Testimony of

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on

Maritime Security

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Thank you Mr. Chairman. It is a pleasure to testify before your subcommittee on this important topic.

I am Joseph J. Cox, President of the Chamber of Shipping of America (CSA). The Chamber represents 21 U.S. based companies that own, operate or charter oceangoing tankers, container ships, chemical tankers and other merchant vessels engaged in both the domestic and international trades. The CSA also represents other entities that maintain a commercial interest in the operation of such oceangoing vessels.

Before starting my testimony on the subject, I would like to take a few moments to express the deep sympathy of the maritime community to the victims and families and friends of victims of these terrorist attacks on American soil. We watched in horror, as virtually all the Nation did, as the World Trade Center towers collapsed. Many of our friends and colleagues worked in or near the disaster and we were relieved when we heard reports of the safe exit of many; we mourn and pray for those who are lost. The day following the terrorist attacks, CSA received letters of condolence and support addressed to the U.S. maritime community from our international colleagues at the Baltic and International Maritime Council, the International Chamber of Shipping and Intercargo. We thank them on behalf of our industry. Every day as we commute past the Pentagon, we are reminded of the damage and loss of life. Pictures do not do justice.

Today, CSA has been asked to discuss security issues within the maritime industry. We will start with a brief description of the types of vessels involved, the trades and terminals. We will then describe ship operations, company activity and interface with government agencies. This will be followed by a general description of cargo movements and we will conclude with a description of steps being taken and some recommendations.

Chamber of Shipping of America – International and Domestic Responsibilities

CSA traces its roots back to 1917 and the development of the first international treaty on maritime safety. Since that time, the U.S. has had extensive dealings with the international community on maritime matters. We mention this because it is critical to recognize two very important points: the maritime

industry is the basic tool of international trade and the U.S. has been one of the leaders in the development of policies for this industry for decades. At the same time, we have an extensive trade in our waters among U.S. companies. The needs of the U.S. for a secure waterfront will have an impact on our ships and the ships of our trading partners. We should recognize that ships are the critical mechanism for the United States in its world trade leadership. Ships are the lifelines of trade from other nations to the U.S. and from the U.S. to the rest of the world.

Types of Ships

CSA represents all types of ships that carry cargo. These include container ships, tankers, both crude and product tankers, roll-on roll-off ships, integrated tug-barge units and large coastwise barges. Our members are involved in operating ships, chartering ships, arranging for crew and pilotage, government inspections, insurance surveys, complying with laws and regulations, responding to customer requests and generally keeping the maritime commerce of the country on the move.

Container ships, which are a U.S. invention, are designed to carry intermodal containers. An intermodal container can be one of a number of lengths although the most prevalent is the forty-foot container. This is recognized by probably all Americans as the standard truck size that we encounter on our highways. Many of the trucks encountered by the U.S. driving public are actually containers that were only a short time previous on an ocean voyage. The efficiency of the system is based on the ease with which a container can be dropped off at a loading point inland, loaded by the manufacturer, sealed, transported to a port, loaded onto a ship, transported across the sea, unloaded at another port, transported to the inland destination where the seal is broken by the recipient and the container unloaded. Container ships vary in size and are referred to by the number of containers they carry. The carrying capacity is "twenty foot equivalent units" or "TEU"s. The twenty foot container was the prevalent size when container ships were being developed. These containers carry the vast majority of the U.S. trade. In 2000, there were over seventeen million TEU's moved across U.S. docks. If domestic containers are counted, the figure is well over twenty million. Container ships have grown in size over the years in the drive for more efficiency. The ultimate recipients of the benefits of that efficiency are the public.

Tankers are the primary source of transporting the crude oil the U.S. imports and provide a substantial amount of the transport needs to move products such as gasoline and heating oil. Crude oil is both U.S. produced and purchased from foreign sources. Our foreign purchased crude can be what is referred to in the business as long-haul or short-haul crude. A short-haul, for example would be from Venezuela and a long haul would be, for example, from the Arabian Gulf. At present, the U.S. consumes a bit over eighteen million barrels per day of crude oil. (The oil industry refers to oil in terms of barrels. A barrel is forty-two gallons so the eighteen million barrels per day consumption is over 756 million gallons.) Approximately eight million barrels of this production is domestic. The remainder comes from a variety of sources including the Gulf. The latest figures show 2-3 million barrels, or eleven to fifteen percent of our consumption from the Gulf. Most of the imported crude arrives on Very Large Crude Carriers (VLCCs). VLCCs are too large for U.S. ports so when they arrive, they are lightered so that they can enter a port or they may be completely lightered and not physically enter port.

Lightering is the act of transferring oil to smaller tankers, which can enter the port at a shallower draft, for movement into the terminal. Both the VLCC and the smaller tanker are most often foreign flag. A common size VLCC holds around two million barrels so, on average, there are three VLCCs completely unloaded every day in or near our territorial waters. In actuality, since the lighterings can take a week, there is a larger number of VLCCs near our coast than the barrel delivery number would indicate. There is a considerable amount of oil moved from our Alaska fields amounting to nearly one million barrels per day. Since this is a domestic movement, U.S. flag tankers do that carriage. The movement of gasoline and heating oil along our coasts is performed by smaller size product tankers and ocean-going barges. These are also U.S. flag vessels.

Other types of ships call at our ports such as bulk ships which most frequently call at our nation to load our bulk exports including grain, coal and fertilizer. Chemical tankers are a smaller tanker than their crude oil cousin and are specially designed to carry various chemicals in bulk.

The ships carrying our trade are in the main foreign flagged. From the time trade began, ships have been registered in a particular nation. When registered, the ship then flies the flag of that nation at its

stern. This told the rest of the world what laws the ship was operating under relative to mortgage laws, seafarer rules and other national regulations. Not too many years ago, the nationality of the owner of the ship, the operator and the crew were the same. As it has developed, we must be aware that the reality today is that the beneficial owner may be one nationality, the operating company another nationality, the officers on board can be a mix of nationalities and the unlicensed crew still another mix. Throughout all the trade and logistic changes throughout the industry, there has been an increase in concern with safety and environmental protection and development of technology to protect the asset. The number of ship loss incidents has decreased dramatically in the past twenty-five years and the efficiency of the system has had an equally dramatic rise. This situation is the reality we work with today.

Ship Commerce

As we look at ships in our ports and harbors, it will be helpful to understand the number of people involved and, from there, consider what responsibilities various parties have. A ship loads at one or a number of foreign ports and, whether on a strict schedule or otherwise, at some point, takes a departure from the final port and heads to the U.S. On board will be the cargo with proof of ownership and other documentation that is a part of the commercial world. The ship itself will have on board a number of documents issued by the flag state attesting to compliance with international requirements. Every seafarer on board, and the number will vary by ship type, will have a seaman's document issued by the nation of registry. As the ship approaches the U.S., it will send an arrival notice to the U.S. Coast Guard and will contact an agent or, if the company is large enough, a company employee, to make the arrangements to have a state licensed pilot meet the ship to bring it in, arrange for U.S. Customs Service clearance, quarantine inspections, Immigration and Naturalization Service clearance and handle vendors and suppliers of goods for the ship. After picking up the pilot at the entrance to the port or harbor, the ship enters under the direction of the pilot who has the capability of a direct link with the harbor communications system that is separate from the ship's communications gear although he will use the ship's gear in most instances. The speed of the ship at this point will vary according to circumstances as directed by the pilot although in very few instances will this approach the full speed capability of the

ship. In many harbors, the movements will be monitored by the vessel traffic system which may be manned by government or private company personnel. As the ship nears the dock, tugs may be used to assist. Once along side, the activity of clearance begins.

What is occurring now?

Present Actions

We see two aspects for concern relative to ships: problems emanating from within the vessel and outside actions directed at the ship. Although ship operators have more control over the first, we have comments on the roles of various participants involved in our ship operations.

- Ship operators should be aware of the potential for use of the ship as a mechanism of terrorist activity and take appropriate safeguards in foreign ports particularly the last foreign port of call and limiting access to personnel with ship's business. The operator should take special care in reviewing the seafarer documents of newly hired crew. At the dock in the U.S., or at anchor, the ship should maintain a watch at the waterside and report questionable activity to the Coast Guard. The master should limit access to the ship by personnel allowing only those who have business with the ship.

- Ship operators should comply with the U.S. Coast Guard's request that a crew list and a list of other persons on board be transmitted to the Coast Guard at least 96 hours before arrival at the U.S. (The current regulation, now under review for change, has a 24 hour time frame.)

- American pilots should ensure that masters are fully aware of the intended track of the ship. The pilot should also consider maintaining separate communications with responsible shore personnel.

- Where VTS is presently operating, the VTS controllers should be vigilant about traffic being monitored/controlled and other traffic nearby.

- Agents, who are usually American companies, should review ship's documents closely for non-conformities and resolve issues prior to ship arrival.

- Ports/terminals should limit access to their facilities to only those persons having business with the facility and who can adequately identify themselves with photo identification. They should cooperate with the Master in limiting access to the ship. Ports/terminals and ships should agree on methods to accommodate crew changes and visits by vendors to chandler the ship or effect necessary repairs.

- Lightering – We understand the lightering community has initiated some additional steps including adding a deck watch, exercising the piracy part of the ship's plan, keeping the radar active, more frequent patrols of the operator by small boat and maintaining communications with the Coast Guard.

- We are working with various government agencies and are encouraged with the cooperation among them. Last week, we addressed a problem and were able to talk directly to Customs and INS as the agencies had placed personnel in each other's offices. This coordination must continue as nationwide uniformity is necessary for the maritime industry to operate efficiently and safely. The Coast Guard, in addition to working with other federal agencies, should work with state and local governments and public and private terminals to ensure that regulations and requirements are uniform nationwide.

Mr. Chairman and committee members, much of the above is maintaining a heightened awareness of the circumstances and ensuring that communication links are open and accessible. Some operations, such as a marine terminal at a refinery, may have additional safeguards. In any port/ship interface, there is a need for the knowledgeable persons to communicate with each other. We believe this is taking place at oil terminals.

In closing, we must make our industry secure and we must continue to operate. These goals are not

incompatible.

This concludes by testimony. I would be pleased to answer any questions.