

BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

America Builds: Maritime Infrastructure



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2167 Rayburn House Office Building

Testimony of:

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Chairman Ezell, Ranking Member Carbajal and distinguished members of the Subcommittee, thank you for the opportunity to testify today on behalf of the U.S. shipyard industry. My name is Joe Rella, and I am President of St. John's Shipbuilding based in Palatka, Florida. I am here to discuss the critical role U.S. shipyards play in America's Marine Transportation System (MTS), the economic impact of our industry, the importance of investment in maritime infrastructure, and the state of the U.S. shipbuilding industrial base.

Before diving into the above testimony, I would like to share a bit about myself and St. Johns Ship Building.

I am a former enlisted US Navy Nuclear Power School graduate. I was selected to attend the US Merchant Marine Academy in Kings Point, NY, and graduated with a degree in Marine Engineering Systems. I am also a graduate of Spring Hill College with an MBA. I have sailed in the US Merchant Marine as a licensed engineer and participated in the strategic sealift supporting Operation Desert Shield. I have literally sailed around the world on US-flagged merchant Ships. My experience in shipbuilding and repair includes US Navy and commercial vessels and both blue and brown water service. I am a former President and Chief Operating Officer of Austal USA and now President of St. Johns Ship Building.

St. Johns Ship Building is a full-service shipbuilding and marine repair company specializing in the new construction and repair of a wide variety of aluminum and steel vessels. We are located on the Southeast Coast with excellent access to the Mid-Atlantic and New England as well as the Caribbean and Gulf Coast. Our facility sits on a beautiful, partially wooded site along the St. Johns River in Putnam County, Florida, approximately 68 miles south of Jacksonville, Fla. The St. Johns River is easily accessible to the Intracoastal Waterway and opens to the Atlantic Ocean at Jacksonville, Florida. While the shipyard's history has been primarily commercial, we recently were awarded a contract with the US Army Corps of Engineers for two Stop Log Barges, which signifies our entry into supporting the US Government with new construction and repair services.

The U.S. shipyard industry is diverse and operates in several sectors, including government new construction, government repair and modernization, commercial repair and modernization, and commercial new construction. According to the Maritime Administration (MARAD), there are 120 active shipyards in the United States spread across 27 states, with shipyard-related and induced jobs touching all 50 states. Shipyard companies have diversified their waterfronts to contribute to multiple sectors, and some are also utilizing their skilled workforce to contribute to non-maritime construction efforts.

A 2021 study by the U.S. Maritime Administration¹ found that the industry supports more than 390,000 direct and indirect jobs across the United States and contributes \$42.2 billion annually to GDP.²

From our industry's perspective, the Jones Act is absolutely essential to the commercial shipbuilding sector. The Jones Act, which comes at no cost to the U.S. government, helps maintain a merchant marine to carry our domestic water-borne commerce. The law also ensures that the U.S. maintains critical shipyard infrastructure and an associated skilled workforce that can build, repair, modernize and maintain the more than 40,000 vessels of the domestic Jones Act fleet. This industrial base also ensures there is a sufficient workforce to support the construction and repair of our critical national security fleets.

U.S. shipyards build some of the most technologically advanced vessels in the world. For example, the world's first LNG-powered containership was built in the U.S. and is now serving the Puerto Rican trade. Our shipyards also build world-class offshore service vessels for oil and gas exploration, offshore wind development and production and vessels of all types for the Coast Guard, and the most advanced and lethal fleet for the United States Navy.

Shipyards & America's Marine Transportation System (MTS)

America's Marine Transportation System (MTS) is a vast network that includes approximately 25,000 miles of navigable waterways and over 300 commercial maritime ports containing more than 3,500 marine terminals. This system is essential for the movement of people and cargo throughout the nation, supporting nearly \$2.9 trillion in Gross Domestic Product (GDP) in 2024. Ports and the maritime industry are major economic drivers, hosting vital intermodal connections that facilitate the movement of goods along the national supply chain and enable the exportation of domestically produced goods to foreign markets. The maritime industry is also the most economical form of domestic transportation, moving more than 1 billion tons of cargo annually at a fraction of the cost of other modes.

Each port complex includes marine terminals that handle cargo loading and unloading. These terminals can be operated by port authorities or private companies leasing from port authorities. The MTS also includes tens of thousands of miles of navigable waterways, where more than 40,000 U.S. vessels, like the one my company builds, maintains and modernizes, operate in domestic waterborne commerce.

United States Shipbuilding and Ship Repair Industrial Base

The United States shipbuilding and ship repair industrial base is underpinned by the Jones Act, which requires vessels participating in coastwise trade to be U.S.-owned, U.S.-crewed,

¹ <https://www.maritime.dot.gov/sites/marad.dot.gov/files/2021-06/Economic%20Contributions%20of%20U.S.%20Shipbuilding%20and%20Repairing%20Industry.pdf>

and U.S.-built. This legislation supports domestic shipbuilding capacity and prevents the loss of strategic capabilities.

To support the industry, MARAD administers financial assistance programs such as the Small Shipyard Grant Program, the Federal Ship Financing Program (Title XI), and the Capital Construction Fund and Construction Reserve Fund Programs. These programs provide grants, loans, and tax deferral benefits to increase shipyard competitiveness and encourage the construction of commercial vessels in U.S. shipyards.

Additionally, the Jones Act sustains a competitive domestic market for carriers, operators, and shipyards. However, when the Jones Act is not enforced or is undermined by shortsighted policies, it can have detrimental effects on the broader domestic maritime industry and U.S. job creation.

For example, a 2017 decision by the Customs and Border Protection (CBP) allowed certain foreign-built, foreign-crewed, and foreign-owned offshore supply vessels to operate in violation of the Jones Act. This decision led to the cancellation of numerous construction contracts for new "Made in the U.S.A." vessels due to the uncertainty introduced by executive actions that contravene Congressional intent. The immediate impact of these cancellations dampens the domestic industry, initiating a vicious cycle where future opportunities may also be reconsidered or rescinded. This not only affects current contracts but also hampers the industry's ability to invest in its workforce and modernize facilities, making them safer and more efficient.

This issue exemplifies how a decision by an agency to not enforce the Jones Act can adversely impact commercial shipbuilding, reverberating throughout the entire shipyard industrial base. This raises costs and destabilizes the industry's ability to support national defense requirements. We urge Congress to identify and close existing loopholes in the Jones Act, providing clarity on matters related to visa issues and heavy lift operations that are integral to the success and viability of this critical commercial market.

Rather than undermining the Jones Act and the essential shipbuilding manufacturing sector, the United States government—both the Administration and Congress—should promote policies that actively encourage the expansion of the shipyard industrial base.

Members of this Committee have recognized the potential benefits of ensuring access to our domestic energy and as the United States has emerged as the world leader in energy production, it is crucial that we encourage the transportation of our domestically produced natural resources, including LNG, on U.S. vessels. Policies such as Congressman Garamendi's Energizing American Shipbuilding Act and the SHIPS for America Act would support this goal.

Implementing such policies would not only help us regain a foothold in the international shipping market, where we have lost ground to heavily subsidized and government-backed

shipyards, but it would also have a direct impact on the recapitalization of our strategic sealift fleets. The construction of LNG carrier and petroleum tankers would stabilize the shipyard supplier base and the shipyards themselves, thereby strengthening our overall maritime infrastructure.

Long-term, there needs to be a workforce expansion, and some shipyards will need to reconfigure or expand production lines to meet demands for national security vessel construction and commercial market demands. This can and will be done as required to meet the need if adequate, stable budgets and procurement plans are established and sustained for the long-term. Funding predictability and sustainability, along with fully and consistently enforcing the Jones Act, will allow industry to invest in facilities and more effectively grow its skilled workforce. The development of that critical workforce will take time and a concerted effort in a partnership between industry, the Congress, local governments, and the federal government.

U.S. shipyards pride themselves on implementing state of the art training and apprenticeship programs to develop skilled men and women that can cut, weld, and bend steel and aluminum and who can design, build and maintain the best Navy and Coast Guard in the world, along with our domestic commercial fleet. However, the shipbuilding industry, like so many other manufacturing sectors, faces an aging workforce. Attracting and retaining the next generation shipyard worker for an industry career is critical.

Recent capital investments in private U.S. shipyards total more than \$7 billion and highlight the industry's potential and readiness to meet these demands.³⁴⁵⁶

Impact of Chinese Maritime Dominance on U.S. Shipyards

Recently, the U.S. Trade Representative (USTR) concluded an investigation under Section 301 of the Trade Act of 1974, finding that China's targeted dominance in the maritime, logistics, and shipbuilding sectors is unreasonable and burdens or restricts U.S. commerce. The investigation revealed that China's policies have significantly displaced U.S. shipyards in the global market.

In 1975, the United States ranked number one in commercial shipbuilding, constructing over 70 ships annually. Today, the U.S. ranks 19th, building fewer than five ships each year, while China builds more than 1,700 ships annually.⁷

³ <https://breakingdefense.com/2023/04/fincantieri-finishing-300m-shipyard-renovations-a-big-bet-on-the-us-navys-frigate-plans/>

⁴ https://www.gdeb.com/news/news_archives/2022archives.html

⁵ <https://news.clearancejobs.com/2024/04/19/secnav-urges-defense-contractors-to-invest-in-u-s-shipyards-to-enhance-navy-capabilities/>

⁶ <https://www.madeinalabama.com/2024/07/austal-to-add-over-1000-jobs-with-expansion-of-mobile-shipyard/>

⁷ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2025/january/ustr-finds-chinas-targeting-maritime-logistics-and-shipbuilding-sectors-dominance-actionable-under>

China's dominance is driven by extensive state support and control over its shipbuilding industry, which undermines fair, market-oriented competition. This dominance has led to a significant reduction in business opportunities and investments in the U.S. maritime sector, creating economic security risks and dependencies on Chinese-controlled supply chains. The USTR's findings underscore the urgent need for responsive actions to invest in and strengthen the U.S. shipbuilding industry to counter these challenges.

National Maritime Strategy

As we look at the current state of the U.S. flag maritime industry, we need to ask ourselves "what's next." At the end of the 118th Congress, bi-partisan, bi-cameral legislation was introduced titled the "Shipbuilding and Harbor Infrastructure for Prosperity and Security for America Act" (SHIPS Act) sponsored by Senator Mark Kelly, Senator Todd Young, Congressman Trent Kelly, and Congressman John Garamendi and Congressman Michael Waltz.

The proposed legislation would provide for the first time a national maritime strategy to grow the entire maritime industrial base from shipbuilding, to maritime logistics to the merchant mariner workforce. The bill proposed the construction of a fleet of strategic commercial assets, including 250 vessels for international commerce and 100 tankers for the Tanker Security Program, among many other legislative proposals to better support the U.S. maritime industry.

If we were to undertake such a shipbuilding campaign, there will need to be substantial expansion in both shipyard facilities and workforce. Private industry, as I noted above, will make that commitment based on the signals provided by the Congress and the Administration and the legal certainty provided under this comprehensive legislative proposal.

Autonomous Maritime Technologies

The development of autonomous maritime technologies presents both opportunities and challenges for the MTS. These technologies have the potential to increase efficiency and reduce operational risks but require a stable regulatory framework to ensure their safe integration. The International Maritime Organization (IMO) is conducting regulatory scoping exercises to develop guidelines for incorporating autonomous technologies into regulatory frameworks

Stable and consistent guidance from these agencies are critical to enable the U.S. maritime industry to invest in these new technologies and incorporate them into our future commercial and government fleets.

Conclusion

In conclusion, the U.S. shipyard industry plays a vital role in supporting the nation's economic and security needs. Continued investment in maritime infrastructure, support

for the domestic shipbuilding industrial base, and the development of autonomous maritime technologies are essential for maintaining a robust and competitive maritime industry. I urge the Subcommittee to continue its support for these critical initiatives.

Thank you for the opportunity to testify today. I look forward to answering any questions you may have.