearrange with a smaller number of the ports with larger vessels.  This could cause congestion, delays, and longer delivery times, and higher costs for the consumers in the U.S. and beyond.

As regards to the cargo reservation regime restricting the fixed -- with U.S. flags and U.S.-built vessels would negatively affect the level playing field in the global shipbuilding, maritime, and logistics sectors.  It is also uncertain whether the U.S. shipbuilding sector would be able to increase its output over the next several years to reach sufficient capacity and, thereby, avoid risks of serious disturbances.

The EU is also concerned that the cargo reservation regime of this nature would be at odds with U.S. obligations under international law.

Regarding port security, while we agree on the importance of reliant port infrastructure, including platforms and equipment, we strongly recommend that any remedies are carefully considered in advance, well-planned, and carefully executed. Port logistics software is a highly sensitive matter as it ensures that ports communicate effectively with each other for the well-functioning of the logistics lanes. Therefore, if introduced unnecessarily or too quickly, restrictions affecting these tools can cause unwarranted disruption in the U.S. logistics sector and harm trade. We, therefore, believe that a proper assessment of the inherent risk and available alternatives would be necessary before any measures are taken.

Finally, while it is clear that the EU has some important concerns about the remedies, let me stress that we strongly welcome USTR's openness to discuss this matter with allies and partners. The challenges investigated during this investigation are of a global nature and would require a global effort to -- level playing field. In this context, the EU is ready to engage the United States both bilaterally, as well as in a multilateral context to work on mutually beneficial solutions. We believe it is possible to address challenges effectively and tackle concerns of unfair practices without harming transatlantic trade and U.S. entering into negotiations with allies and partners. In order to counteract China s acts, policies, and practices and to reduce dependencies on China in the maritime, logistics, and shipbuilding sectors. The challenges investigated in -- during this investigation are of a global nature and will require a global effort. In this context, the EU stands ready to engage with the U.S. both bilaterally, as well as in the multilateral context to work on common, mutually beneficial solutions.

We believe that it is possible to address shared challenges effectively and tackle concerns over unfair practices, without harming transatlantic trade in the interest of EU and U.S. business and consumer interests.

I thank you for your attention.

MR. AU: Thank you, Mr. Young.

I would like to invite Mr. Kravitz.

MR. KRAVITZ: My name is Gregory Kravitz. I'm senior vice president of transportation of Oxbow Energy Solutions, LLC. During my 30 years in the shipping industry, I chartered both American flag and foreign flag vessels and shipped more than 100 million tons of bulk cargo and liquid cargo around the world, so I'm very familiar with the issues under review here today. It is my professional opinion that the policy contemplated by the USTR in their current form will have the opposite effect of what is contemplated. They will end up punishing U.S. exporters, producers and manufacturers if they do not allow enough time for U.S. shipbuilding and U.S. flag service to develop in order to properly service U.S. industry. For these reasons, we are here today to request an exemption from the proposed service fees for petroleum coke and the raw material necessary for producing calcified petroleum coke.

At Oxbow, we operate mainly in the dry bulk cargo space, according to some estimates 47 percent of the current fleet is constructed in China and more than 70 percent of the forward -- of construction is placed there. We have subsidiaries that export petroleum coke through our state of the art work facility in Long Beach, California equipped with U.S. and European build conveyance loading machinery. Our suppliers are iconic -- such as Valero, Marathon, ExxonMobile, and core natural resources -- in mainland China, we have a subsidiary that distributes solid fuels directly to local industry positively impacting the U.S. balance with trade payments with China. The potential addition of millions of dollars in -- will more than double our freight rates and will remedy these American exports uncompetitive. In fact, the overall export of the U.S.-produced calcined petroleum coke. If you consider that 70 percent of those exports could have their freight rates doubled, the industry will be crippled, leading to the loss of jobs and shifting of production overseas.

Oxbow is a subsidiary that imports, processes and upgrades raw petroleum coke in our plants in Texas, Louisiana and Oklahoma, to a primary card and feed stock called calcined petroleum coke. Calcined petroleum coke is an essential, irreplaceable raw material for primary aluminum production in an industry the President has identified as crucial to the United States. Oxbow currently supplies calcined petroleum coke to all U.S. aluminum companies. Adding millions of dollars in penalties to the cost of imported raw petroleum coke will render American-produced calcined petroleum coke unprofitable for its use in aluminum production and will potentially injure all American smelters. Even worse, when we export calcined coke to aluminum producers around the world, the second set of fees on the export vessel, essentially taxing the commodity twice, which is unsustainable. Consequently, we will face the prospect of closing our plants, shipping jobs and production overseas and depriving the private and strategic American industry of the crucial domestically produced import. In these examples, we can see the suggested policies do not punish China, as intended, but rather punish American industry and will put American laborers out of work. I can assure you the cost of these prospective fees is already getting push back onto American importers and exporters, I have seen it firsthand in the ship charter negotiations.

During his first term, President Trump put together an amazing trade deal with China, and under Phase 1 American based and international shipowners alike purchased vessels from China because it was not discouraged. Therefore, to reach back in time and equalize that all vessels of Chinese construction is an unreasonable answer to what is, indeed, a very serious problem. Similarly, immediately and excessively penalizing owners of vessels -- and the American companies that made freight contracts in good faith with Chinese operators will punish the American producers more than that it will fix the problem. Service fees can be used as a disincentive to reduce dependency on Chinese shipbuilding and ship operating going forward, but those fees need to be phased in over time and increased gradually to give shipowners time to reconfigure their fleets and give American industry time to adjust their logistics and build ships. Many years ago, Oxbow received a OMSA appreciation award, which I proudly accepted at a ceremony in Washington, for being one of the largest shippers on qualified Jones Act tonnage. These days, that tonnage has already completely disappeared. According to the Department of Transportation, there are only four U.S. bulk carriers remaining. So there is no way the fleet would be ready to handle American exports on the scale and timetable envisage by the USTR proposal.

It is an important goal to develop U.S. flag operations and ship building, not only for commerce but for national security, and this is an objective Oxbow fully supports. However, the U.S. maritime industry that has been neglected for half a century cannot be rebuilt overnight. The Jones Act needs reform. A larger -- needs to be recruited, trained and deployed. American shipyards need to retool from their current focus on military to revitalize commercial demand and best practices for the future. We are probably 20 years away from having revived the U.S. fleet and there are no easy answers how to accomplish this. Maritime revitalization fund financed through fees that are thoughtfully imposed on certain aspects of shipping, such as rebalancing --

MR. AU: Your time is expired.

Thank you for your testimony.

Mr. Giberga.

MR. GIBERGA: Yes. Good afternoon and thank you for having me. My name is Sam Giberga. I'm the vice president, general counsel and secretary of Hornbeck Offshore. Hornbeck is a leading provider of offshore logistical services in the United States, of offshore energy industry and provides specialized support to the United States Department of Defense in support of the United States Navy and the United States Marine Corps. We are among the largest owners of the U.S.-built, U.S.-crewed, U.S.-flagged and U.S.-owned offshore support vessels and -- in the Unites States. Yes, it can happen. We can have American companies that own and operate U.S.-built ships in a profitable way. We strongly support this action by the United States Trade Representative to combat decades of intrusion by the Chinese. We appreciate the willingness of the USTR to consider the appropriate remedy to covered as Hornbeck believes the activities subject to the 301 remedy, ultimately, must include all activities by Chinese-built vessels in U.S. waters, not just those making a port entrance.  The port action, primarily international shipping operations as opposed to more abroad U.S. shipping, such as those we conduct in the offshore of energy, we believe that it is crucial the Office of the United States Trade Representative the vulnerabilities the U.S. has to the Chinese shipping and the shipping dominance in the U.S. realm.  While much of the is serviced by U.S. flagged and owned fleets, such as ours, there are numerous of offshore activities occurring within in and within the exclusive economic zone of the United States that are performed and many built in China or utilized in the important Chinese components these vessels are constructed for a fraction of a cost due to the unfair and illegal subsidization given to the.  There are currently, by way of example, sub sea Chinese yards, which international confirm, are being constructed for approximately a $100 million each. Similar vessels that Hornbeck sub sea construction vessels specialize in the sub sea cranes Chinese cranes are also far less competitive adding to the invests cost difference the two Chinese vessels not being constructed and many others now in existence are now allowed in support of wide variety of offshore energy projects on like ships engaged on international voyage arrive on the U.S. continental shelf and stay for months or even years U.S. like Hornbeck struggle to compete once on the are engages in the domestic commerce yet due to the they marijuana hers from low-wage nations escape ironically even under U.S. law even if a mariner like Hornbeck the U.S. mariner must still that apply to those this vessels when operating them in the United States these factors combine to make it very if I felt electric the U.S. shipping interests for the to build U.S. vessels of these kind Office of the United States Trade Representative can actually help level this playing field and we respectfully make clear in its decision that of the U.S. are covered by Office of the United States Trade Representative proposed action I have laid out in my paper several ways that the Office of the United States Trade Representative can do so and I'll defer to the paper in order to keep my remarks a little more brief in closing I just want to point out that the it is crucially important to the United States that we have a strong domestic maritime ship owning shipbuilding ship crewing force and this is a first step towards getting us there and I applaud to the efforts to the Office of the United States Trade Representative in this regard thank you very much.

MR. BUTLER: Thank you, Mr. Giberga.

I'll turn it over to Mr. Smith.

MR. SMITH: Good afternoon. My name is Aaron Smith. I'm the president and CEO Offshore Marine Service Association is a trade association of the segment of the U.S. maritime industry engaged in domestic offshore energy. I appreciate the USTR's efforts to ensure Chinese-built vessels are placed on a level playing field, but to truly benefit U.S. shipbuilding industries, the proposed fees must reflect the peculiar forms encountered by the different segments of this industry. For offshore energy, this means service fee should accrue for every day Chinese-built offshore energy vessels spend in our waters displacing U.S. tonnage and preventing entering U.S. shipyards. OMSA has tracked 84 foreign flag vessels that have worked in offshore U.S. wind projects between 2016 and the third quarter of 2024. These vessels work for a combined total of 16,698 days in our waters and employed 4,764 mariners in doing so. When keel to completion yards are considered, China is the largest source of the foreign-built vessels that have worked in the U.S. offshore wind projects. While a relatively small number, these vessels have disproportionately through large impacts on the U.S. maritime industry. First, the largest shipping vessels employes crews ranging 13 to 24 people. The Chinese-built vessels that have worked in the offshore wind in our waters employ crews ranging from 35 to -- excuse me -- 150 persons. In total the Chinese-built vessels have taken away work from 762 to 1,500 jobs in our waters. Second, Chinese-built offshore vessels stay far longer time in our waters. Chinese-built vessels stay on average six months having worked a combined total of 2,430 days in U.S. waters. Conversely, shipping vessels spend .7 days per port call.

The Chinese offshore -- offshore built and offshore energy vessels are also significantly newer than the international shipping vessels. The average age of the shipping fleet is 22.4 years. In comparison, Chinese-built vessels that have worked in offshore energy, the average age is 13 years. At least two Chinese-built vessels have gone directly from the shipyard to our waters.

And while offshore energy is unique, it is not separate. The Chinese shipyards that build offshore energy vessels are the same shipyards that build for the Chinese military; as such, their exploitation of our market is providing valuable experience and technical skill to those yards. Similarly, the shipyards and shipowners that build offshore energy vessels and operate these vessels are the same yards that build for the smaller end of the Coast Guard and Navy fleets. If the inequities that we are describing here today are rectified, we can recapitalize the larger shipyards and provide greater benefit to our armed forces.

For example, the Danish-owned Wind Pace is a vessel with massive legs used to elevate itself out of the water to provide a stable platform to assemble wind turbine generators. It will be delivered next month from the COSCO shipyard to U.S. waters for a multimillion dollar, multi-month contract. The same technology that is found on that vessel is found on the bridging barges that have been produced by the Chinese military and its expeditionary peers to establish a logistical harbor --

There are two primary cost drivers for the

Chinese vessels used in offshore energy. First, it is widely known that the Chinese government provides lucrative financial incentives to its shipyards, which enable these yards to build at cost, which market-based U.S. shipyards simply cannot compete. However, that capital cost manipulation, obviously, makes Chinese ships attractive, but it can also be amortized over the life of that vessel.

More impactful is the difference in OpEx. In offshore energy OpEx is driven to the tune of, at least, 60 percent by crew costs. In this area, the U.S. offshore energy vessel owners can simply not complete with their foreign competitors because the Outer Continental Shelf Lands Act requires U.S.-owned companies to hire only U.S. citizens, while allowing foreign-owned vessels to employ foreign crews, doing the exact same thing. In many cases, this means that foreign-owned vessels are working in U.S. territories for extended periods of time, directly competing with U.S. tonnage and workers, all while paying less than U.S. minimum wage. Again, that cost advantage compounds on a daily basis and the U.S. industry can simply not complete if that cost advantage is not addressed. As such, we must return to a system that provides for fair market access for U.S.

companies when they work in their own waters.

And for this reason, OMSA supports the USTR proposed remedies and hopes to see them extended to Chinese-built vessels for the entirety that they work in U.S. waters.

We thank you for your consideration.

MR. BUTLER: Thank you, Mr. Smith.

And now I'd like to open to the questions from the committee panel.

MR. SALKELD: Good afternoon. My name is David Salkeld. I work for the Office of the U.S. Trade Representative. I have two questions for Mr. Young.

The first question is: What can EU companies do to support capacity expansion in the United States?

And, I guess, I can read the second one if you're taking notes. From the EU's perspective, what actions is needed in order to have a competitive global shipbuilding industry?

MR. YOUNG: Thank you very much.

The first question, I probably suggest you defer to the EU government. Certainly, I'm not primed to respond on their behalf. But I think the message, which you have seen from some of the shipping companies that are very big to invest in -- on this side of the Atlantic, as well as on our side of the Atlantic, in terms of improving the resilience and strength of the sector.

When it comes to distortions, I think basically, we -- I would direct you to some of the points we made in our written comments, in particular the reference we made to the work that has taken place in the past in the OECD around principles for, shall we say, fair, transparent and reasonable support of the sector, as opposed to distorted support of the sector. We would say, basically, it's good to have rules of the road, knowledge of the actors who are present in the sector among what it is a, if you like, a reasonable and understandable set of instruments to support the competitiveness and the strength of the domestic sector, and equally, some of the rules of the road around principles, practices, which would not fall into that category. And I think it is important to see if it's willing to work with like-minded countries around this. Also, of course, at a certain time, all actors might need to be involved or, at least, need to reach a common understanding around how to treat those countries who don't obey by that same set of rules.

MR. SALKELD: Thank you.

MS. BARNHART: Megan Barnhart, the Department of Energy. My question is for Mr. Kravitz.

You asked for a phrased or delayed implementation. What schedule would you propose for the phrased approach?

MR. KRAVITZ: I think it would take, in terms of ships on order from China, definitely a couple of years for owners to be able -- because those orders aren't easily canceled -- to figure out how to reconfigure their fleets to deal and put American exporters in a position where they're not harmed. So I think a delay of one to two years to try to implement this would be fair.

MS. BARNHART: Thank you.

MR. SULLIVAN: Mr. Giberga, how would the proposed fee structure impact outer continental shelf operators and what modifications to the proposed action do you suggest needs to be made to make clear that operations on the U.S. OCS are covered?

MR. GIBERGA: Yes, thank you for the question.

I think, first of all, it's important to understand that many of these ships that come and work on U.S. outer continental shelf don't call into port; they stay offshore. And so, once they have arrived on the U.S. outer continental shelf, within the economic zone of the United States, they do give a notice of arrival to the Coast Guard, and so the Coast Guard have awareness that they are in our domain, and I think it is at that point, that these need to begin to be assessed on their presence. As Mr. Smith pointed out, one would be a daily fee, but something needs to happen at that point.

What we do not want to see is that these ships, just because simply of unawareness, that they are part of this overall problem, receive essentially an exemption from the proposed action.

MR. BAUNACH: Leo Baunach, U.S. Department of Labor.

Similarly for you, Mr. Smith, could you talk about some of the practicalities of how the United States could impose a fee on Chinese vessels that do not make port calls?

MR. SMITH: Yes, thank you for the question. And again, I appreciate the ability to testify here today.

In our written remarks, we provide two proposals, and as Mr. Giberga said, we'd be open to others. We see that notice of arrival is one way. Per U.S. law, foreign vessels have to provide a notice to the Coast Guard 96 hours in advance of their arrival; that provides a ready-made way. That notice is made, per the regulations, by web portal, e-mail, fax, phone, or other possible sources. So that provides a ready-made source.

Also, by U.S. and international regulations, all vessels are required to utilize automatic identification system or AIS. Anyone with an internet connection can have access to that AIS data. It's very easy to set up a fencing system that when they cross over onto the EEC, the meter starts running.

MR. VAN PATTEN: Thank you, Mr. Smith.

Tyler Van Patten, Department of the Treasury.

My question is for whichever of you would care to answer. Quite simply, how else would each of you propose to build the U.S. shipping and shipbuilding sectors?

MR. GIBERGA: I heard earlier commentary today about dismantling the Jones Act and I think that's the worst thing you could possibly do. The U.S. shipbuilding that does exist today, it exists because of the Jones Act, and the Jones Act works well for domestic shipping. We have a very vibrant community of shipyards that build increasingly sophisticated levels of ships that are used mostly in our domestic commercial and sometimes, in our foreign commerce as well. So I would certainly begin by doing no harm in what we have.

I think that there are opportunities to finds ways to increase the incentives for using U.S. bottoms in export and import. And to find ways in order to incentivize U.S. owners to order ships from U.S. shipyards. It's a little bit of a misnomer and a little bit of a cart-before-the-horse problem to say we want to revitalize U.S. shipbuilding without thinking about who is the customer of the shipyard. Well, that would be us, we're the shipowners. We take the economic risk of building a very capital-intensive asset that has a 20 to 30 year useful life that we have to employ in business. So I think taking your lead from what is it that owners require of U.S. shipyards would be a good place to begin.

MR. BAUNACH: Leo Baunach, U.S. Department of Labor.

Mr. Giberga, Mr. Smith, you both

referenced some of the differences in working conditions in terms of employment for mariners on Chinese-owned vessels and Chinese-flagged or otherwise foreign-flagged vessels. Could you speak a bit more about the differences and conditions these workers face when they're doing offshore work?

MR. GIBERGA: Sure. I'll take a shot first. I'll take a shot first, and Mr. Smith can follow up.

You know, where we see it, because we're a U.S. company, everybody working on our ships, whether they are foreign-flagged or U.S.-flagged, if they're in the United States, they have a U.S. crew on them. Okay. So that means they're being paid at the U.S. wage scale. They are receiving all of the benefits required by law and being competitively provided among U.S. shipowners. They are also protected by the other Jones Act, which is the liability part of the Jones Act. It's essentially a very protective workers' compensation scheme in the event that they're harmed. So that's the U.S. mariner.

The cost for a U.S. mariner, the cost for a master on one of our unlimited tonnage vessels, roughly $1,000 a day. You can take that cost for a foreign-flagged vessel, it may be a Norwegian-flagged vessel, but the master on that vessel may be Polish and Ukrainian/Eastern European, and he may be making $500 a day. As you work your way down the scale, you will find people working on that ship that are making $3 an hour, effectively, well below any international recognizable liveable wage, certainly below the wage, prevailing wage in the United States. So it is a massively unequal playing field for those mariners versus our mariners.

MR. SMITH: And if I could, I would just add to that, that, as we said in our testimony and as Mr. Giberga is alluding to, that cost is just compounded daily. Quite a few years ago now, I believe, in 2021 -- and it is referenced in our testimony, in our prepared testimony -- we did a survey between -- we got a bid from a foreign crewing agent and then from a U.S. crewing agent for a smaller-sized offshore energy vessel. The foreign crewing agent provided a bid with workers with a special kind of visa that foreign mariners utilize; that, you know, there were numerous positions on that berthing sheet that were making less than $30 a day, working in the United States for an extended period of time. Obvious, that was not something that Mr. Giberga's company can pay, that is illegal, and you would not be able to find a U.S. worker to accept it. So it is an exploitive wage rate, not only exploited of our market but exploitive of the workers as well, and that is -- it's just a daily compound cost that drives business to foreign tonnage when there is U.S. tonnage available.

MR. GIBERGA: If I could just add one note. 60 percent of the daily operating cost of a U.S. ship is wage grade, so, you know, it's -- that's the ball game; that's where the number is.

MR. HARTNETT: Chris Hartnett, DHS.

Mr. Smith, I'd like to start by thanking you for the comprehensive written testimony you submitted, the options laid out and, in particular today, bringing out the civilian military fusion of the Chinese shipbuilding even in sectors that are sometimes providing offshore energy, especially in that testimony you provided a little further.

If the fees are implemented, where could they be redirected to create a maximum amount of sort of offset in -- to the U.S. side? You just mentioned mariners to the crewing costs. Would it be something along the lines of an operational differential? Would it be more along the construction side, cutting down those costs? If these fees are collected, where can we actually apply them to make the most difference?

Thank you.

MR. SMITH: Certainly, and thank you for the question.

I think there are three sources that we need that capital to help compete and I think that there have been numerous proposals recently that have come out that have focused on that shipbuilding side and that mariner training side. Those are both great and I think those are two sources that should receive funding. But both of them are missing a middle component, and I think the middle component is actually the most important component, and that is the shipowners. A mariner needs someone to sign the front of their paycheck in order for them to come willing. No one is going to come into this industry, you know, betting on a call. They're going to come in because they have a lucrative position that can provide a family with a supporting wage, so they need a vessel owner that's commercially viable to provide living wage.

Additionally, there's been a lot of focus on shipyards; that is great again. But shipyards, they're not building on spec. They need someone to put in an order. So there has to be something and, yes, like we've alluded to and like you're trying to, it is an operational, not necessarily even on the CapEx side but on the OpEx side, because that daily crewing differential and the daily regulatory delta between regulatory compliance costs for a U.S. vessel owner versus a foreign vessel owner just compounds on a daily basis. We need to address that and that goes to the vessel owner, not the shipyard or the mariners.

MR. SULLIVAN: Mr. Young, you have addressed how we should look at our remedies and expanding our shipbuilding industry, but I'd like to ask what has the EU done to address these issues with Chinese shipbuilding?

MR. YOUNG: Well, I think we have also seen in Europe some of the same impact on our domestic shipbuilding sector as has been visible here. First of all, ships stopped being made in Europe and started to be made in East Asia and Japan and Korea and increasingly, in China, and obviously, still in Japan and Korea, but with China taking a larger share of the market globally, as this exercise also has shown.

We still have a shipbuilding sector that is still active in certain niche markets, large cruise ships, for example. I mean, you can't can carry bulk cargo on those; you just carry passengers having a good time. Obviously, we are interested also to support and preserve our shipbuilding sector while we still have a comparative advantage and a capacity. And as I said in responding to the previous question, we are very open and willing to work with U.S. around rules of the road for the sector in terms of what sort of the government intervention makes sense, also what sort of government intervention should be challenged, and take the previous work that has been done in OECD as a starting point to refresh and update and modernize that to face today's world. So we're very happy to try to have that conversation with the U.S. and other countries who are interested to engage in that. And we certainly encourage you, in your deliberations, to think about the international dimension of this and see the EU as a potential partner in taking this forward.

MR. SULLIVAN: Thank you.

Second question regarding the concerns on the cargo reservation industry. You mentioned that the U.S. would be at odds under our obligations under international law. Do you think that China is also obligated by the same international laws?

MR. YOUNG: Well, we -- some of the instruments that we have in mind are ones which the U.S. and the EU have joined but not necessarily China, such as in the framework of the OECD, for example. I think basically we all also have an interest to consider the correct response to competition from third countries, including from China, where that competition is unfair and distorted and may rest on non-market practices and policies that are not just impacting this sector but others as well.

So, again, we have in Europe, certainly in a number of areas, developed toolkits to address Chinese -- China markets challenge. And I think, as I said, in our own shipbuilding sector, we are left, for the moment, with a relatively narrow production zone and, of course, we wish to preserve that and make -- ensure that its global demands are still met.

MR. SULLIVAN: And would you find that OECD is effective in countering any unfair practices by members or also nonmembers?

MR. YOUNG: Well, I mean, we know OECD is a form of or some form of -- more of rules of the road than many, that may need to be reinforced with sort of positive action, which is adopted by individual countries. But I think it is also, in the first place, a good forum to, at least, kind of launch that discussion and see how quickly you can advance it on that track.

MS. BONNER: Thank you. Sarah Bonner with the U.S. Small Business Administration. Thank you all for your testimony. My question is for Mr. Kravitz.

Mr. Kravitz, in your following questions, you stated that having a delay of one to two years will help small businesses to progress. However, our committee is also looking at the rebuilding of the U.S. shipbuilding industry. Could you share what kind of adjustments would businesses need to take during that time of one to two years that would lead to that being a necessary delay? What kind of delay or incentives would help increase U.S. shipbuilding?

MR. KRAVITZ: I think that that would give time for, if a two-tier market is going to develop, for -- to understand how it's going to operate and who along the chain is going to bear the risk and how it can be priced in to products that are exported and imported. So there's some time to plan for how it's going to happen.

In terms of developing the U.S. shipyards, I think there were some interesting ideas that came out of the first panel about significantly lower fees across the board for foreign-flagged ships, and that can correlate with the delayed implementation and maybe a different scale for Chinese-built ships and operators. But that is certainly a revenue stream to going into a revitalization fund. Again, those are 30,000-foot answers about how you incentivize a yard or recruit mariners. As it was mentioned, it's a chicken and egg problem. You know, yards don't just build ships; you need to have a customer base and shipowners, and so there's a whole chain that needs to be put into place.

MS. BONNER: Thank you.

MR. HARTNETT: Mr. Young, could you please describe the EU's views as it relates to blocking and any actions it has taken or considered taking as it relates to --

MR. YOUNG: That one, I'm afraid I have to take on advice and get back to you. I'm not in a position to respond today.

MR. AU: Thank you to each of you for testimony and your participation in today's hearing.

That will release Panel Eleven, and we will go for a short break, five-minute break, call it 2:21.

Thank you.

(Recess.)

MR. AU: Thank you. I'd like to welcome Panel Twelve.

Mr. Davis, we'll start with you.

MR. DAVIS: Hello, esteemed panel. Thank you very much for the invitation to testify.

I'm Carey Davis, president and CEO of the American Association of Port Authorities, AAPA, American's trade association representing 81 public ports from coast to coast. Our members are large and small, they move cargo of all types. We've been representing this industry in Washington, D.C., for 112 years.

America's ports are responsible for $2.9 trillion in economic activity and 22 million American jobs.

Let me be clear, I understand our collective mission here. I worked on Section 301 when I was an appointee at the International Trade Administration in the first Trump Administration. I understand what unfair trade looks like, which is why

I want to make sure that the remedies get us to where we want to go, which is a revitalized American shipbuilding and maritime industry.

As an industry, we're doing our part. We have a DOL, a Department of Labor apprenticeship program which over the last five years, we've trained 116 shipbuilding apprentices, and 1,080 ship handling apprentices.

I'd like to suggest that we shift the paradigm of these remedies. We need to punish those who do business with Chinese shipyards, not those who want to do business with America, especially in our ports.

First, I want to talk about how our supply chain interacts with international shipping routes and how the proposed remedies would upend this system. Most container vessels delivering cargo from overseas make at least three port calls in the U.S. on each voyage. This allows carriers to unload cargo as close as possible to its destination and key freight corridors. At the other end of the spectrum is the highly-focused supply chains, like we heard with the Dole witness earlier.

American ports are always in competition with their counterparts to the north and south. With ports on either side of our borders jockeying to lower fees, reduce wait times, and move cargo as fast as possible. The remedies, as proposed, would divert cargo to Canadian and Mexican ports, as we've heard for two days.

Most concerningly for our ports, and this is the main point, the proposed fees would incentivize ocean carriers to consolidate traffic to the nation's largest ports, while cutting out small and medium-sized ports from their routes. This would cause significant congestion in large ports and collapse the business lines at small and medium-sized ports. The results would be higher inflation, more unemployment, and higher trade deficits.

We contributed to a study that you've heard a lot about over the last two days conducted by Trade Partnership. If the proposed remedies were implemented fully, and this is shocking, U.S. exports could decline by 12 percent. Agricultural exports will be especially hard hit, causing farm household income to fall by 16 percent. The export of petroleum and coal products would also decline by 8 percent. Adding a fee as high as three and a half million dollars per port call would make many foreign alternatives much cheaper than U.S. exports.

American goods would be priced out.

An unintended consequence of the proposal would be to underachieve on the President's promise to unleash the American energy industry.

While not specifically named in the proposed remedies, ship-to-shore cranes are directly related to this conversation. AAPA is working directly with the federal government to bring production of ship-to-shore cranes back to America. However, it will take years to stand up to production. In the meantime, tariffs on Chinese ship-to-shore cranes are simply a tax of port development. We respectfully request that the Trade Representative remove the last administration's 25 percent tariff on this critical equipment until American industry has time to stand up to production facilities.

To bring this all home, I want to highlight a few principles that I urge the USTR and the interagency -- sorry about that -- to consider as you rewrite laws.

First, any remedies that seek to revitalize American shipbuilding should punish future orders from Chinese shipyards. That's what we want to disincentivize. We should not punish companies that want to do business in the United States, especially in our ports.

Second, we need to head off any cargo diversions in ports of Mexico and Canada. Not only will this cause congestion in our supply chain by clogging truck and rail corridors, it would outsource American jobs to our neighbors.

Third, any final remedies cannot include fees assessed through a port call; doing so would threaten to close small and medium-sized ports, increase congestion at large ports, and cause chaos throughout the supply chain.

Fourth and finally, just consider that, based on my understanding, Section 301 gives the Trade Representative the authority to regulate only American imports, not exports.

AAPA supports measures to revitalize American shipbuilding and we need a forward-looking business friendly policy.

Thank you for inviting me here today and I look forward to your questions.

MR. AU: Thank you, Mr. Davis.

Mr. Jenkins, please.

MR. JENKINS: Thank you for the opportunity to provide testimony. My name is Charlie

Jenkins, CEO of Port Houston.

Port Houston serves as the nonfederal sponsor for the Houston Ship Channel, the nation's number one port in the nation's number one export region, handling approximately 12 percent of the country's total waterborne tonnage. We have as many ocean-going vessels transversing our channels as the ports of LA, Long Beach, New York, New Jersey, combined, and many more barge movements. Our purpose is to generate maritime jobs for the region, Texas and the nation. The Ship Channel is home to eight public docks and over 200 private facilities. It is the nation's petrochemical capital, and collectively, we generate over 3.4 million American jobs, for 900 billion in annual economic impact, over 63 billion in national tax revenue, and we generate much economic activity, as well as being the energy powerhouse for the country.

We support the administrative's goal; however, we must encourage the administration to work with our industry to develop a path forward that minimizes unintended consequences on American workers, exporters, and consumers from such immediate potential implementation of these fees and tariffs. Our manufacturers need time and support to develop effective alternatives.

As an example, currently, the only viable ship-to-shore crane options for Port Houston and other U.S. seaports are those produced in China. A small fraction of these cranes are produced in Europe. This 25 percent tariff amounts to approximately $4 million additional costs per crane. Port Houston began the process of acquiring new cranes in 2023 before the announcement of a possible tariff. Pending an exemption, we now face a $28 million tariff this coming year. These cranes were formally ordered in July of '24 and expect to be delivered in early 2026, and this cost must be passed on through the supply chain. We don't have another option.

From our best data from crane manufacturers, we have been presented with a minimum three years needed to develop a single proof-of-concept ship-to-shore crane manufactured in the U.S. and approximately ten years to develop the manufacturing capacity to produce any significant number of cranes to purchase. To put this into perspective, we have an order book of 22 cranes over the next six years just at Port Houston; with a current age of 30, that's over $100 million of potential tariff liability without a viable alternative. The remainder of the U.S. ports have over 200-plus port cranes in the order book planned for the next six years, which is over $700 million impact, without a potential option. We respectfully request that the previous Trump Administration's recognition of these challenges, an exemption of the ship-to-shore crane and cargo handling equipment from Section 301 tariffs be reinstituted. We ask for re-examination of this exemption as we wait for proof-of-concept and domestic production to actually produce a viable alternative to the crane Chinese product.

We believe providing U.S. companies incentives to nearshore or reshore STS cranes is the pathway forward. As we wait for viable non-Chinese options, we propose issuing an annual waiver process with a comprehensive review of available cranes to meet U.S. demand. When we have sufficient alternatives, the waiver should end. This annual period would give ports and marine terminal operators time to plan and prepare for the shift in the ship-to-shore crane supply chain.

Regarding the proposed fees on Chinese-manufactured vessels, a much larger issue, many of our industry partners and customers have spoken to this committee and have sent data to help quantify the effect of these fees. For example, when we break down the potential cost for an import container of 20 to 30 percent, that equates to a cost of doubling in export containers. An export cost is about a third of the cost of an import container in the United States and Houston is one of the largest exporting ports.

These fees would also impact the energy and chemical sectors, both on the import and the export side.

Crude tankers, product and chemical tankers, and LNG carriers would all be negatively impacted by these proposed fees. Currently, only three countries -- China, Japan, and Korea -- are capable of building a complex chemical tanker, and it's estimated that a U.S. version would cost six times the cost of building in these other markets.

In conclusion, we wholeheartedly support the administration's end goals of strengthening domestic manufacturing and reducing America's dependency on China. We ask that you work with us, in our industry, to identify the time and steps needed to successfully lead this transition both for the crane example and for vessel manufacturing.

A potential solution could make this be forward-looking at new vessels to be ordered, with the grandfathering of existing vessels. This would reduce immediate unintended harm to American ports, workers and exporters while moving us closer to our shared end goal.

We appreciate your team working with us and welcome the opportunity to further --

MR. AU: Mr. Jenkins, I'm sorry, your time is up.

MR. JENKINS: Yes, sir. Thank you.

MR. AU: Mr. Bentzel, please.

MR. BENTZEL: NAWE is a non-profit trade association whose member companies are privately-owned stevedores and MTO operators, both public and private, and other U.S. waterfront employers. NAWE s member companies engage in business at major U.S. ports on all coasts, Great Lakes, and Puerto Rico. With over 50 members, NAWE s membership handles the vast majority of the nation s containerized trade, a substantial portion of the nation s breakbulk trade, and a majority of the nation s cruise ship passengers. NAWE's members handle the nation s supply chain. Any action impacting trade through our ports will first be felt by the members of our association.

We've reviewed the section of -- the report on the Section 301 investigation and can find no fault with the report. Previously, I had the privilege of serving as a federal maritime commissioner, where I investigated the Chinese market domination and the maritime container manufacturing market, and I believe there's a trade basis for action against Chinese-controlled companies in the U.S. maritime, logistics, and shipbuilding sectors.

While there is a basis for trade actions, I would suggest that the penalties could also have negative consequences to my association members and the United States economies, in general. The U.S. economies depend on services of my members to a degree that I believe few in the public would understand. Most of our nation's retail products flow through marine terminals, as do the components that are used in U.S. manufacturing, food production and delivery, chemical and chemical product delivery and healthcare product delivery. The nation relies on just-in-time delivery of services that would have been unfathomable 40 years ago and the interconnective nature of our trade requires high levels of synchronized in the movement of cargo.

One only has to look back at the pandemic, when we had congestion in the shipping, where the spot market rates of containerized shipping increased by 1,500 percent and delivery took three times longer, handling 27 percent increases of containerized cargo. The result of that pandemic was inflation, costing the U.S. economy trillions of dollars.

The proposed penalties of 1.5 million per ship call for Chinese-flagged and Chinese-built vessels could increase the cost of 40-foot container movements by anywhere from 1,200 to 1,600 per container. This increase might not adversely impact higher-valued commodities, but for lower-valued commodities or commodities that have lower pricing elasticity, this could be crippling. NAWE represents companies that rely in rate bulk shipping services and trade on small margins. Failure to exempt this type of service could destroy the trade. Similarly, smaller-sized container shipping lines with less volume could also be disproportionately harmed and we would urge similar exemption for this trade.

Perhaps a greater concern is potential market concentration and consolidation. NAWE members invest millions of dollars in marine cargo and handling equipment in fixed locations. Ocean carriers, by their very nature, can adjust to trade and can adjust -- to avoid cost impacts, will adjust in a way that a terminal cannot. The shipping lines make decisions to alter the frequency of service, or cancel, consolidate, or reduces sailings, which will materially impact the services that are provided through our terminals and cause harm to our businesses. This would be especially harmful to those maritime terminals located in the medium or smaller-sized ports.

NAWE would recommend avoiding potential port call consolidation by adjusting any penalty or fee from a per-visit assessment to a per-voyage assessment. This would remove the incentive to consolidate port calls.

In the event a determination is made to issue penalties, we would stress the need to ensure that cargo is not diverted from U.S. ports to maybe Mexican or Canadian ports. Already U.S. ports suffer cargo diversion because of the imposition of the harbor maintenance tax. For example, in 2005, around 5 percent of our cargo imported in from the West Coast was imported through Canada to Chicago, a major intermodal shipping gateway. Now, well over 50 percent of the intermodal cargo is going into that market. It is NAWE's position that both the HMT amounts and any proposed penalties should be assessed on land-bridge cargoes.

Our association supports and we have members that are engaged in cargo handling equipment and the supply of services to the United States and to my industry's members, so we're supportive of what we're trying to do here. We believe that if the penalties are assessed, they should be redeployed to sustain the base -- the maritime industrial basis transition to a new economy.

So with that, thank you for the opportunity to talk and thank you very much.

MR. AU: Thank you, Mr. Bentzel.

Mr. Kochanowski.

MR. KOCHANOWSKI: Thank you.

My name is George Kochanowski, president/CEO of Staxxon, a company with a bold solution to a pressing challenge: China's overwhelming dominance in the maritime supply chain. As your Section 301 report highlights, China controls over 95 percent of the world's production of shipping containers, a group that threatens our economy and national security. As you have heard over and over during these last two days, and I'm borrowing from my friend Mark Levinson's book, The Box, "The shipping container made the world smaller and the world economy bigger", and yet, the Section 301 does not talk about the container itself.

Today, I'll introduce Staxxon's patented folding shipping container, made-in-the-U.S.A. innovation that slashes costs, eases port congestion and revitalizes our steel industry, offering a path to reclaim American competitiveness in shipping.

Let's start with the stakes. China produces 95 percent of the global shipping containers, 86 percent of the intermodal chassis, and 70 percent of the ship-to-shore cranes. During the pandemic, their production soared from 3 to 7 million TEU, ensuring their exporters thrived while American almond farmers -- about 1.1 billion pounds, I might add -- in California, soybean growers in Ohio, and cotton producers in Texas couldn't get containers to ship their goods. This wasn't an accident. China prioritized their supply chain, leaving ours vulnerable. The result: Lost businesses, stalled exports, and a stark reminder of our reliance upon foreign manufacturing.

South Korea, India, and Vietnam are now building their own container manufacturing industries for national security; we must act too.

At Staxxon, we have developed a ISO-compliant folding steel container that tackles these challenges head on. Unlike traditional containers, ours fold when empty, reducing the volume by up to 80 percent. Five folded containers fit into the space of one, transferring how we move and manage intermodal logistics.

Repositioning empty containers costs the industry over $30 billion yearly, with the consumer picking up the tab. Our design cuts that by 75 percent, saving $20,000 per container annually. Despite higher upfront costs due to U.S. labor and steel, the return on investment with that kind of savings begins within one year.

For those that don't know, we exported 17 million TEU in 2022 empty. We were and are the biggest exporters of nothing; that wasn't cheap and there was no ROI. With 80 percent less space needed for empty containers, we free up clogged ports, boosting efficiency where it's needed most. Recall all those ships off the California coast with maximum, overflowing empty containers, yet California almond farmers couldn't get their hands on any empty shipping containers.  This isn't just a better container, it's a better system invented and patented in the U.S.A.

Beyond logistics, our solution strengthens America's industrial backbone.  Building three to four million TEU every year, we demand 30 to 40 billion pounds of steel, breathing new life into our steel industry.  That's thousands of jobs in steel towns, creating a ripple effect in economic growth. Let's not forget millions of linear feet of flooring and millions of gallons of paint.  Unlike shipbuilding, which could take decades to scale, container production can start within a year and deliver results fast.

Here's the game changer, because our design offers unmatched efficiency, the global shipping industry, all carriers, including Chinese carriers, would need to buy American to stay competitive.  I applaud your efforts, but fees alone won't solve our container shortage or ship production overnight.  Staxxon's folding containers complement these measures with an immediate impact.  One container made in the U.S.A. doesn't replace a Chinese one, it sets a new global standard.

So here's my call to action, pay a variant of your docking fee strategy with a push for domestic container production, starting with Staxxon's folding design. Support us with incentives to scale manufacturing and watch the benefits unfold: Thousands of steel jobs, billions in savings for U.S. shippers, which can be shared with consumers, a stronger, more resilient supply chain free from foreign control. Let's not respond to China's dominance, let's outpace it with American ingenuity.

Thank you.

I'll leave the last paragraph off.

Imagine taking an American shipbuilder and an American most efficient container and now you can compete in the global marketplace.

MR. AU: Thank you, Mr. Kochanowski.

And I'll turn to questions from the panel.

MR. COOK: Ian Cook, Department of Commerce. This is for Mr. Davis.

What are your thoughts of the best way to facilitate a transition away from reliance on Chinese --

MR. BURCH: Can you pull the microphone up closer?

MR. COOK: Sure thing.

What are your thoughts on the best way to facilitate a transition away from reliance on Chinese equipment and technology?

MR. DAVIS: Thank you very much for the question. It's something that the trade association and the industry grapples with every day. I'll be the first to admit that maybe shipbuilding, per se, is a little bit outside my zone and the zone of the port authorities. But we know this issue very well when it comes to ship-to-shore cranes and other cargo handling equipment, imagine other crane types, forklifts, et cetera, et cetera, trucks, et cetera.

So in a nutshell, we've worked a lot with many of the departments that are represented on this very panel, in deed, we have worked on a future demand study funded by the Maritime Administration with the U.S. DOT to first take a look at, okay, what's the future market approach of ship-to-shore cranes and entry cranes and forklifts over one year, two to five years, and six years? Okay. Now, let's bring the domestic and foreign crane manufacturers that are doing business in the United States all to the same table to talk about, hey, is this a juicy enough demand signal to do some business here in the U.S.? Hey, federal government and Congress, are there some financial incentives that we can -- some manufacturing incentives that we can throw into this game? And we're working on that continually, and I'm not prepared, at this second, to talk about it, but we're working on legislation, basically, to support manufacturing.

One of my fellow panelists has proposed legislation on the Capital Construction Fund, which was also mentioned earlier, in another tax preference investment mechanism through the federal government for domestic construction of equipment.

So I'm just throwing out a few ideas and a few steps along the process, but these are all the types of things that the industry is doing along this sector.

MR. COOK: I guess kind of connected to the larger conversation a little about cranes, and I'm curious if there is a connection with shipbuilding, is there some kind of overlap or, you know, zero-sum game when it comes to -- you know, I'm thinking of crane construction occurring at facilities that would be also used in shipbuilding or other like large industries. Are you aware of any overlap or like a situation where someone would have to kind of choose either to be in crane manufacturing or shipbuilding?

MR. DAVIS: I think others are going to know a lot more about this than me. But on the surface level, I think there is some colocation ability where a shipyard/heavy industrial manufacturing facility can make vessels of a certain size, maybe not the world's largest, but vessels of a certain size, as well as cranes. And in fact, part of the issue with ship-to-shore cranes is they have to be produced near the water because that makes it feasible for them to be delivered to ports, certainly with shipbuilding, of course. So I think there's some -- theres' some marriage there, but I'd like to get more information on that and respond in my post-hearing.

MR. COOK: Thank you.

MR. JENKINS: Yeah. First off, I'd like to take a quick stab at your first question. I'll give it four words: Develop viable alternatives. That's the key of re-sourcing of those activities.

The cranes and the ships have very, very similar issues: A lot of steel, a lot of welding, a lot of drives and motors and whatnot. But one of the issues in play is the amount of sophistication and specialty of each of these different things. There are many, many, many different ship types; some are very, very complicated, like a chemical tanker, that's never been built in the United States, or a cruise ship is also very complicated, where a tanker is actually fairly simple, in respect to the two. So one thing is dilution is always a problem in excellence. So, yes, you can combine them. My strong preference would be separate groups focusing on the various activities, just for the economic benefits.

MR. BENTZEL: So I -- I looked at this issue back 20, 30 years ago, and one of the two issues that we identified as cross issues was the steel subsidies that are being provided in China. I think they're about 270 percent. I think USTR comes up with the calculus on that. But that's a substantial portion of two-thirds of your vessel is attributable to the cost of the products that you use in the construction; that's the issue.

The other thing that we looked at is the U.S. market didn't sustain volume quantities that would allow us to learn how to build more efficiently. So engaging in serial production over and over again of the same type of vessel. The estimate is it could reduce the cost by 35 to

50 percent if we had a series of productions of a particular type of vessel. So I mean, I think some of the things that Carey mentioned with respect to financing for equipment that we get access to, so maybe some of the programs with the United States Government pulling resources to do and trying to purchasing, for instance, to increase the purchasing power to try to combat those subsidies. But there's a number of things that could be done, but it will take time and, frankly, there will have to be some accommodation for transition.

MS. BONNER: Sarah Bonner with SBA's Office of Manufacturing and Trade. My question is going back to Mr. Jenkins.

Could you also share if you have any suggestions on how the proposed action could be altered to incentivize alternative sources for ship-to-shore cranes?

MR. JENKINS: If there is a requirement then -- or if there is a tariff that will be in play when we have capacity, I believe that in part will incentivize companies to make the investment on that bet. The problem is the bet and the consistency of the commitment, so we need to figure out how to make a long-term enduring commitment where they can get a return or guarantee of their investment in return, that's one of the challenges.

MR. BAUNACH: All right. Leo Baunach, U.S. Department of Labor.

Mr. Bentzel, could you comment on the risks of a passthrough cost of the fees and the remedies on ocean carriers to cargo owners and consumers, and do you have views on how these fees can be designed to prevent or minimize an event?

MR. BENTZEL: So the general equation is that transportation costs attributable to a particular product range from about 2 percent to 10 percent. So it's a relatively small portion of the total land and cost. And I'll give you an example on the 2 percent or less side, if you have a 40-foot container that's taking Levi's jeans into the United States, you can get a lot of Levi's jeans in that container and those will be sold for $100. So your transportation costs and increases are more manageable.

If your scrap paper or other commodities that trade on the margins, that is a much higher percentage of costs. So the weight -- even though all costs will contribute to the transportation cost, there are certain markets that can bear the additional cost more. And so I think you need to identify a fee structure, if you're proposing a new fee that would exempt those portions that are more reliant on that transportation service as a larger component of their cost because that will affect our ability to compete as a nation in those markets. Other costs may be capable of being absorbed.

We know that the ocean carriers will attempt to pass on costs as a result of the fees and penalties. The Federal Maritime Commission, where I worked at, is entitled to look at any charges to determine whether they're reasonable. So there is some level of ability to protect against unreasonable fees, but my experience has been there's always a transition based on supply and demand on when those fees will be transferred to a shipper or consumer based on the market. If there's a lot of space on a ship, then those costs are not transferred to the consumer or the shipper, they're eaten by the carrier.

The market and shipping has been depressed over time, until the pandemic when it went way up and then it went way down a little bit. So it's a variable market in terms of the ability of the carriers to pass along those costs. But it's more important to address those aspects where transportation is a larger component of the costs and the competitiveness of the costs.

MS. BONNER: I would just like to ask Mr. Kochanowski.

MR. KOCHANOWSKI: George works real well.

MS. BONNER: Thank you. Thank you for testifying. I believe you're a small business owner on the panel. Could you also share if you have further ideas on how the proposed action could be altered to incentivize more use of containers that are made in the United States?

MR. KOCHANOWSKI: Well, I'd like to preference my answer in helping these guys out. If we produce 30 to 40 billion more pounds of steel, the overhead and absorption will be greater and lower steel cost to help the shipping industry. When you -- so that's a big help. Especially something like a high quality steel plate, you will be able to -- we are producing a lot more of it and you already have a consumer and if we are producing 4 or 5 million containers a year, that's like razor blades, every year. It doesn't matter. So all the costs and absorption is there, which then drives them to becoming more competitive. So a container from

China costs four grand, I can't buy -- pay a ton -- four tons of steel in the United States for $4,000. So I have to have an economic reason to drive the cost down with a full container. If there are trucking fees -- an empty container still costs money, the chassis, the driver, the stacking, the management and all these other things. They're just hidden, billions of it disappear. So by having -- and unlike these businesses you can distribute them around the country where you can have fabrication in multiple places. For the export industry and agriculture, you would have an empty container ready to ship anything outside out of the United States any time, which is not available today and there's a big cost for that. So in the small business administration, you can incentivize all kinds of industries to make the locking rods, the rubber and all those other things which are not in the United States today. A 100 percent of our containers brought by the DOT is made from kids in China. We need to move all that over to the United States. So I hope I've answered your question and provided some additional info. From a pure business standpoint, increasing steel production in the United States helps every single one of these other considerations.

MS. MADELL: Thanks. Mary Lisa Madell, from the Department of Transportation. I have a question for Mr. Davis, maybe a little bit of speculation, how do you think a consolidation of port calls could shift truck and rail routes within the U.S.? So interested where you think you would see the biggest issues with disruption of routes or congestion if there were fewer calls on small and medium ports --

MR. DAVIS: Thank you very much --

MS. MADELL: -- on the land side in the past?

MR. DAVIS: Thank you very much for the question. You are probably hitting on the single biggest operational hang up that we have in the case, which is trying to deal with the consolidation and congestion at the large gateways. So I don't like naming names, but we can all imagine some of the largest gateways that would becomes the hubs for the carriers with the largest amount of port call, whether it's here in New Jersey or Savannah or Norfolk or Houston or LA/Long Beach and then, you know, just about any other medium or small port would get skipped over. If this proposal gets put into place as written, that's what would happen. Of course, there is some ability for the trucking community to lead, you know, if they have choice, they can take -- and if they own their equipment, they can take their truck and go to one of those large ports and start doing their business there in trade, taking their cargo from another port city to wherever it is headed. Much more difficult to change rail routes because there's so much more fixed capital that's required there, so we would immediately see immense congestion on the rail lines that service those large gateways in an era when there's already rail congestion. I haven't been asked the question, I think the answer is kind of wrapped in the question.

MR. KOCHANOWSKI: If I can add a comment to the rail congestion. As I told a funny story, we could not get stuff onto our trains to move it out to the west coast because we were sending our empties back to Asia to ship Barbie dolls for Christmas. And if you could consolidate these empties, you'd create space on that congested train and make available for export or you can get the empties off the trains faster and make more transits with the same amount of capital investment you have today.

MR. JENKINS: If I could add a quick comment. In our market, low cost supply chain wins. And if you get into larger load ports and you lose some of the other ports, it's all about proximity to where cargo is coming. Some of that cargo would be shifted via feeder ship or barge to other ports. Some of it would go to trains and some of it would go to truck. It's all dependent on what the supply chain is or where it's going to or coming from, so it would hit all of them. The challenge with that is we do not have the road or the rail capacity in the United States to add that kind of volume quickly into our system. It would cause severe congestion in all of those modes of transportation.

MR. BENTZEL: Yeah, I would like to add -- the bigger -- the larger challenge would be stranded at costs. Right now the railroads really don't invest in railroad infrastructure at ports or terminals. They wait until we develop the railroad infrastructure. So, for instance, in Baltimore there's a $300 million project to carve out the tunnels to allow double stacked trains. And so Baltimore is the perfect example of a port that's used now that probably wouldn't be used as much because you have Savannah and New York as the alternative. So there would be stresses on the system and the development of the infrastructure to spread things out a little bit more and challenges in the loading port centers to handle additional capacity.

MR. BUTLER: Okay.

Thomas Au from the Office of the United States Trade Representative. Lauren's point I have a follow-up question that was posed yesterday, why would a vessel go through a congested port if there's a secondary port available?

MR. DAVIS: Sorry. Would you repeat the question?

MR. BUTLER: Yeah, why would a vessel be sent to an over congested port if there's a secondary port available?

MR. BENTZEL: So during the pandemic, congestion originally started in LA/Long Beach, the problem is in addition to the maritime infrastructure that we have, every large company has their own logistic services in distribution centers and they're usually centered around those load centers where they service. They're extremely reluctant to change to another facility where they can't replicate all of this other land side infrastructure put in place. So when they make a decision to move, it's very -- it's very difficult for them to do that because they're going to have to replicate all of this land side distribution and warehouse. So it's a large network where they have their own infrastructure that they use for the commitment of their products throughout the nation and so every time they have to shift, it's traumatic and has additional costs. So during the pandemic, the reason we had 150 ships waiting offshore every day was because there wasn't any agility in the structure of movement and they just stayed there. And then they got -- they panicked and they started buying more and creating more congestion in the market, inequality and the ships weren't moving. So the market itself is reluctant to make changes to their shipping services.

MR. DAVIS: I only just add to that excellent answer and it might sound crass, but if the cost to the transport provider in dollars and cents and reputation is less than a million dollars that they would otherwise have to pay a million dollars if they go to that port, then they choose not to go to the small or midsized port and they'll absorb whatever reputational and ancillary costs they have to take to skip the port. In other words, it's a pure dollars and cents calculation to avoid it.

MR. SULLIVAN: So to follow up on all of this, it kind of -- would you confirm that this creates an opportunity for Jones Act trade to support secondary ports if we're at max capacity on land?

MR. JENKINS: In areas where it's a low cost supply chain. In Houston we have had many companies come in and try to start barge services and they cannot compete versus the truck under present U.S. laws. In Europe, where there's a higher diesel tax for trucks than there is for barges, it's a much more competitive environment. But if you just look at the supply chain costs, to get loaded on one side of our channel with barges, come across the channel and reload or from a nearby port, it's more expensive than truck even with the present level of congestion. So the answer is where it makes economic sense, it will expand that part of the Jones Act.

MR. BENTZEL: Yeah. I agree with Charlie. We do -- we have -- so the ports in Antwerp and Rotterdam, for instance, are huge import ports. I think Rotterdam and Antwerp and Hamburg are 90 percent of the European Union's services. And through their ports about 50 percent of their trade goes on container on barge services to the interior ports. And really because trucking is so competitive here, we still haven't been able to overcome that.

They had some policies in Europe where they wanted to take that cargo off the road, so they set up some structures to make the barge service commonly available to the big ports. But, yes, I think there would be opportunities to use, in particular, barge service for a container on a barge.

MR. JENKINS: Yeah. One issue is if that cargo is going to the region of that part, it has more probability. If the cargo is going further into the intraland, it's going to have a new shorter route into it versus going to that other port that had it before and then transfer it back to a different way. So it partly depends on where the cargo is going and many of our container ports are served in a much bigger market in the region. Where we're at 90 percent in the regional truck market, no other port is that way.

MR. HARTNETT: Homeland Security. Staying on this theme of congestion, but potentially from a different angle. Mr. Bentzel, your testimony indicates right now, 50 percent -- well over 50 percent of the incoming cargo that goes to the Chicago market currently is diverted through Canadian ports; that's very sort of illustrative of the diversion issues that you guys have been getting at during this hearing that we've heard of. If, as part of the remedy, HMT and other such fees are expanded to Canada and Mexico, even through collaboration or from closing the land port or assess land port management, should we be considering any form of congestion at U.S. ports as now it becomes more viable for that cargo to come through the U.S. ports? I understand it would be a good problem to have but how would sort of address that?

MR. BENTZEL: You know, so for instance, Pacific Northwest ports, Seattle, Tacoma can easily accommodate that. There's some diversion to Mexico right now. There's some on the Atlantic side. Canada has policies that are different from the United States. Their policies are going to focus on the development of one or two ports. And those ports, in particular, are structured to go after U.S. cargo. There's just not enough cargo in the United States. So they invest much more from a federal government speculative, you have to a have queen's franchise agreement to be in the international port. The United States, the U.S. Constitution says that the federal government can take no action to discriminate against any port and that was to set up the ability of each state to generate their own business opportunities.

I think there's plenty of capacity, especially for these northern tiered ports, they've been arguing for this for a long time. They have rail services that can get into Chicago adequately. I don't know -- a little -- Mexico is a little bit different in the southern border.

MR. JENKINS: Mexico has significant congestion, they'd have to do a lot of development to overcome that congestion, but it is a risk.

But I want to caution real quick, the conversation we're having right now are about consumer goods and containers and the majority of the products we ship in international trade are not containers. The chemical, the energy, those other products, are having a massive growth. We've become dominant in the United States in the international trade of the chemical and the energy market, in part of because of fracking, low cost feed stock, the retooling of our investments in the petrochemical industry, which has caused a significant increase in U.S. exports to the world market. Those products are in much more jeopardy than containers because of the specialty of their market and because of the cost of their transportation in the market. A number of your other speakers have commented on that. But I just caution as we talk about this, every segment of our industry has a little different perspective as these tariffs potentially apply to it.

MR. KOCHANOWSKI: Adding one more piece about it is, a ship from Shanghai makes it to Vancouver or -- in one day less in total ship transport. So that's an advantage for them as well, instead of going all the down to the coast of California.

MS. HASANDRAS: Rachel Hasandras for the Office of the United States Trade Representative.

This question is for Mr. Davis, although Mr. Bentzel might want to weigh in. How would you suggest the proposed actions be altered to minimize the impact on the transportation network?

MR. DAVIS: Yeah. Thanks for the question. I think I come back to one of the pillars I recommended towards the end of my testimony, which is get at the behavior that we're trying to penalize, which is -- the industry -- we would gladly work with U.S. tariffs to try to figure out the best way to do this, it's beyond what I can. But I'm sure it's doable. Find out when a purchase from a Chinese shipyard occurs and apply the penalty at that point, not when someone is coming to the U.S. to do business, i.e. -- calling on U.S. ports. That's the best way to get at the -- that's the best way to structure the remedy, that gets at the behavior we're trying to disincentivize while also, as you very well said, minimizing the destruction on the transportation network.

MR. BENTZEL: So I think we have to set up an incentive to ensure that we don't consolidate at a few ports that have a per-voyage fees as opposed to a per-visit fee. I believe we have to give some exemptions to those lower value break in bulk, commodities that would be altered in terms of market structure. I think we have to have a diversion fee implemented so that U.S. ports are -- continue to be used and I think that any money that is collected needs to be used for redevelopment and transition. So if we are paying penalties or we need additional support going forward, the industry can achieve that with assistance from the federal government.

MR. JENKINS: Yeah. I concur with both my colleagues here. I think those are very accurate answers. I also think it's very critical that we slow the change that the free economy can adjust effectively and find out ways how to adjust and minimize some of the impacts. And I do think grandfathering exists in vessels causing a stronger new fee at that point in time will allow us to transition in a much more effective manner versus a very fast transition and change and potential consequences.

MR. COOK: Ian Cook, Department of Commerce. This is a question for Mr. Kochanowski.

So in a former life, I was an expert pricing analyst, so my job was to avoid shipping error, as you were describing. And so I'm curious what is -- if you don't mind telling us about, what is the price point that you're expecting for one of your boxes versus a box that is manufactured in China.

MR. KOCHANOWSKI: In the cost analysis that we've done from lifts to moves to -- from lifts to moves and the steel and labor and all that, putting together the whole package, the total cost of ownership is what we focused on. And so what we determined is that even though the Chinese box is given away to use at zero dollars, you would spend about $30,000 a year repositioning it as an empty container. Now, that has gone up in the last 12 to 14 months as the cost of energy has gone up, cost of labor has gone up. As the volume of containers has gone up, the land has not gone up. So your ports are now shrinking that landlock, so there's not enough movement in there. So now if you can take that fee, let's say calling into Long Beach at $750, and now you put five containers on there, that's 250 per box. A lift at Houston the last time I spoke was about $400, so now you're accumulating, these savings go away. A ship loaded 50 percent faster on the way out is now slow steaming, slow steaming reduces the air pollution, a 10 percent reduction in speed is a 19 percent reduction in fuel costs. You do that enough times, you're going to take 70 million -- you're going to reduce the air pollution and bring carbon tax scenarios down significantly, you unload the ship faster. So when you take that all into consideration, under the harshest reviews from people from Coppenhagen to the U.S., I'm not allowed to use their names, and in Marseilles, they've come up with seven or eight thousand dollars using a folder containers. Every single container that has been tried all the way to Malcolm McClain were collapsible. It was the ingenuity of making the vertical one so that it can be stored anywhere is the significant difference. The numbers that you're talking about that you've reviewed, you've seen by companies from Holland, from -- China is now pushing one right now as well. But they collapse and they can stack high only and they're tough to move and they're unsafe. Whereas this design, anticipated this American ingenuity, so to speak, can solve the problem. So when you're looking at the difference between 7,000 and $40,000 in costs per year per box, that's a big number. So over the life of a container, you're looking at about an operational savings of about a quarter of a million dollars per box. And that's the holy grail and it's been there since, you know, Keith Tantlinger invented the corner fitting. And so we hopefully would like to do that in the United States with a big drive towards -- my old friends in agriculture, I've spoken to guys in Ohio and Indiana, for them to be able to pick up a phone and get a container out of Dayton, that would be outstanding versus, hey, where do you got one? Who's got one available? And it doesn't get shipped to you for free, that empty container, everyone forgets that little tiny detail.

MR. COOK: Okay. Thank you.

MR. AU: Mr. Davis, Thomas Au for Office of the United States Trade Representative. In which you discussed point of purchase, how would you address all the point-of-purchase issues, where, say, an entity that buys it may not be the entity that owns it later on in the secondary market? So in a sense you're flooding the secondary market --

MR. DAVIS: Well, I think you're hitting at the challenge which I don't know how to answer, which is how do you identify who's purchased it and get it and penalize that purchase. I'd like to think through that and get back to you on it.

MR. AU: Please.

And just one final question, Mr. Kochanowski, are you -- you mentioned container manufacturing in Southeast Asia, are you aware of any connection to China with those enterprises?

MR. KOCHANOWSKI: Say it again, please.

MR. AU: You mentioned the container manufacturing in Southeast Asia --

MR. KOCHANOWSKI: Yeah. They're all connected to China. China produced 100 percent of the corner fittings for the world. Even if we ship it to Houston for repair, the side walls, roof panels, they're all made for China. So for our manufacturing for the military -- I assume that's where your thought was, or did I misunderstand your question?

MR. AU: I guess what I'm saying is the companies that you're referencing manufacturing containers in Southeast Asia, to the point -- what is their connection, to the extent that you're aware, to China? So I guess what I'm hearing from you now, just to clarify, is that they're getting their parts from China?

MR. KOCHANOWSKI: Absolutely. Absolutely.

MR. BUTLER: Is there any ownership relationship that you're aware of?

MR. KOCHANOWSKI: I am only going to guess because I think what happens is they come in with a shell company, make an investment with the proviso, for instance, chassis, I'm 100 percent sure -- people come in, they buy a company with the proviso that they buy axles out of China and they'll ship them into Canada or Mexico and they'll build them into chassis or rail cars. So they look like an American company, but they've actually got an investment component from offshore.

MR. AU: Thank you. So that will conclude this panel. Thank you each for your testimony today.

We'll take a brief five-minute recess, we'll reconvene at 3:23.

(Recess.)

MR. BURCH: Will the room, please, come to order?

MR. BUTLER: Welcome back. This is Panel Thirteen. We will get started with Mr. Morante, please.

MR. MORANTE: Hi, good afternoon. My name is Alberto Morante. I'm the president of Coral Shipping Limited. And we represent Centurion Bulk, a Singapore-based ship operator that charters and operates across the America, with 80 to 100 ships globally at any given time. Our operations are deeply connected to the U.S. economy. In 2024 alone, our vessels made nearly 100 port calls in the United States, including cargo such as coal, petroleum coke, fertilizers, scrap, grains, while delivering essential imports, like lumbar, fiber and wood pellets, salt, bauxite and alumina, among other products.

I appreciate the opportunity to address this panel regarding China's role in the maritime, logistics, and shipbuilding sectors and the implications and potential remedies under consideration.

One of the key concerns I wish to highlight is how proposed measures, such as fines, penalties or fees from Chinese-built vessels, will ultimately function in practice. It is important to recognize that ship operation -- operators, like Centurion Bulk, provide a service. We charter or rent vessels to transport cargos we have from our clients. Any financial burden imposed on vessels built in China could largely pass through to the shippers, importers and exporters that depend on this service, many of whom are U.S. businesses.

Furthermore, our cargos typically consist of full shipments for a single client, meaning that any additional costs or fees will directly impact that client. And like a containerized shipments where costs can be distributed across multiple parties, our model means that each fee or penalty is fully borne by one company per shipment, significantly increasing the financial strain in U.S. exporters and importers.

Additionally, most ship operators have Chinese-built vessels in their fleet. Whether owned or chartered, the structure of ship ownership and operating is highly complex. A single vessel involves multiple operators, including the shipbuilding country, the flag of the ship, its port of register, the head owner, the ship manager, and various other owners in the chain.  Ultimately, the ship operator, who acts as the ultimate determinator, delivers the vessel service to the shippers, the clients who rely on maritime transport for the cargoes.

This raises important questions regarding the scope of the proposed measures.  If a company operates tonnage that is partly connected to Chinese-built ship, does that mean that vessels already owned or operated by firms like Centurion are not affected?  Or does this impact extend further out in the ownership chain?  For example, if we do not own any Chinese-built ships, but the owners who are long-term Japanese chartered vessels have Chinese-built ships in their broader portfolio, would that implicate us as well.

This raises important questions about who those measures would impact the most.  Are the intended targets the vessel owner, the ship operator or the importers/exporters who rely on maritime logistics?

Right now, uncertainty surrounding

potential policies is already having a disruptive effect. The market has slowed down considerably as shipowners and shippers hesitate to make new commitments until there is clarity on how and when these measures could be implemented. In the past month, we have failed multiple business transactions to and from the U.S.A. due to the widespread concern in the shipping community over these proposed remedies. No one wants to take the risk or be reliable for million dollar fees for loading or discharging. This state of uncertainty is creating a challenge for global trade, which, in turn, affects American industries and consumers. The disruption is already evidenced and this instability means we're unable to price anything forward.

Changes, such as tariffs and taxes and, more importantly, the insecurity of when and how they will be implemented, could force us to look away from America for the employment of our tonnage.

To help mitigate disruption, I urge the USTR to provide clear guidance on the intended time line for any proposed measures. If a policy is to be implemented, businesses need a structured transition period to adapt, ensuring that the impact of U.S. supply chains is minimized.

As an example of how similar policies have been implemented elsewhere, Brazil merchant marine tax provides a relevant case study.  The tax is limited on freight costs for cargo transported be sea to Brazilian ports, intended to support domestic ship building and maritime structure.

MR. BUTLER:  Your time expired.

MR. MORANTE:  Thank you.

MR. BUTLER:  Thank you.

Mr. Lynch.

MR. LYNCH:  On behalf of Hanwha Shipping, the U.S. company and affiliate of the Hanwha Group Companies, I want to thank the Section 301 Committee members for the opportunity to express our strong support of Trump Administration's --

MR. BURCH:  Will you pull your mic a little closer?

MR. LYNCH:  -- general efforts to counterbalance the acts, policies, and practices of the People's Republic of China in targeting the marine, logistics, and shipbuilding sectors for dominance.  We voice our specific support for USTR's Section 301's investigation and ensuring the proposed actions at issue in this hearing.

As background, Hanwha Shipping is the

vessel ownership entity within the Hanwha Group of companies. Hanwha Shipping's vessel ownership is supported by our affiliated shipyards in both the U.S. and Korea. The portfolio of Hanwha Shipping consists of five modern carriers engaged in LNG and crude oil transportation services, collectively representing the frontier of shipbuilding production methods and outputs allowing both expediency and economization of cargo transportation. Such capabilities were recently exhibited in the regular overhaul of the U.S.N.S Wally Schirra, which our affiliate Hanwha Ocean completed and reinstalled into theatre on March 12th.

Hanwha Shipping fully supports the findings of the USTR in their Section 301 investigation. The fee-generation potential, as proposed, creates a necessary foundation for financial support to enable the transfer of our fleet into the service of the United States as U.S. vessels. The test for economic viability and military usefulness can only be accomplished with the financial support being proposed.

Financial support is an absolutely necessary precondition for Hanwha Shipping, and similarly situated companies, to become U.S. vessels.

It is, therefore, crucial that the best efforts are undertaken to completely capture the proposed service fees. Hanwha Shipping has undertaken a viability study for cargo transportation economics which supports the proposed levies. A sample is provided to you all. Hanwha Shipping has also prepared a recommendation for USTR to maximize the impact of the proposed fee structure upon the most important channels in the charter-market value chain. Once implemented, we believe the proposed actions will support the efforts to capture the dynamic behavior of vessel operators and help make U.S. maritime capabilities great once again.

For Hanwha Shipping, the proposed actions would facilitate the entry of our vessels into the service of the U.S., providing a clear pathway to support for reestablishment of U.S. maritime capabilities. Hanwha Shipping has already invited our affiliate in the United States, Hanwha Philadelphia Shipyard, to provide their workforce with on-the-job training upon Hanwha shipping vessels being constructed in Korea at our shipyard in Okpo. The collaborative construction process between affiliates affords a very clear, controlled, and discrete channel of technology and skill transfer capabilities to the United States. Such a transfer can only be done through the ownership channel and is a unique capability of the Hanwha Group of companies.

Hanwha Shipping stands with the Trump Administration's "All of Government" effort to reindustrialize the maritime industrial base of the United States, and looks forward to support, which may allow us to become the center for maritime operation and building excellence once again.

Thank you.

MR. BUTLER: Thank you.

Ms. Chen.

MS. CHEN: Good afternoon. Thank you for the opportunity to testify today. My name is Jennifer Chen, and I lead Balsa Research, a nonpartisan/nonprofit organization focused on federal policy to promote human flourishing.

Balsa Research appreciates the USTR's commitment to the addressing China's concerning practices in the maritime sector. I would like to focus my testimony today on the proposed restrictions to promote transport of U.S. goods on U.S. vessels.

One proposed restriction mandates a progressive increase in the share of U.S. exports transported on U.S.-flagged vessels, reaching

15 percent over seven years. Our analysis shows that this requirement is untenable given the current U.S. fleet capacity and shipbuilding capabilities. Let me explain why with some specific data.

As of 2024, there are only 185 large oceangoing cargo-carrying vessels in the U.S.-flag merchant fleet. Of these, 92 are dedicated to domestic Jones Act routes and cannot be diverted without cutting off goods to energy to regions such as Hawaii, Alaska, Florida, and New England.

This leaves just 93 U.S.-flagged vessels available for international trade -- 41 container ships, 19 tankers, 18 vehicle carriers, and 15 vessels of other types, with a combined capacity of approximately 4.3 billion deadweight tons.

According to our analysis, in 2023, U.S. maritime exports required on an ongoing basis almost 200 deadweight tons of vessel capacity. The current U.S.-flag international fleet can only provide 2.1 percent of that capacity.

So the consequences of the first proposed schedule are as follows: By year two, the 3 percent requirements would mean the U.S. could export only 72 percent of its current volume of exports. By year three, the 5 percent requirements would further restrict the U.S. to 43 percent of current exports. By year seven, the 15 percent requirements would restrict the U.S. to 14 percent of its current export volume. That is 28 million deadweight tons down from 200 million. Again, that's just 14 percent of our current export volume across all industries.

The alternative requirement is to export a minimum of 20 percent of all U.S. exports on U.S.-built, U.S.-flagged ships; this would be even more challenging, immediately limiting the U.S. to approximately 10 percent of its current export volume. We believe this to be an understatement as well, because the requirement for the ships to not only be U.S.-flagged but also U.S.-built, means that this will pull all the capacity away from all the -- as required by the Jones Act.

So the bottleneck is in U.S. shipbuilding capacity. The U.S. has only four shipyards capable of constructing large oceangoing commercial vessels. These yards collectively produce about four or five large commercial ships per year, and this is the same output the U.S. has maintained since the 1980s.

There's simply no feasible path to create enough U.S. ship capacity even within seven years, without drastically reducing the volume of American exports to one-sixth or even one-tenth of its current level.

Furthermore, this proposal has a tenuous connection to addressing Chinese maritime dominance. Any foreign-built vessel, including Chinese ones, can reflag to become U.S.-flagged for international trade as long as it meets U.S. Coast Guard safety requirements, meets U.S. ownership requirements, and employs U.S. crews. This means Chinese shipyards, or shipyards from any other nation, could themselves also help meet the demand induced by one of these proposed requirements by rapidly scaling up production of vessels that are suitable for reflagging at a pace faster than vessels can be built domestically.

In conclusion, Balsa Research strongly recommends reconsidering the export restrictions. Implementing these requirements as proposed would either impose a steadily tightening cap on American exports, falling to just 14 percent of current levels by year seven, or, alternatively, immediately restrict American exports to 10 percent or less of its current volumes. Either option would create significant challenges to American exporters and the broader U.S. economy, while the impact on the Chinese industry would be ambiguous at best.

Thank you for your consideration. I welcome any questions you may have.

MR. BUTLER: Thank you.

Ms. Torpey.

MS. TORPEY: Thank you for the opportunity to participate in this hearing. This is certainly the most important issue facing the maritime industry in decades.

The decisions made by this committee will impact the U.S. economy and global trade. We appreciate you taking the time to properly evaluate prior to implementing any fines or fees that have potentially devastating results.

ASBA is a trade association established in 1934, representing ship brokers and agents in the United States. Our membership consists of 153 company members and approximately 7,500 U.S. jobs. Primarily focused in the dry and liquid bulk commodities, they are behind-the-scenes players that keep commerce moving through U.S. ports and around the world.

Ship brokers facilitate transactions between cargo owners and shipowners. Ship agents handle all the aspects of a port of call, interacting closely with U.S. government agencies, such as the Coast Guard, CBP, and EPA.

ASBA fully supports the growth and revitalization of the U.S. Merchant Marine and U.S. shipbuilding industry; however, we have serious concerns regarding the proposed action as drafted. It would be counterproductive to its overall objective. Details are in my comments that have previously been submitted on the public docket, but a few comments I would like to reiterate: The costs of U.S. imports and exports will increase and become uncompetitive due to significant increases in shipping costs. Logistical choke points will create major supply chain disruptions. It will take decades to rebuild the U.S. shipbuilding industry to a level to compete with Chinese capacity.

Short-term pain for long-term gain does not apply here since there is not a commercially viable alternative to replace the utilization of Chinese vessels. With no alternative, the proposed fines will negatively reverberate through every sector of the U.S. economy and in every household. Inflation will result and loss of jobs as well.

Currently, there is no alternative to securely replace the Chinese tonnage that will vacate the U.S. market. Currently, the cost to build a vessel in the U.S. is four to five times higher than most foreign shipyards. Currently, the cost to operate or crew a U.S. vessel is two to three times higher than most foreign-flagged vessels.

Increased freight costs could make critical U.S. imports and exports, like grain, coal, salt, oil, uncompetitive, which would cripple the U.S. agricultural and energy industries.

Shipowners would be subject to fines -- shipowners that would be subject to fines will avoid U.S. ports and secure cargoes elsewhere.

It is incomprehensible and fundamentally unfair for the U.S. to penalize U.S. companies for valid business decisions to purchase Chinese vessels when there were no other viable options available at the time of their decision.

As the USTR further evaluates the correct action relative to China's trade violations, please consider a complete understanding to some of the following questions: What is a port call? How do you define shipowner, ship operator, and ship charter? Who is responsible for paying fines? Who will be responsible for collecting the port fines and when? Will the fines be applied on a flat-fee basis, regardless of type and size of vessel or commodity? Will certain commodities be exempt, since there are almost no U.S.-built tanker or dry bulk vessels? Are vessels subject to multiple fines? Will shipowners -- will shipowners with Chinese-built vessels in their fleet that do not call on U.S. ports be subject to fines when their other vessels call on U.S. ports? What measures will be put in place to make U.S. shipbuilding and U.S.-flagged vessels competitive? Steel manufacturing may have capacity, but where are the ships going to be built? How is a fleet defined? What is the percent of Chinese-built -- or I'm sorry. Excuse me. How is the percent of Chinese-built ships in a fleet verified?

Recently, a very large number of ready reserve fleet vessels were taken out of service due to lack of skilled mariners. What is the plan for workforce development of skilled labor for seafarers for U.S.-flagged vessels?

There are many critical details missing from the proposed action and underscore the full impact to the U.S. economy. With the testimony and comments provided, the USTR now has more clarity as to how to design the solution to Chinese dominance that is less disruptive to the U.S. economy.

We respectfully request the USTR note the nonpartisan nature of ASBA's testimony. These issues cross two different --

MR. BURCH: Your time has ended.

MS. TORPEY: Thank you.

MR. BUTLER: Thank you.

We will now turn to questions. If everyone can please reintroduce yourselves as you do -- as you ask your questions.

MS. HASANDRAS: Rachel Hasandras, Office of the U.S. Trade Representative. This question is for Mr. Morante.

You highlighted the importance of a structured transitions of maritime global policies. Please expand, in your view, on the length of time needed for a structured transition period to effectively adapt the proposed actions.

MR. MORANTE: Yes. Well, basically, today, all the transactions going back and forth to the U.S. are slowed down because you won't be able to offer a freight, let's say, beyond May, if this takes all April to put together.

So, first, a transition period to be implemented should be probably one or two years, once the shipyards are ready to produce and all the policies are put in place. I don't think it's realistic to think that this could be implemented within six months. I'm just saying three years because that's a figure that comes to mind. But generally, that's something that the shipbuilding industry has to apply.

MR. COOK: Ian Cook, Department of Commerce.

Mr. Lynch, how can the proposed actions be altered to maximize the benefit of U.S. shipbuilding capacity?

MR. LYNCH: So the main -- of course, the shipbuilders within our portfolio are separate, but of course we are part of the same group, so I'll speak broadly. If you need anything further or more specific, I would encourage a meeting and we would be happy to bring them together.

Broadly speaking, as the shipping owner entities, we see scale economy in ship owning. It was mentioned earlier in this session whereby the demand drives the economies of scale and scope at the shipyard. The shipyard doesn't just build on spec, they don't build and wait for a buyer. That's one of our material positions within the value chain as a shipowner is that we can create and advance the scale function, increase the scale economies on the unit production costs. For example, at Philadelphia they can produce a certain amount of ships a year, but if we can plan for 10 or 20 at a time for entry into available TSP program run by maritime, we can welcome that opportunity to create cost efficiency and synergies around the value chain and afford the customer to recommend, in that case, for a trans com of the economies of scale and scope for and demand.

MR. BAUNACH: Leo Baunach, U.S. Department of Labor.

Mr. Lynch, could you speak a bit more about the workforce development needs for U.S. mariners, as well as U.S. shipbuilders, and some of the specific modalities that can be pursued, such as apprenticeships?

MR. LYNCH: Yes. An absolute critical pathway item and something that we're addressing with partner organizations, one of which is in attendance here today, the Marine Engineers Organization. We're very proud to be embarking on an effort to make sure that mariners, both on deck as well as the engine room, are able, competent, and capable to transport U.S. cargo safely around the world.

We have a program that we are in the

initial stages of developing, workforce training on partner vessels, LNG carriers that are currently operating in the world, as well as bringing some, as I mentioned, shipyard personnel to our shipyard in Okpo, Korea.

So it's very much an emerging need and an emerging requirement both for safe building and operations and something we're spending a lot of time on. We'd love the opportunity to present to your office all the work streams that are coming together to advance the scenario.

MS. BARNHART: Megan Barnhart, Department of Energy. My question is for Ms. Chen.

Your research estimated the potential costs of proposed --

MR. BURCH: Ma'am, please pull your mic closer.

MS. BARNHART: Do you have an estimate on the potential cost to the U.S. economy for economic security or supply chain resiliency if the United States continues to rely on Chinese-built ships and Chinese shipping companies?

MS. CHEN: I do not.

MR. VAN PATTEN: Tyler Van Patten, Department of Transportation.

Ms. Torpey, you raised concerns about the dollar value and the fees in the proposed actions. In your view, what would be the appropriate level of fees if the United States Trade Representative was to impose fees?

MS. TORPEY:  I think that everyone who has testified here wants zero fees.  I'm not an economist, I don't have that right answer.  What I do know is that the fees -- the way the document is written it does say up to a million dollars.  I don't have the math to properly say.  I do know that up to a million dollars is devastating to shipowners, to the economy, it will stifle the supply chain.  But what the right number is, I'm afraid I don't know that.  I don't think anybody here does.

MR. MORANTE:  Sorry, can I add a little bit to that.  In our case, for example, if we load 30,000 tons of cranes into the U.S. or export to the U.S., that will add basically $30 of freight per ton and the freight for that export is probably 35.  So it will double the freight on the shipment for our side.

So I think exemptions have been made to exports.  That's how Brazil does it.  Brazil charges 8 percent on the freight value.  That's a case study that I think you should potentially look. I don't think it's the best example, because it didn't work out the way they wanted, but in the end it was inflation that was caused by the logistics chain. But it's 8 percent on the freight not on the cargo value, so that's a reduced amount, but still a big value for the U.S. It would be a big value.

MS. TORPEY: If I can comment further to your point, there's been a lot of conversation about the commodity driven or vessel driven, but you can't broad brush the whole thing because it depends on the commodity, on what type of vessel its carrying on, and vice-versa, it depends on what the vessel is carrying. So it's important to really understand the complexity of how product moves and that's probably not going to be explained in three minutes. But it's more complicated than a simple answer.

MR. SULLIVAN: Ryan Sullivan from the Department of State.

Ms. Torpey, I'm trying to understand a little bit better the interests of the ship workers and your association and my understanding is that they are trying to make it possible for cargo owners who ship their goods out and you will find the supply if there's a demand. Is that incorrect.

MS. TORPEY: Well, I think it is the role of the ship broker to marry the cargo and a vessel, so, yes, they will find a solution. But what I think is going to happen is a lot of that cargo -- and they operate on a global basis, but a lot of the capacity -- China bulk capacity will leave the U.S. market. So they will be -- they will find solutions on other vessels. But what's going to happen with those vessels, calling on those when that capacity goes out, that freight rate is going to go up. But, you know, by something less than a million dollars and increasing freight routes overall and, ultimately, that doesn't solve the problem here, because that takes any fine or penalty right out of the transaction because that becomes just a mutual freight fee.

MR. LYNCH: May I just speak to the role of the ship broker, I've been one for about 15 years and my father was a ship broker as well. So I take Ms. Torpey's point, but I would also juxtapose a different position. Because I was seeking -- as a maritime economist and maritime expert, I was seeking a market to apply my skills to. I'm very proud to be part of this panel coming from four generations of American maritime. There's finally a chance to bring maritime service provider jobs back to America. So I would speak to that aspect whilst it might limit the opportunity set for the current shipowners, it allows a class of United States Merchant Marine Academy, Maritime Galveston, Calvary Maritime, it allows them a job after coming back on shore at a very capable, robust, and significant place in the world. So I would really recommend to the panel that ship brokers are an important piece of the puzzle, but we do see them to stand to benefit as well.

MR. SULLIVAN: That's helpful, Mr. Lynch.

Ms. Chen, in your breakdown of the years to come under such cargo reservation systems, you hold a belief that supply is going to remain stagnant and our capacity for U.S. shipbuilding will remain stagnant; can you speak to that? I'm curious as to that.

MS. CHEN: Sure. Yeah. So looking at the actual output of U.S. shipyards, the domestic shipbuilding market over the last 40 years, have basically shifted to building smaller vessels focused on commercial trades and they're unsuitable for ocean travel. And like I previously mentioned, there's really only four or five shipbuilders in the U.S. facilities here that are capable of even doing this sort of like producing vessels that are suitable for oceangoing trade.

According to recent U.S. Government Accountability Office report from February of this year on Navy procurements, American shipbuilders faced several challenges for their Navy and commercial shipbuilding needs. They report both extreme challenges in maintaining a skilled workforce and facility modernization and even with unlimited capital, these physical and human resource restraints create a ceiling on how quickly production can be scaled. And this report emphasized that these challenges are ongoing and are expected to continue despite a collective investment of $5.8 billion within the last seven years and anticipate an additional investment of $12.6 billion by 2028.

The limited number of shipyards and the actual space required to build ships and the three to four year completion time per vessel, along with the fact that these shipyards already have order books, and we weren't able to ascertain like to what year they were already filled to. So even if you give us seven years, that might only mean like one or two -- maybe like four years of alternative time to actually create ships that can then go on to help with U.S.

exports.

So they create a physical problem that can't really be physically resolved. You can also think about how the established shipyards are on the waterfront, with regards to their composition settlements, which makes physical expansion very difficult. The largest American commercial shipbuilders are located in Philadelphia and San Diego, they're both boxed in by highways, railroads, other industrial facilities, of course, the actual coasts. So then we're also looking at adding redevelopments to that again, which pushes the timelines.

So theoretically, Balsa Research can support some measure of this program, but we're not looking at 7 years, we're probably looking at more like 10 or 20 years to actually build up the established capacity needed.

MR. SULLIVAN: Thank you.

And then, in your research over the last 12 years, has the U.S. ever implemented a cargo requirement other than the cargo preference?

MS. CHEN: The cargo preference I'm not familiar with any other requirements to U.S. exports. But, again, there are physical bottlenecks that will just take several years to resolve and we believe that seven years is just not enough time to resolve them in any -- it's just not enough time.

MR. SULLIVAN: To summarize, it would be a long-term solution but it doesn't mean it's not possible.

MS. CHEN: We absolutely believe anything is possible given viable economic conditions, confidence of long-term demand, we just don't think that seven years is --

MR. LYNCH: May I speak to supply from the nonbuilding side. Of course, there's the additional pathway with respect to alternative compliance program which is offered by United States Coast Guard, that's acceptance of the United States flag registry. Of course, that's a vessel of the United States owned by a citizen company flying under the U.S. flag crewed by mariners under certain conditions. Of course, that is not a Jones Act compliant -- vessel, but it is a vessel that can transport U.S. goods under the flag of the United States. We would advance that supply in this capacity can be driven very rapidly through programs such as envision of the SHIPS Act, Strategic Commercial Fleet, Tanker Security Fleet, Maritime

Security Program, other maritime programs. We see them as very forthright and strong. We'd love to see them advanced to expedite the entry of vessels into U.S. flag state and thereby including labor availability.

MS. CHEN: And Balsa Research would also support the expansion of those programs, but the requirements as currently written have a carveout specifically for U.S.-built vessels as well. So within that 15 percent, for example, in year seven 5 percent must be U.S. built.

MR. BAUNACH: Leo Baunach, U.S. Department of Labor.

Mr. Morante and Mr. Lynch, you're both very well aware and versed in the complexities of ship operation, the complexity and capacity of ship ownership, do you have suggestions on refining the proposed remedy given the day-to-day practicalities of how the industry functions?

MR. MORANTE: For example, what are we doing today, let's go and practice. Most of the cargoes we're shipping -- sending to the U.S., we're contracting Japanese-built ships or Korean-built ships. That's what we're doing. That limits us of course and that also creates a supply and demand problem. So if you're going to the U.S. and you have a Japanese-built ship chartered, they will ask for more money. That immediately reflects an increased freight cost to our current contract, shippers, exporters, or importers.

I think if you want to impose a fee on Chinese-built ships, it has to be for future, it cannot be from the past. But it has to -- it has to reflect what you're transporting. As Kate said, it's completely different, 2,000 ton ship and a 50,000 ton ship. So the economy of scales is completely different. A small client won't be able to pay that money. A larger client eventually, yes. And in comparison to containers, you can -- you have multiple clients. You have 16,000 containers you can actually segregate that in a 200/300 dollar fee per container per port. I think that should be the way forward. That's a fee on Chinese-built for the future. I mean it cannot be from past operations with ships, that's what I would suggest.

MR. LYNCH: I've made some recommendations in the materials that I've submitted with my testimony to members. I would encourage review of those materials and I would be happy to talk further.

But broadly, it's important to understand the nuance that a bill of landing testifying to the shipment of cargo is a separate contract from a charter party and they're not expressly linked only through the contract value chain. So you'll see there's a devised owner, a registered owner, that's the carrier of the bill of landing conditions, but often as was mentioned previous, the -- owner of the shipper or charterer or vessel is who is directing the vessel as to where they go. Oftentimes these are long-term charter contracts. In LNG, we do 10 to 20 years sometimes. So a vessel that was ordered in, let's say, Korea 10 years ago is subject to the whims of an energy merchant today or tomorrow.

So our recommendation to the members would be to attach such a service fee on those who have discretion on the voyage planning, that would be the ship's owner directly, fining the ownership structure and/or the shipper. That has the added benefit of mitigating subversive potentiality. Often these vessels are registered in locations that have ownership structures which are bankruptcy remote, that's purposeful to maintain continuity of the vessel value chains. That vessel remoteness requires what's called in rem claims on maritime attachment. Meaning you can attach a claim of nonpayment or duties or taxes upon the vessel, but not upon the owner of the vessel. So that vessel ownership can change, they can sell a vessel, they can change the registry. But if you're attaching to a vessel a claim, it may not be attachment to the owner, it's usually attached with bill of landing, the shipper attached to the cargo, and those who have control.

MS. HASANDRAS: Mr. Lynch, we received testimony on Monday suggesting that fewer young Americans are now entering the shipbuilding industry. Do you agree with that sentiment and what incentive do you suggest revitalize the industry?

MR. LYNCH: I'm sorry, my hearing is not so great. Would you mind repeating the first half of what you said.

MS. HASANDRAS: We received testimony Monday that fewer young Americans are now entering the shipbuilding industry. Do you agree with that sentiment, and what adjustments would you provide to revitalize that industry?

MR. LYNCH: Yeah. I think it's a great question and certainly the sentiment is factual in nature. We at Hanwha saw an opportunity to embark upon a U.S. operation broadly, so their loss, our gain broadly. We look very much forward to supporting the United States with the capabilities that we in Korea have, both from a ship ownership and a shipbuilding side. Of course we build the best LNG carriers in the world. I'll state that. But it is really the technological frontier. So we look forward to the ease of transference of capabilities to the United States and we want to make sure that our shipyard personnel in Philadelphia can come sit aboard my vessels at Hanwha Ocean in Opko, go to the gas trials, support, learn, be part of the research and development teams.

So inbound investment is our narrative, that's what we want, into the U.S.A. from our Korean principles. So any facilitation and ways to make that easier, quicker, faster, that would be supportive of our overall goals.

MR. SULLIVAN: Mr. Lynch, just following up on some of the commentaries that relates to the feasibility of the U.S. field requirement in terms of exports. From your position as it relates to Hanwha Philly, how does that, I guess, relate? If we're thinking about building the capacity or building the demand, where does the -- are the current expectations in line with what the industry can do? How would you advise revising them so that they're executable but strike the right balance of ensuring there is demand?

MR. LYNCH: It's a great question. And as I said, we advise our partner affiliate company Hanwha Philadelphia, I don't work at the shipyard itself. I would encourage a more wholesome discussion. We'll have that personnel come to your office, we'll discuss with you all the strengths, the weaknesses, opportunities, and risks.

From my own viewpoint, I believe expanding the scope of a Title XI ship financing support to potentially vessels that the order was taken by Philadelphia, but might have been outsourced to our Korean yard in support of expediency. Being able to apply that same CapEx production function to the joint possible construction planning. That will expedite, again, the transference of skills and labor capabilities and also allow us to create efficiencies along a much broader value chain.

And then, of course, as I said earlier to the representative from the department of congress -- or commerce -- sorry -- the value in demand if it could be defined more discreetly as to when and how we can enter vessels into the various DOT programs, that would assist in intermediating the otherwise vague and long demand cycle.

MR. BUTLER: Okay. Thank you. Thank you to this panel.

We will take a few minutes. Let's meet back in about four minutes and we will start the final panel today.

(Recess.)

MR. BURCH: Will the room, please, come to order?

MR. BUTLER: Good afternoon. This is Panel Fourteen, our final panel.

Let's start with Mr. Bernstein, please.

MR. BERNSTEIN: Hello. My name is Jason Bernstein. I'm testifying on behalf of the American Chemistry Council, representing more than 190 of America's leading chemical and plastic companies. We think appropriate we be heard as one of last panelists in this hearing, as the chemical industry is often referred to as the mother of all industries, touching almost all manufacturing supply chains. Our member companies rely on ocean transportation for both importing materials, of which support the domestic process in the United States, adding value and supporting other manufacturing supply chains abroad through our exports.

While we support the goal of a strong U.S. shipbuilding industry, the actions as proposed, will result in disproportional and untenable costs to the U.S. chemical industry. It will make U.S. chemical products less competitive both domestically and in the global market, while doing very little to address the objective of addressing China's shipbuilding dominance. In fact, we think that China and other countries would benefit from such actions -- excuse me -- to the detriment of the U.S. chemical industry, giving our global competitors an advantage.

Chemical and plastic shipbuilding is a particularly specialized industry. Our chemicals and plastic shippers utilize a variety of vessel types for maritime transportation. Specialized chemical tanker ships are much smaller than the larger volume commodity cargoes on crude tankers and LNG carriers, and do not have economies of scale of large container ships.

Port fees and other proposed actions would translate to instant, disproportionate and unsustainable costs for the chemical industry, likely resulting in a sharp decline both in the exports and production.

For the two benchmark chemicals, MEG and

Ethanol, the proposed fee of $1.5 million per port call will increase freight costs between 170 and 228 percent, and underlying chemical prices we expect to increase by 33 to 37 percent.

On smaller chemical tankers, the same costs would translate to a staggering 1,705 percent increase in freight costs and over a 77 percent increase in costs for endusers.

Dry bulk materials would also face massive costs increases, particularly for those using smaller vessels. One ACC member reported that the proposed port fees would result in a 500 percent increase in the shipping costs, equivalent to a 40 percent increase in landing costs. Even if more U.S.-flagged vessels are built, they are unlikely to be vessels that can carry chemical shipments. There are only three countries currently that are capable and active in building chemical tankers and there's no capacity in the U.S.-flagged fleet to handle liquid chemical exports. In fact, the U.S. shipbuilding industry has never built a liquid chemical tanker, as the expected costs to build chemical tankers in the U.S. are four to five times higher than other countries.

Even assuming the revitalization of U.S. commercial shipbuilding, we are unlikely to produce any of these vessels in the next decade, as they're the most complex and challenging to stay alive.

China and other countries are more likely to benefit from these proposed port fees. China's capacity to produce chemicals far outstrips its domestic needs and China's chemicals to the United States and other countries have been growing, potentially shifting the U.S. trade balance in chemical products. Under such tight margins, these port fees and other export requirements will erase the U.S. chemical industry's competitive advantage, with Chinese exports likely to fill the void from any lost U.S. export volumes.

While European chemical production has been declining for many years, U.S. chemical production has achieved -- from many European industries. The proposed fees could reverse this trend, giving our global competitors an advantage.

There are alternative solutions that can address the harms identified with fewer disruptive impacts on the U.S. chemical industry; a lot of these have been discussed today, so I won't go over them.

However, if the USTR does go forward with the fee-based approach, they should exempt delaying implementation on chemical tankers until domestic or friend-shored production of stainless-steel chemical tankers is sufficient to meet demand. These vessels comprise less than 1 percent of the total commercial fleet and imposing fees on these vessels would drive chemical prices up as much as 30 percent. The cost of damaging this critical manufacturing of U.S. chemical production and exports, which, again, one of the few manufacturing industries that actually trades with a surplus with many countries, far exceeds any potential benefits that might be achieved through any fees imposed on this tiny fraction of the commercial maritime fleet.

Appreciate the time given; happy to answer any questions.

MR. BUTLER: Thank you.

Mr. Nagle.

MR. NAGLE: Good afternoon. My name is Michael Nagle, and I am president and CEO of INEOS USA LLC. Thank you to the Office of the United States Trade Representative for the opportunity to be able to speak on behalf of INEOS concerning this important topic.

INEOS USA LLC is an pivotal member of the INEOS Group, a global petrochemical and energy conglomerate founded in the U.K. Over the past 20 years, INEOS has invested $60 billion in the U.S., and today, directly and indirectly supports over 40,000 American jobs. INEOS owns and operates more than 2,300 producing oil and gas wells and 50 manufacturing sites across 18 different states, generating $15 billion per year of revenue in the U.S. alone.

The INEOS group and its founder and principal owner, Sir Jim Ratcliffe, have long admired the entrepreneurialism and capitalism of the U.S. energy sector, a sector broadly unencumbered by the onerous taxes and paralyzing legislation prevalent in the European energy sector. INEOS believes in U.S. energy so much that it pioneered the export of U.S. ethane gas, making over $35 billion in commitments to the U.S. economy.

Ethane is the key feedstock for the petrochemical industry and INEOS was the first to export ethane gas from the U.S. Gulf Coast and the northeastern U.S.; the latter originating from the prolific Marcellus Basin. INEOS did what many in the industry thought was impossible. By partnering with major midstream companies, INEOS found an export opportunity for ethane gas, which is generated as a byproduct from U.S. oil and gas production. INEOS helped develop a robust export market, allowing domestic oil and gas production to continue to grow. In the northeastern U.S. in particular, INEOS and its midstream partners  zealous pursuit of export viability contributed significantly to the Marcellus Basin s rapid emergence as one of the most important natural gas producing regions.

Highly specialized shipping capability was, and still is to this day, a key ingredient to handling ethane exports.  INEOS undertook these efforts at a time, in the mid-2010s, when the U.S. shipbuilding industry simply was inadequately positioned to supply the specialized vessels required to transport U.S. ethane gas in the amounts and at the distances necessary to support the growing export market.

Today, others have followed in INEOS's path, and the export in U.S. ethane gas is on track to grow beyond INEOS, to over 20 million tons per year, attracting investments of over $150 billion. Moreover, INEOS and many of its contemporaries, likewise engaged in exporting U.S.-produced feedstocks and bulk chemicals, have made long-term commitments to the specialized vessels well into the 2030s and 2040s.

Again, INEOS believes in U.S. energy. INEOS has invested heavily in U.S. energy, and is the pioneering kind of organization that has helped, and will continue to help, U.S. oil and gas production and infrastructure to grow. A robust U.S. oil and gas industry is critical as a reliable and competitive source of feedstock for the downstream industries, which contribute over three million American jobs and more than $800 billion in annual GDP. The interdependence of the oil and gas and petrochemical industries also reinforces the Trump Administration's emphasis on domestic production as a means by which to secure the U.S. s manufacturing future.

While INEOS understands and appreciates the U.S. government's desire to stimulate growth in the domestic shipbuilding industry, INEOS believes that the proposed action and the related fees would inadvertently penalize U.S. energy and stakeholders, like INEOS, who have already made costly, long-term commitments in good faith to the domestic energy sector. Due to the highly specialized nature of ethane ships and the limited availability of viable alternatives, the proposed action and the related fees, in many instances, will more than double export shipping costs, and risks rendering the export of U.S. ethane gas uneconomical. The proposed action ultimately threatens an activity and sector that is key to the Trump Administration s bold energy agenda.

As the United States Trade Representative reviews and refines the proposed action pursuant to its Section 301 investigation, INEOS respectfully requests removal of the service fee on Chinese-built vessels engaged in U.S. energy exports, including shippers of ethane gas and bulk chemicals. Alternatively, INEOS proposes applying the service fee only to vessels ordered after such fees were announced and not to vessels procured historically in good faith and in furtherance of honoring contractual commitments relative to U.S. energy and petrochemical exports. Either proposal will allow current exporters of U.S. energy and bulk chemicals to continue to honor their long-term commitments and maintain the growth and competitiveness of the U.S. oil and gas and petrochemical industries.

Thank you.

MR. BUTLER: Thank you.

Ms. Shime, please.

MS. SHIME: Thank you.

The mining sector depends heavily on

international shipping as virtually all mining exports revise deepwater maritime ships. For example, the export value of mineral raw materials in 2024 exceeded $10.6 billion, and the shipment value of domestically-processed mineral materials was approximately $900 billion. U.S. coal, recognized globally for its superior quality, is both a stabilizing force in international marketplace and creates jobs domestically. Coal exports are a major driver of dry bulk shipping, with seaborne coal volumes reaching 1.3 billion metric tons in 2023, valued at over 15 billion.

The NMA supports the administration's unwavering efforts to address China's global dominance across multiple sectors, including shipping, and to reestablish U.S. as an industrial powerhouse. The focus on revitalizing U.S. industrial base, securing energy dominance, protecting American jobs, and leveling the global playing field is critical. Unfortunately, the proposed actions threaten to undermine these goals, harming U.S. mining and the broader economy.

To illustrate potential harm, the mere prospect of port fees has already made U.S.-mined materials uncompetitive in the global markets, pushing international trading partners to alternative sources, including non-allies like Russia. With a rapidly eroding customer base, U.S. mines are being idled and jobs are being lost, all before the proposal has even gone into effect.

The USTR's proposed fees for port calls would not only apply to Chinese-built and operated but also to any operator with even a single Chinese-built ship in their fleet. This would affect approximately 98 percent of ships calling on U.S. ports, leaving only 2 percent to handle the entirety of U.S. export trade. This would severely disrupt U.S. mine and energy materials exports, undercutting national goals for energy and mineral dominance.

Immediate and near-term impacts are already being felt. Several coal companies have reported losing nearly all export orders for the remainder of the year due to uncertainty of the proposed core fees. As a result, the reassessing production levels lead to critical cutbacks and potential loss and closures of mines. Operators are -- if they eliminate service to avoid the fees, there will not be enough vessels to meet domestic import and export demands.

NMA members are reporting significant

financial impacts. One company estimated that fees would increase annual operating costs at a single mine by over 15 percent, chilling future investment. Another projected a $150 million impact on 2025 exports. This proposed action would impact imports, creating bottlenecks, increasing operational costs, and raising prices for Americans.

NMA has several suggested modifications that, if implemented together, would achieve the administration's objectives while avoiding unintended consequences.

Full industry feedback: USTR should provide opportunities for industry input, including a 60-day response comment period and a subsequent hearing. This would ensure that policies are informed by all industries, including shipping, on the timing -- the time line needed to ramp up production to meet current U.S. export demand.

Secondly, a phased implementation would allow operators to adjust while minimizing disruptions. For example, six-month "safe harbor" period could precede with incremental increases in fees, starting only with Chinese-operated and built ships.

Thirdly, exempting U.S. energy and mine

material exports would align with the national goals for energy and mineral dominance and economic growth, as described in several executive orders, and protect U.S. producers from competitive disadvantages.

Lastly, incentives for U.S. shipbuilding: The USTR could offer waivers or offsets for operators who purchase U.S.-built ships. For instance, shipping lines placing firm orders for U.S. ships could receive a year free of service fees. And such incentives would bolster the U.S. shipping industry and protect export markets.

While the NMA supports holding ship companies accountable for unfair practices, the language should target Chinese operators specifically. Imposing service fees on non-Chinese operators with Chinese-built ships in their fleets risks harming key trading partners and undermining global economic partnerships.

In conclusion, NMA urges the USTR to adopt these modifications to avoid harming U.S. industry. We remain committed to working with policymakers to reduce our reliance on China, protect American mining, strengthen supply chains, and support national economic goals.

I welcome any questions that you have and

I'm happy to follow-up with supplemental information.

Thank you.

MR. BUTLER: Thank you.

Mr. Kirby.

MR. KIRBY: Good afternoon. My name is Michael Kirby and I am the chief financial and operating officer for International Materials. IMI is a U.S. importer and exporter of dry bulk commodities, primarily serving the cement and wallboard industries.

We appreciate the opportunity to comment on the USTR's proposed action and to highlight the potential unintended consequences of rapid implementation.

While IMI supports the revitalization of U.S. shipbuilding and recognizes the potential need for increased port fees to help fund such efforts, it is important to note that not all cargoes are the same. Bulk carrier vessels transporting low-value essential commodities, like aggregates and building materials, cannot be treated the same as the container ships carrying significantly higher-value discretionary goods.

As one of the largest privately-held importers of cement and gypsum into the United

States, IMI is uniquely positioned to speak to the potential impact of the proposed fees on the dry bulk sector. To illustrate this, I will focus on two essential building products, cement and gypsum, and compare these impacts to the containerized shipments.

Based on data from global bulk vessel operators, virtually all dry bulk carriers would be subject to USTR fees. Among the 12 major shipowners IMI reviewed, none reported having zero Chinese-built vessels.

Given the cumulative nature of the proposed fee structure, IMI estimates that the average penalty per dry bulk vessel entering a U.S. port could reach $2.1 million per port call, regardless of where the vessel was built or flagged. These costs would raise market prices, reduce competition, and result in higher construction material costs for U.S. consumers.

The United States consumes approximately 110 million tons of cement annually, with 20 million tons, or about 18 percent, being imported. Based on U.S. Customs data, the typical imported cargo is valued at $4.5 million. A $2.1 million penalty would represent nearly 47 percent of the product's cost. We expect market prices to shift towards the highest marginal input cost, which could destabilize residential and commercial construction markets.

The United States consumes 30 million tons of national gypsum annually, with nearly eight million tons imported. Based on U.S. Customs data, a typical imported cargo is valued at $1.5 million. A $2.1 million penalty would exceed 140 percent of the product's value. With some bulk carriers calling at multiple U.S. ports per voyage, the cumulative fees could exceed two to three times the cargo value. Like cement, pricing would likely shift towards the highest marginal cost. With approximately 27 billion square feet of wallboard sold annually in the United States, this will have a substantial downstream impact.

By contrast, the average container ship entering the Port of Long Beach carries $150 million in cargo. A $2.1 million penalty on such a vessel equates to less than 1.5 percent of cargo value, highlighting the disproportionate burden on the low-margin bulk cargoes.

As a participant on the final panel, I've had the benefit of listening to all the testimony provided and believe there are three common themes that are prevalent in almost 95 percent of the speakers: One, the proposal hurts American companies and consumers first and hardest. Two, charging vessel fees disproportionately places the penalties on the wrong parties, and the penalties aren't punishing the Chinese. Three, revitalizing the U.S. shipbuilding industry will take time, careful planning, and investment. And in the interim, we must not destabilize already fragile supply chains.

Based on these themes, IMI recommends the following: Target fees at Chinese shipbuilders, owners and operators, not companies that made past investments out of necessity; focus any penalties on new Chinese-built vessels entering service after 2027, not on existing ships. If fees are imposed, they should be calculated based on the vessel's deadweight tonnage, not per port call, to distribute costs more equitably; vessels carrying essential goods, like cement and gypsum, where U.S. supplies are insufficient should be exempt. Finally, the U.S. should support a shipping industry investment program to ensure long-term domestic vessel availability.

Thank you again for the opportunity to present our views.

MR. BUTLER: Thank you.

Mr. Padilla.

MR. PADILLA: Thank you.

Good afternoon. I am Dr. Padilla, vice president of corporate policy at the American Petroleum Institute. API is the only natural trade association representing all facets of the oil and natural gas industry. Our nearly 600-member companies include large integrated companies, as well as exploration and production, refining, marketing, and pipeline, and marine businesses, and oil field equipment manufacturers, service, and supply companies.

The oil and natural gas industry does recognize USTR's conclusion that China has targeted the maritime, logistics, and shipbuilding sectors for dominance, which compromises U.S. interests through lessened competition and commercial opportunities and creates potential economic security risks. The current proposed actions, however, will add significant costs to importing and exporting oil, refined products, liquified natural gas or LNG, and natural gas liquids or NGLs, such as ethane, propane, and butane. As a consequence, the proposed actions will harm the U.S.'s position as a net energy exporter and undermine President Trump's energy dominance agenda.

The U.S. Energy Information Administration data show that the U.S. became a net energy exporter overall in 2019, for the first time since 1958. In 2024, the country exported 4.1 million barrels per day of crude oil, nearly 13 billion cubic feet of LNG per day, and 6.6 million barrels per day of refined products. The net energy exports for petroleum, NGLs and refined products total 10.8 billion barrels per day and 4.39 billion cubic feet of natural gas per day.

Every day, U.S. coastal ports process barrels of petroleum and petroleum products and exports over 10 million barrels and nearly 13 billion cubic feet of LNG.

If the proposed fees were implemented, U.S. exports are likely to become less competitive globally. According to the World Shipping Council, the proposed fees could result in additional costs of up to 30 billion U.S. dollars annually that could be borne by American consumers. As a result, according to a recent March 2025 biostudy by Trade Partnership Worldwide, the exports of crude oil and natural gas, specifically, could decline by up to 18.5 percent and by 5.19 percent, respectively, if the proposed fees are implemented.

Moreover, the proposed requirements for a percentage of U.S. exports to be transported on U.S. vessels lack clarity on implementation, enforcement, segmentation, and penalties.  This ambiguity could result in stranded materials within the U.S., particularly in cases where suitable vessels, such as LNG, or liquified petroleum gases, LPG tankers, are unavailable.  Consequently, this could deter investment in U.S.-based producers of oil and natural gas who rely on export markets.

Analyses and studies show and reveal the limitations in achieving the proposed increased percentages for U.S. exports to be transported on U.S. vessels with U.S. crews.  There are currently no U.S.-flagged, fully refrigerated LPG ships, nor are there any U.S.-built LNG carriers in service.  This is also true for conventional crude oil tankers. 18 percent of tankers were built in China and approximately 1,000 tanker new-build orders are Chinese.

Construction of LNG/LPG carriers in U.S. shipyards present several challenges.  There could be higher costs and longer lead and construction times than those for Korean shipyards, which currently build most LNG carriers.  The cost associated with building these carriers in the U.S. would make the U.S. uncompetitive in the global marketplace, potentially leading international customers to seek alternative foreign providers.

The proposed actions are more likely to be punitive to U.S. interests that are served well by the U.S. exports of crude oil, refined products and natural gas, rather than actually incentivizing the greater U.S. investment in shipbuilding that would be needed at a scale to counter Chinese product share. Rather, the United States requires a strategy of comprehensive public policy to support a sustained long-term commitment of public and private investment that considers the current domestic maritime capacity and shipping industry realities.

We urge USTR to partner with the U.S. oil and natural gas industry to help devise more comprehensive solutions that reduce U.S. economic security risks and achieve greater competition in commercial opportunities in the global maritime, logistics, and shipbuilding sectors.

Thank you.

MR. BUTLER: Thank you.

For questions, we will start with Department of Labor.

MR. BAUNACH: Thank you.

Leo Baunach from U.S. DOL, as stated.

Mr. Bernstein, in your opinion how could the proposed fees structure be modified to address the concerns you've raised with respect to chemical exports?

MR. BERNSTEIN: Thank you.

You know, I think because a lot of Chinese chemical tankers are rapidly expanding the market share, we think we should consider suspending fees, at least for non-Chinese operators, entirely or maybe significantly lower fees on non-Chinese operators. It's usually that non-Chinese operators have higher U.S. staffing footprints. Also -- just because they have a need for chemical tankers, a lot of non-Chinese operators of Chinese-built ships have contract dates entered prior to the proposed 301 investigation. It should probably be exempted. A lot of these current shipyards have already been delivered as far as 2029, and so the decision in being impacted a lot prior to the current proposal. So you could still do the fees on Chinese-built ships and operators, but not on non-Chinese operators' with Chinese-built ships existing orders.

MS. SANCHEZ: Becxi Sanchez, for the

Department of Transportation. This question is for Mr. Nagle.

In your view, how can the government work with the U.S. oil and gas industry to revitalize U.S. production of specialized ships, such as LNG and crude oil tankers?

MR. BURCH: Can you pull your microphone a little closer?

MS. SANCHEZ: So, Mr. Nagle, in your view, how can the government work with the U.S. oil and gas industry to revitalize the U.S. production of the specialized ships, such as those using LNG and crude oil carriers?

MR. NAGLE: Yeah, thank you for the question.

So the ships that are required to transport LPG, LNG, ethane, as I was talking about, are highly specialized ships. The U.S. is the only area in the world that today can export ethane long distances. This is a unique opportunity that the U.S. has developed here through INEOS's ingenuity. The ships require very cold temperatures, temperatures down to minus 130 degrees Farenheit, to keep the material cold during the long transport process, and so we need the specialized engineering and metallurgy to build these types of ships to allow them to do these long transports. As I said in my comments, today, our current capabilities in our current shipyards do not have any of those capabilities. As Mr. Padilla said, we have not built any of these LPG-type ships to date to even handle propane, which is an easier material to handle than ethane, which is the material I was talking about. So this requires a long-term commitment by the United States to invest in the technology and the engineering that is required to build these highly specialized materials, and it's going to take a number of years to develop that capability. I'm convinced we can do it, but it requires a long-term commitment by the industry to achieve those goals.

MS. SANCHEZ: Thank you. Thank you.

MR. COOK: Ian Cook, Department of Commerce.

Ms. Shime, what targeted alternative measures or modifications to the current proposal would you suggest, while still addressing Chinese unfair trade practices?

MS. SHIME: Thank you for the question.

We have included, in our comments, recommendations and we think that all of them implemented in concert would be the most effective, starting with an immediate market signal that this is not happening immediately, so that the immediate impacts on our company's exports will stop. As I mentioned in the comments in the testimony, we have companies that -- whose exports have currently stopped despite the proposed fees even being implemented.

One company, the contract was still in existence for transport. They have 12 shipments a year. Their carrier has said that if these fees are imposed during this year contract, they will expect this one company to pay that million or up to three and a half million dollar fee. And these are ships that are coming in empty and being filled 100 percent by this one company's commodity, and that's usually the case with our members, and so they have to assume the entire fee.

We have other companies whose contracts are over and cannot be -- they cannot get a new contract for April.

So an immediate market signal that nothing is happening right now would help U.S. companies continue exports, and as we said in our comments, delay in implementing any fees until we can see whether the U.S. sector can ramp up to meet current and future export capacity, and then when that's possible, starting with Chinese-owned and built ships and not non-Chinese owned companies, penalizing them for previous purchases when there were only Chinese-built ships available. And obviously, excluding mining and energy products.

MR. COOK: Thank you.

MR. SULLIVAN: Ryan Sullivan, State Department. My question is for Mr. Kirby.

You mentioned an investment program; how would this investment program be funded?

MR. KIRBY: Well, I think, first and foremost, you have to think about what do you want that arrangement to be about, and when I think about it from the U.S.'s perspective, it starts with national security and it starts with the military. Right now, we can't even build the ships that we're trying to build today on time and on budget. So first and foremost, how do we fix that?

With the space that's left, how do you divide that potential building space between shipyards that will support fixing ships versus shipyards that will build new ships? Once you see that space and how much is left, then you can decide where you want to compete. Do you want to be specialized? Do you want to be high-tech, or do you want to go broad and just produce volume?

I would argue there's not going to be enough capacity just to produce volume, so at that point, you bring in partners. Once you bring your partners in, then you have a full plan. Then you identify how much it's going to cost. Then you think about how you're going to do that.

Right now, I feel like we're just saying let's penalize the Chinese and let's just raise some money, and all that money is going to fix the problem. Let's build the plan first, figure out what we need, and then figure out how to fund it.

MS. BARNHART: Megan Barnhart, Department of Energy. My question is for Mr. Padilla.

Some have proposed that the U.S. should focus more on technologically complex vessels, such as LNG carrying vessels or very large crude carriers. What are your views on this proposal, and how can the USTR better incentivize the U.S. innovation and competition in these sectors?

MR. PADILLA: The primary consideration that we bring as a recommendation for the U.S. government is to consider solutions that won't compromise the advantages that we already have in the U.S. within the global marketplace. I emphasize the growing extent of U.S. energy exports as a prime example of an advantage that we have accumulated within the global marketplace that we don't want to compromise in order to achieve another viable objective, which is to reinvigorate U.S. shipbuilding and U.S. maritime logistics' competitiveness.

By implementing the proposed actions, anything redirecting the money that would be raised toward the development of U.S.-built, U.S.-crewed, U.S.-flagged vessels that could be used for U.S. energy exports, that could still have a net negative and a potentially significantly net negative effect on U.S. energy exports and on U.S. energy production, which would undermine the overall net benefits that could occur to the United States.

So any consideration of working to incentivize the reshoring of the construction of specialized LPG or LNG tankers, as Michael Nagle just emphasized, would require a significant amount of leaps forward in our ability to build the sorts of vessels that embody the technology and the engineering that is needed to achieve that, and underscores what a significantly long-term endeavor this is, which would require a much more strategic approach considering the many more policy instruments than the ones that are proposed within the actions for this particular case that's right before us.

MR. VAN PATTEN: Tyler Van Patten, Department of the Treasury.

Mr. Kirby, you suggested only including vessels entering service after 2027. I'm just curious how you arrived at the year 2027, rather than, say, '26 or '28?

MR. KIRBY: Mainly because global shipyards are, more or less, full with current developments until 2027, so that would mean in 2028, those would be new orders, let's just say, posted today, going forward.

MR. SULLIVAN: Ryan Sullivan, Department of State.

I think all of you have made a compelling case for the shipbuilding's industry's reliance on Chinese-built ships. President Trump has made it clear that shipbuilding is almost as equal in importance as infrastructure and I've noticed a couple of you have noted your investments in U.S. infrastructure. How will your industries, from here on out, support shipbuilding infrastructure in the future?

MR. PADILLA: I think you've heard from all five of us and from a 100 percent of those that I've heard testify before you across the two days, support further conclusions that the study and the investigation and support for significant U.S. effort to revitalize U.S. competitiveness across shipbuilding and maritime logistics. So you're hearing unified support for the conclusions reached in the investigation and for a considerable strategic effort that the U.S., as a country, can put forward.

So I think that our answer to your question begins there, and that what we're suggesting is that we need to start from the beginning and draw up something completely different, that would be a much more strategic and a much more likely to be successful approach to incentivize the reshoring of U.S. competitiveness in this industry. And also, one where we can consider very carefully all the tradeoffs and not undermine our own economic competitiveness and our own geopolitical advantages, especially in energy exports in undertaking that significantly necessary but difficult endeavor.

So we are here as partners for you to work on a better approach, but the proposed actions are not the best approach and not the way that we suggest that we should go forward, so work with us as stakeholders, as Veronika suggested, by reopening discussion with industry about how this could be done better, so that we can all walk arms together, and do this in a better way than what is proposed to achieve.

MR. NAGLE: What I would also add is that the U.S. energy industry is the envy of the world today. We have the lowest costs energy and that ultimately fuels our manufacturing position across the country. And to build ships and generate the steel that is needed, you need the low cost energy environment to do that. If the ship -- if the steel folks were here, they would tell you that power is their biggest cost in terms of producing the steel that is going to be needed to generate these ships. And the petroleum industry is absolutely critical to all the wiring and the cabling and everything else that is going to be needed to build the ships as well. All of that is foundational upon low cost energy, and so we absolutely can't do anything with the proposal that will undermine that position, which is critical to the U.S.'s dominance in this field.

MR. BERNSTEIN: One of the things we would probably also add to that and recommend here is we need to input and a direct investment. You've got the chemical ships from the Japanese and Korean shipbuilders. I think we mentioned those three countries, China, Japan, and Korea; right? We don't have the technological expertise to do it, because we've never built a chemical tanker; right? So we're needing to promote more direct investment for some of our allies to help that and promote incentives for U.S. shipbuilding to promote a direct investment from these Japanese and Korean shipbuilders who have the know-how to either do that.

Again, we would really kind of talk about production capacity expansions, which are the Japanese and South Korea, and then eventually, U.S. shipbuilders, to really get that more up and coming. And then kind of sourcing commitments from global commitments to kind of see what some of these direct investments, some of the OpEx. So I think what you're about here is we're looking at an idea of how we can enforce that policy and build it, but it's going to be in similar stages, and you're going to see what's out there, what's currently available from China, Japan and Korea, and look at ways you can promote more of that and invest more of that startup of the technology and past know-how from some of our allied countries, who are experts at long-term advantages of the materials.  But you can promote that, that will take, as I said, some time and even when you talk about 2027, we're looking at build shipments in 2029 for those being built, so even going beyond that in terms of all the current ship orders that we bill.  So this is going to take, as we've said, really some time to get that kind of up and running, but we do have some specific ideas mentioned in our ideas in how we can promote that policy.

MR. KIRBY:  I would also add that we need to pivot our thinking away from punishing the Chinese and towards how do we work with our allies and how do we look internally to put ourselves to do better from a competitive position.  At some point, that will rely on some punishment, but I think a change in perspective beyond how do we get to where we need to get to, then the punishment, will bring us a long way forward a lost faster.

MS. SHIME:  Similarly, as we stated in our comments, I think we're all supportive of the overarching goals to reduce our reliance on Chinese shipping. In speaking with our companies, nobody was against that goal; while everyone was supporting that goal, and if there were U.S.-built and flagged and operated ships available for their carriers to be using, they would 100 percent be requesting their carriers and transporters to be utilizing those opportunities. Also, the concern is, as many have identified, is that that capacity isn't there. When most of our companies, they use the -- as many have told you, are not there for U.S. capacities. So that's one our recommendations was a waiver of fees or no fees for companies that -- transporters that purchased U.S. ships or have U.S. ships on board, and then we'll have to allow for the shipping industry to identify a realistic time line for them to be able to ramp up capacity. But we're all in agreement that we need to reduce our reliance on the Chinese shipping fleet, and we're ready to support you.

NMA not only represents coal and critical exports all of the mining materials in the United States and we expect a lot of those mining materials to be utilized for this endeavor and we stand ready to provide them. But not only does our domestic industry, our domestic sales support our companies, exports support our companies, and so, for example, some of the operators that have to potentially idle their lines, they still have their domestic functions but the domestic miners will be idle as well, because exports support domestic operations. And so if you hurt the domestic -- the exports, you'll be hurting the domestic as well.

MS. BONNER: Thank you for your thoughtful responses.

My name is Sarah Bonner. I work for the U.S. Small Business Association.

The proposal has been published is in response to the PRC's acts and policies, and the under the first section, it specifically calls for Chinese marine transport operators to be assessed a fee on international marine transport and for that fee to be assessed on vessel operators of China.

Can you share if any of you or your numbers are known to be relying upon these Chinese maritime transport operators? I mean, there was a fee specifically on those ships with those operators; if that would cause substantial harm, or if that is something, you would feel, would not impact your business as much.

MS. SHIME: I can kick that one off.

Most of our shipments are I don't think --

the ships are identified by the carrier, and so our companies aren't able to identify what ship is going to come to pick up the commodity. And so where most of our companies have identified that their transporters, their carriers are not Chinese companies, they've asked those non-Chinese companies what makeup of their fleet are Chinese-built ships, and they've all said 50 percent and up. So there's an unfortunate ratio that one of the ships that the carrier will identify to come here to deliver product will be a Chinese-built ship, but then our companies have no -- they cannot control which ship company it utilizes.

Some of the ships take over two weeks to reach their destination, and so the transporters identifying the ship based on their global rotation. And also, the ships come to pick up the commodity, and it's our only members -- our company's one commodity that was on that ship, and so they will have to assume the entirety of the up to three and a half million dollar fee. So they will 100 percent be impacted; that's if their carriers don't -- or continue the contracts. Some of the carriers will not be renewing a contract or creating a new contract. And so export commodities are stagnant and that will cause lines to shut down and workers to be laid off as early as April.

MS. BONNER: If I could just ask -- sorry. If I could just ask to clarify again: Are you or your companies -- are your companies able to clarify in advance if there would be a Chinese maritime transport operator, either coming or booking with them?

MR. BURCH: Is your microphone on?

MS. BONNER: Oh, sorry.

I was just asking to follow up, to make sure I fully understand this. Do your companies have the power to decide whether or not to use a Chinese maritime transport operator, or is that not a choice that they can have?

MS. SHIME: I can follow up with you to answer that question, but for the companies that have communicated with us, this has been a fact-finding mission for themselves to identify, to ask their transporters what makeup of -- what makeup of their fleet is Chinese-built -- Chinese-built. So far, none have come to me to say they are utilizing Chinese-operated fleets, Chinese-owned companies, but all of this fact finding has resulted in their non-Chinese operators are utilizing Chinese-built ships, and as many people on the panel have mentioned, the dry bulk vessels -- there are no U.S. capacity in the dry bulk vessels.

MS. BONNER: Thank you.

Would anybody else like to add or expound? And please feel free to file post-hearing comments to this and whether you have choices in this matter.

MR. KIRBY: And just to be clear, by operator, I would define that as a Chinese-based company that owns their own ships or leases in a ship from the owner; is that your definition of what an operator is? Because it's a very important distinction that you have to make.

MS. BONNER: So I'm --

MR. BUTLER: I think for the hypothetical we're talking about here, we'll use your definition.

MR. KIRBY: So I assume in that case, you could reasonably identify who the Chinese operator was. I think, as we've all said, as you start getting into the realm of, well, is the ship built in China, in particular, it becomes a lot more challenging. We all know, from my perspective, for our business, 50 percent of the ships in the world have been built in China. The forward book is somewhere between 60 to 65 percent. So that's the real challenging distinction that we're all going to suffer with, identifying a Chinese operator based on the definition that I gave you.

MR. BERNSTEIN: And sorry, just to comment, we would share those comments as well. I think kind of in perspective, when we're talking about ships, the difference between ships and operators, they're really on equal footing, same as the chemical tankers, just using this specific example of chemicals on that. And especially, when you talk about the stainless-steel chemical tankers -- and I know I've talked about that a lot -- it's about 60 percent of current owners whose vessels are built in Chinese shipyards. And in that particular case, it's 7 percent, so it's a lot larger.

However, getting to your point, Ms. Bonner, if you're talking about fees on Chinese owners and operators, exempting the non-Chinese owners and operators, with the definition and understanding how that's going to work, that is -- I think that could be feasible.

MR. KIRBY: And in our submission, we'll also put some definitions in there, and hopefully, we can share those with all the participants. And if we can reach agreement on that, I think that allows us to move forward collectively with the same understanding as to what to the term definitions are.

MS. BONNER: Mr. Nagle, do you also have any comments?

And remember, post-hearing comments must be filed by April 2nd to be received.

MR. NAGLE: Yeah. I was going to say from our perspective, again, we certainly had to make long-term commitments when we undertook this endeavor ten years ago. Chinese vessels were the only option at that point. We do have future vessels that are on order that are not Chinese; they are Korean. Some of our vessels are Chinese-owned and operated but not all. But the proposed fees are essentially going to double the costs out of our exports. One of our ships is a 15,000-ton ship, so $1.5 million is a $100-a-ton surcharge on those shipments. We're in a commodity business and we simply can't afford those types of additional costs.

MS. BONNER: So if I can ask a follow-up. So you have a long-term commitment with a Chinese operator currently, and when does that expire?

MR. NAGLE: I have to check on the exact expiration of that, but we can certainly file that in our supplemental timely.

MS. SANCHEZ: Ms. Sanchez, for Department of Transportation.

Ms. Shime, you mentioned some modifications to the current proposed actions, in particular, those related to extensions. There are expectations of growth in our capacity in terms of the shipbuilding with all the programs that we put in place. Considering that, how would you view those exemptions to be temporary over any exemption to be temporary?

MS. SHIME: I think the length of the exemption should depend on when the U.S. shipbuilding capacity can meet current export and future export demand, and so this is one of the reasons why we think delaying the proposed actions to further include industry input and create a time line and a plan, as other panelists have suggested, would help identify when proposed fees or proposed exemptions and waivers would come into effect or be terminated. I think everyone's goal is to not harm U.S. domestic industry or exports, and we would like to continue exporting and would be encouraged to utilize those ships if they were available. But as I said before, we need immediate market signal to our customers that nothing is happening in the immediate future so that we're not harmed as of next month.

MS. SANCHEZ: Thank you.

MR. SALKELD: Okay. We have one more question. Sorry, I'm going to be that guy. This is addressed to Mr. Bernstein, Mr. Nagle but others can offer any comments as you see fit.

I understand from your testimony to assume that the U.S. has a shared access to shipping, but what if we don't? And more specifically, what steps should we be taking today to assure that we have the capability to ensure that the shared access continues in the future?

MR. BERNSTEIN: That's a very good question.

I think right now you should be looking specifically on, I think we mentioned some of this before, how we might get more investment from our Japanese and Korean shipbuilders. This is a very specialized industry. We only include things that we have a kind of dominance from these three players. So we think we should be looking a little bit more of targeting those. I know someone said that working with our allies is not en vogue in an earlier submission, but I think in this case, we really should consider that, really promoting how we can work with some of our allies for shipbuilding and would like to extend some of their shipbuilding for chemical industry vis a vis China, but I think they would need certain targeted parameters, perhaps subsidies, capacity investments to port fees. So specifically, to get the loophole, we would recommend if that's what we're trying to build. We do -- as I mentioned before, really encouraging U.S. shipbuilding. If we want to build ships, we're going to have to start thinking, again, in some of this shipbuilding, working with some of our allies, non-Chinese allies specifically, on how we might do that here in the United States.

MR. NAGLE: And from our business, we've already committed to a number of new ships coming out of Korea to broaden our portfolio of ships. I think the other thing that we need to certainly look at, as I alluded to some earlier comments, is ultimately building skills and the capability here in the U.S. to have the labor force, from a technical standpoint, a trade standpoint, an engineering standpoint to be able to build these complicated vessels.

I invite anybody that wants to come and see one of these ships when they come into the Port of Philadelphia or come into the Port of Houston, you're welcome to contact me and we're happy to take you around these fascinating vessels. They're quite feats of engineering.

But we need to build those skills and trade capabilities here in the U.S. to ultimately be able to construct these facilities at the shipyards that we do have around the U.S., and we're certainly supportive of helping to make that happen.

MR. SALKELD: If anyone else wants to comment, you can say so.

MR. BUTLER: Okay. Thank you. Thank you to this panel.

This is our final panel, so I want to thank all of the witnesses that have participated in these hearings. Reminder that post-hearing comments are due April 2nd.

And with that, we're adjourned.

(Whereupon, at 5:10 p.m., the hearing concluded.)

CERTIFICATE OF REPORTER

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I, STEPHANIE BARNES, the officer before whom the foregoing proceedings were taken, do hereby certify that the foregoing transcript is a true and correct record of the proceedings; that said proceedings were taken by me stenographically to the best of my ability and thereafter reduced to typewriting under my direction; and that I am neither counsel for, related to, nor employed by any parties to this case and have no interest, financial or otherwise, in its outcome.

Stephanie Barnes

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Notary public in and for
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My commission expires: 2/14/2028