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Secure and Resilient Supply Chain Requires More Robust Maritime Salvage Capability

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America's economy relies on seaborne trade. More than 90 percent of all U.S. trade travels through ports. Ensuring the continuity of operations and swift recovery from natural and manmade disasters remains essential for ensuring a robust and resilient supply chain.

The U.S. lacks adequate capacity to respond to a maritime catastrophe. Congress ought to take a more proactive role in assessing and addressing this shortfall.

Risk of Catastrophic Disasters. Manmade threats to ports are significant. The U.S. Maritime and Infrastructure Recovery Plan noted "over 2,100 possible threat scenarios in hundreds of ports," some with severe consequences. A 2006 RAND technical report described an exercise examining the consequences of a nuclear bomb detonation incapacitating the ports of Long Beach and Los Angeles. Less than 10 miles apart, they account for nearly a third of all U.S. imports. RAND estimated that such an attack would cost over $1 trillion.

Even smaller-scale disruptions, such as actual disasters like Hurricane Katrina, illustrate that port disruptions result in significant loss. Heavy winds and surge waters damaged shipping and port facilities at the Port of New Orleans. Port operations were curtailed for four months. According to the June 2007 edition of the *Monthly Labor Review*, in the 10-month period following the disaster, port operations lost 3,500 jobs and over $136 million in wages. Cargo volumes were impacted for two years.

The risk to the U.S. economy from natural and manmade maritime catastrophes cannot be ignored. To respond to these kinds of disasters, the U.S. has an increasingly dwindling capacity to conduct salvage operations.

An Industry in Decline. Maritime salvage includes the equipment and activities that help restore ports and waterways to working order. Among the critical tasks that salvage assets perform are stabilizing vessels, fighting fires, removing debris, and cleaning up hazardous material. Both private companies and government agencies—primarily the Navy's Supervisor of Salvage and Diving, the Coast Guard, and the Army Corps of Engineers—provide maritime salvage assets.

The U.S. marine salvage industry has long been in decline. In 1996, the U.S. Coast Guard noted that "private salvage and marine firefighting capability is currently limited in the United States." Writing in the Winter 2003 edition of *Soundings*, the newsletter of the American Salvage Association, the Coast Guard's response chief acknowledged that "capabilities would probably fall short of the needs of a

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situation if there were coordinated attacks against multiple targets or ports."

A confluence of commercial practices and regulatory practices contributes to the ongoing atrophy of the U.S. marine salvage industry. Capacity has not kept up with the increase in maritime commerce. Additionally, the irregular nature of disasters creates an inconsistent and unpredictable work schedule. Furthermore, the tools (vessels, cranes, etc.) and training that sustain a competent maritime salvage capability are costly to maintain.

The Merchant Marine Act of 1920 (also known as the Jones Act) has also contributed to the decline of commercial salvage. The act provides that any maritime transport of goods between two U.S. points must be performed by vessels that are built, flagged, and crewed by the U.S. Maritime salvage is a global industry. Legislation like the Jones Act limits competitiveness and efficiencies, because it makes accessing the globally available industrial base and worldwide services more problematic.

Finally, tort issues and other regulatory burdens present additional challenges to marine salvage companies. In the aftermath of the Deepwater oil spill, for example, individuals brought "complaint bundles" for injuries, meaning any organization involved in the spill was named a defendant. This includes salvage companies that took part in cleanup efforts and have been entangled in costly and prolonged litigation.

U.S. Military Capabilities. As commercial marine salvage declines, the U.S. sea services are increasingly called upon to fill the capability gap, particularly during emergencies. Military capabilities, however, are inadequate. The Supervisor of Salvage and Diving maintains a small and aging fleet of salvage vessels that requires modernization. The Coast Guard does not have substantial salvage capability and faces significant challenges in maintaining its capacity to conduct emergency response. The U.S. Army Corps of Engineers also plays a roll in maritime salvage but relies primarily on commercial services, particularly commercial dredging equipment.

Challenge for All of Government Operations. Federal policies and programs are not optimized for facilitating maritime salvage response activities during large-scale disasters and mass emergencies. For example, according to post-disaster study by Captain Richard Hooper of the Navy's Supervisor of Salvage and Diving, when Katrina hit, "the U.S. Government had no pre-staged maritime salvage response plans in place for the major agencies concerned." Issues of integrating efforts at the federal level are compounded by the requirement for salvage operations also to be compliant with state and local regulations.

Furthermore, the Maritime Infrastructure Recovery Plan acknowledged the federal government's inability to effectively manage assets. Among the plan's recommendations to address the problem were "[e]stablish an inventory of salvage and fire-fighting assets maintained" by the Navy Supervisor of Salvage and the Coast Guard and "[c]onduct a thorough gap analysis, comparing available assets to those assets needed to respond effectively to a range of potential terrorist activities."

What Congress should Do:

- **Kill the Jones Act and other "Buy American" provisions.** These laws are often trumpeted as a means to "protect" U.S. industries and ensure that the U.S. has secure sources for critical national security needs. Usually, the opposite happens. The Jones Act was meant to save the merchant marine industry. In the first 76 years following the act, more than 60 U.S. shipyards had gone out of business, eliminating 200,000 jobs. Open competition makes the U.S. stronger and is key to the recovery of the marine salvage industry.
- **Demand an update from the Administration on the recommendations of the federal Maritime Infrastructure Recovery Plan.** In particular, government should demonstrate its ability to maintain real-time accurate visibility of military and commercial marine salvage.
- **Identify, assess, and address legal and regulatory obstacles that limit effective salvage response to maritime catastrophes.** Over the past two decades, the National Research Coun-

cil has periodically sponsored assessment of the marine salvage posture within the U.S. The same concerns are raised over and over again with scant effective congressional action.

Time for Action. As Congress considers the resiliency of the U.S. supply chain and the security of American ports, it is past time to pay greater attention to the issue of maritime salvage for catastrophes. Failure to do so could cost trillions of dollars and thousands of lives.

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