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Thursday, March 19, 2020

The Honorable Richard Shelby
Chairman,
Senate Appropriations Committee
304 Russell Senate Office Building
Washington, DC 20510

The Honorable Patrick Leahy
Vice Chairman,
Senate Appropriations Committee
437 Russell Senate Office Building
Washington, DC 20510

The Honorable Nita Lowey
Chairwoman,
House Appropriations Committee
2365 Rayburn House Office Building
Washington, DC 20515

The Honorable Kay Granger
Ranking Member,
House Appropriations Committee
1026 Longworth House Office Building
Washington, DC 20515

Dear Members of Congress:

On behalf of the domestic maritime industry, the Offshore Marine Service Association (OMSA) respectfully request a change be made to the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act).

We request that Section 3102(b) be amended by adding a new paragraph (3) and renumbering the subsequent paragraphs. The new paragraph should say, “(3) Not more than \$1,000,000,000 shall be available for owners or operators of vessels having a coastwise endorsement under 46 U.S.C. 12112 or the domestic shipyards, vendors, or suppliers that construct, service, supply, and repair such vessels.”

Considering the great importance of the offshore maritime and shipyard industries provide to our national, homeland, and economic security, and the great economic distress these industries have incurred it is vitally important that Congress ensure that the American-owned businesses that make up our maritime industries will have access—if they qualify—to the assistance provided in the CARES Act.

The maritime and shipyard industries have long been recognized as vitally important. Since 1789, Congress has made clear the importance to the United States of maintaining a fleet of seafaring vessels sufficient to protect our Nation’s military and economic security. More specifically, 46 U.S.C. § 50101(a) states that it “is necessary for the national defense and the development of the domestic and foreign commerce of the United States [to] have a merchant marine . . . sufficient to carry the waterborne domestic commerce . . . capable of serving as a naval and military auxiliary in time of war or national emergency . . . supplemented by efficient facilities for building and repairing vessels.”

The mariners that sail on commercial U.S. vessels participate in the Ready Reserve Force (RRF) which facilitates the rapid worldwide deployment of U.S. forces. The 46 U.S. government owned vessels in the RRF are expected to operational within five to 10 days. Most RRF ships have maintenance crews of 10 mariners that are supplanted by commercial mariners during activations. However, to be part of the RRF, a mariner has to have a valid U.S. Coast Guard Merchant Mariner Credential. These credentials expire every five years and the only way they can be renewed is by showing recent sea-going experience. As such, if mariners are not sailing because of industry

slowdowns, they will not be able to keep their credentials current and if they do not keep their credentials current, our national will not have sufficient mariners to staff the RRF.

As an additional demonstration of the importance of our industries, just this week, the U.S. Department of Homeland Security (DHS) identified U.S. mariners, shipyard workers, and others involved in these industries as “essential critical infrastructure workers,” thereby highlighting the importance of these maritime professionals to our nation (see “Guidance on the Essential Critical Infrastructure Workforce: Ensuring Community and National Resilience in COVID-19 Response” Version 1.0, March 19, 2020 Cyber and Infrastructure Security Agency, U.S. Department of Homeland Security).

As a service- and supplier-based industries, the vessel owners, shipyards, and their suppliers are the first to feel slowdowns and the last to experience upticks. In fact, the offshore service industry (the U.S. companies that construct, maintain, service, and supply offshore energy infrastructure) was just starting to experience recovery from the energy downturn that started in 2014. For example, of the approximately 800 U.S.-flagged vessels in the OMSA-member fleet, 200 were out work at the beginning of 2020. Similarly, a market-data firm had found 37 percent of Gulf-based offshore service vessels were out of work at the end of February. While dire, that percentage is down from the 54 percent out-of-work rate experienced at the bottom of the energy downturn.

COVID-19 and the associated drop in energy markets is greatly exacerbating this problem. In the past week, 70 percent of OMSA member companies have reported losing at least one vessel charter. When combined with the above-described out-of-work rates, it means that there will be an oversupply of vessels in the spot market and vessel operators will have no choice but to stack their vessels and layoff the crewmembers.

These impacts are not only dire for the vessel operators, but also for the shipyards, suppliers, and vendors that repair, service, and support these vessels. In general, every American working in the U.S. maritime industry supports an additional five American jobs. Thus, if we do not ensure that assistance is provided to this industry, a ripple effect will move through the American economy and leave lasting effects for years to come.

Unfortunately, there are few other places for the maritime and shipyard industries to turn for assistance. Numerous vessel operators and suppliers have reported that conventional lending sources are informing them that they will not be writing any new loans while this the COVID-19 Pandemic and the associated downturn in offshore energy markets is continuing. They are specifically staying away from the oilfield related offshore vessel industry due to the high number of bankruptcies of companies that are engaged in this industry.

The Congress and the Administration can help to mitigate these effects by also considering loan relief to qualified oil service companies with interest free loans for three years. Additionally, there is an option to increase tax incentives for offshore leaseholders to expedite the plugging and abandoning of old oil wells on the seabed. In addition to providing the monetary relief put forward by the CARES Act, these options will also incentivize U.S. oil service companies to continue keeping vessels on charter and mariners employed.

We thank you for your consideration of these proposals and your support of the domestic maritime industry.

Sincerely,



Aaron C. Smith
President and CEO