

MENACE ON THE RED SEA: SECURING SHIPPING AGAINST THREATS IN THE RED SEA

(118-44)

HEARING
BEFORE THE
SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

JANUARY 30, 2024

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Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

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JANUARY 26, 2024

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Subcommittee Hearing on “*Menace on the Red Sea: Securing Shipping Against Threats in the Red Sea*”

I. PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation of the Committee on Transportation and Infrastructure will meet on January 30, 2024, at 10:00 a.m. ET in 2167 of the Rayburn House Office Building to receive testimony at a hearing entitled, “*Menace on the Red Sea: Securing Shipping Against Threats in the Red Sea*.” Members will receive testimony on the emerging challenges to United States and global shipping efforts associated with increased geopolitical threats in and around the vital Red Sea shipping corridor. At the hearing, Members will receive testimony from the MSC Group, I.R. Consilium, the National Retail Federation, and Seafarers International Union.

II. BACKGROUND

The Red Sea is a vital shipping corridor for global maritime shipping, facilitating the movement of an estimated 12 percent of global trade per year.¹ The primary transit route is through the Suez Canal, which is a manmade waterway connecting the Mediterranean to the Red Sea and the shortest maritime route to Asia from Europe. As one of the world’s most heavily used shipping lanes, approximately 20 percent of all container shipping, nearly 10 percent of seaborne oil, and eight percent of Liquefied Natural Gas (LNG) pass through the Suez Canal.² While attacks by state and non-state actors have been a reality for ships transiting the Red Sea for several decades, the region has seen a dramatic increase in attacks since October 2023. Houthi forces based in Yemen, and supported by Iran, have systematically targeted numerous civilian and military vessels. As the crisis continues to escalate, numerous shipping companies have ceased transits through the Red Sea and are instead opting to take longer routes around the Cape of Good Hope.³ Increases in risk, insurance premiums, transit time, and fuel costs have caused a rise in container

¹Alex Mills, *The Long Shadow of the Red Sea Shipping Disruption*, ATLANTIC COUNCIL, (Jan. 8, 2024) available at <https://www.atlanticcouncil.org/blogs/econographics/the-long-shadow-of-the-red-sea-shipping-disruption/>

²*Id.*

³Meghann Myers, *Houthis have attacked ships in the Red Sea 25 Times Since November*, MILITARY TIMES, (Jan. 4, 2024), available at <https://www.militarytimes.com/news/your-military/2024/01/04/houthis-have-attacked-ships-in-the-red-sea-25-times-since-november/>.

prices, and threaten to severely disrupt global supply chains.⁴ In response, the United States has announced *Operation Prosperity Guardian*, an international coalition aimed at defending ships transiting the Red Sea.⁵

III. HOUTHIS AND ATTACKS IN THE RED SEA

Ansar Allah, more commonly referred to as the Houthi Movement or simply “the Houthi”, is a Shia Islamist political and military organization based in Yemen and believed to be supported by Iran.⁶ The Houthi movement has been operating in the region since the mid-1990’s, and most recently was engaged in a military operation against the Republic of Yemen Government from 2015 until a peace was brokered in April 2022.⁷ The Houthi movement has a long history of using the Red Sea to advance its interests, from using the waterway to smuggle weapons from Iran to conducting attacks against global shipping to pressure governments.⁸ In response, the United States established an international coalition, referred to as the Combined Maritime Force (CMF) and Task Force 153, in 2022, to monitor activity and assert presence in the Red Sea.⁹

Capitalizing on regional instability, in October 2023, the Houthi movement increased its attacks against international shipping in the Red Sea. Houthi leadership justified its attacks as a desire to punish Israel for its actions in Gaza.¹⁰ Throughout October, United States Navy (USN) destroyers intercepted numerous missiles fired by Houthi forces over the Red Sea.¹¹ Houthi air defense also shot down an American MQ-9 Reaper operating in or near Yemeni territorial waters.

On November 19, 2023, Houthi Forces forcefully boarded and seized control of the *Galaxy Leader*, a British-owned and Japanese flagged vessel with 25 individuals on board that was operating in international waters at the time.¹² The vessel and its crew are still being held by the Houthi. Since then, there have been an additional 24 attacks against vessels transiting the region, either through hijacking, attempted hijacking, or missile and drone attacks.¹³ Furthermore, United States naval vessels and personnel have been targeted directly by Houthi missiles and drones. On December 31, 2023, Houthi fighters fired on USN helicopters with small arms while responding to a distress call from a Maersk cargo vessel already under attack.¹⁴ The Houthi have pledged to continue attacks in the Red Sea until Israel ceases its campaign in Gaza.

IV. IMPACT ON GLOBAL SHIPPING

There has been a profound impact on shipping through the Red Sea due to the Houthi attacks. In response to increased risk, several of the largest shipping compa-

⁴See Lisa Baertlein, *Ocean Cargo Rates Climb After New Red Sea Ship Attacks*, REUTERS, (Jan. 4, 2024), available at <https://www.reuters.com/markets/commodities/ocean-cargo-rates-climb-after-new-red-sea-ship-attacks-2024-01-03/>.

⁵Press Release, DEPT OF DEFENSE, *Statement from Secretary of Defense Lloyd J. Austin III on Ensuring Freedom of Navigation in the Red Sea*, (Dec. 18, 2023), available at <https://www.defense.gov/News/Releases/Release/Article/3621110/statement-from-secretary-of-defense-lloyd-j-austin-iii-on-ensuring-freedom-of-n/> [hereinafter Secretary of Defense Statement].

⁶JEREMY M. SHARP, CONG. RSCH. SERV., R43960, YEMEN: CIVIL WAR AND REGIONAL INTERVENTION, (Nov. 23, 2021), available at <https://crsreports.congress.gov/product/pdf/R/R43960>.

⁷CARLA E. HUMUD, CONG. RSCH. SERV., IN11917, POLITICAL TRANSITION IN YEMEN, (Apr. 25, 2022) available at <https://crsreports.congress.gov/product/pdf/IN/IN11917>.

⁸Cameron Glenn and Mattison Rowan, *Who are Yemen’s Houthis*, WILSON CENTER, (July 7, 2022), available at <https://www.wilsoncenter.org/article/who-are-yemens-houthis>.

⁹CTF 153: RED SEA MARITIME SECURITY, COMBINED MARITIME FORCES (CMF), (2024), available at <https://combinedmaritimeforces.com/ctf-153-red-sea-maritime-security/>.

¹⁰*Yemen’s Houthis ‘Will Not Stop’ Red Sea Attacks Until Israel Ends Gaza War*, ALJAZEERA, (Dec. 19, 2023), available at <https://www.aljazeera.com/news/2023/12/19/yemens-houthis-will-not-stop-red-sea-attacks-until-israel-stops-gaza-war>.

¹¹Paul McLeary, *Houthis Launch More Attacks in Red Sea as US Warships Head to Region*, POLITICO, (Dec. 16, 2023), available at <https://www.politico.com/news/2023/12/16/houthi-attacks-red-sea-u-s-warships-00132146>.

¹²Isabel Debre and Jon Gambrell, *Yemen’s Houthi Rebels Hijack an Israeli-Linked Ship in the Red Sea and Take 25 Crew Members Hostage*, AP, (Nov. 20, 2023), available at <https://apnews.com/article/israel-houthi-rebels-hijacked-ship-red-sea-dc9b6448690bcf5c70a0baf7c7c34b09>.

¹³Joseph Clark, *U.S., Partners Committed to Defensive Operations in Red Sea*, DoD NEWS, (Jan. 4, 2024), available at <https://www.defense.gov/News/News-Stories/Article/Article/3631623/us-partners-committed-to-defensive-operations-in-red-sea/>.

¹⁴@CENTCOM, X, (Dec. 31, 2023, 3:53 AM), available at <https://twitter.com/CENTCOM/status/1741381969936834951>.

nies have halted or limited transits through the Red Sea and Suez Canal.¹⁵ As of January 6, 2024, 389 container vessels, accounting for over a fifth of global container capacity, have altered their routes to avoid the Suez Canal and Red Sea.¹⁶ As an alternative, ships have shifted to sailing around the Cape of Good Hope. This, however, adds significant time to transits between Europe and Asia, and can cost upwards of \$1,000,000 in additional fuel.¹⁷ Furthermore, ships need to make increased port calls along the African coast to refuel and resupply, increasing their vulnerability to piracy attacks by other non-state actors.¹⁸ Shipping companies still transiting the Red Sea and Suez Canal are subject to increased operational costs. As of January 2024, insurance premiums for container ships transiting the Red Sea have increased 10-fold, amounting to tens of thousands of dollars increase in insurance premiums.¹⁹ Major insurers are also seeking to exclude United States, United Kingdom, and Israeli ships from coverage on Red Sea voyages.²⁰

As of January 10, 2024, container freight rates have spiked to a 15-month high, costing roughly \$6000–\$7000 per forty-foot equivalent (FEU) on transits between Europe and Asia.²¹ In September of 2023, similar transportation cost below \$1800 per FEU.²² Increased shipping times due to the use of alternative routes have also constrained space availability on ships, forcing shippers to pay premium rates to secure spots.²³ The rise in insurance premiums, travel times, and fuel costs have historically increased the cost of global shipping, negatively impacting shippers, manufacturers, and consumers.

Notably, the impact of the crisis on global shipping has been amplified by a simultaneous drought that has caused water levels in the Panama Canal, which facilitates five percent of the world's seaborne trade, to hit historic lows.²⁴ As several of the lakes and rivers feeding the canal dry up, the locks are close to being too shallow for the passage of container ships.²⁵ The lower water level has forced authorities to restrict access and limit the number of ships using the canal, and in some cases, ships are required to carry less cargo to minimize draft.²⁶ Only 18 ships will be permitted to transit the canal per day in February, down from a usual operation capacity of about 36 ships per day.²⁷ Consequently, carriers will have to decide between paying increased premiums for priority access through the canal, waiting, or rerouting.²⁸ Regardless of which option is selected, the limited ability of container ships to transit the Panama Canal amplifies the economic impact of the current crisis in the Red Sea.

V. UNITED STATES RESPONSE

Since the beginning of the crisis, the USN has maintained a continuous and active presence in the region to enforce freedom of navigation and maintain security as part of its CMF responsibilities. However, as Houthi attacks increased additional resources were needed. Subsequently on December 18, 2023, the United States an-

¹⁵ Peter Eavis and Keith Bradsher, *Red Sea Attacks Leave Shipping Companies with Difficult Choices*, N.Y. TIMES, (Jan. 6, 2024), available at <https://www.nytimes.com/2024/01/06/business/red-sea-shipping-houthi.html>.

¹⁶ *Id.*

¹⁷ Noah Berman, *How Houthi Attacks in the Red Sea Threaten Global Shipping*, COUNCIL ON FOREIGN RELATIONS, (Jan. 5, 2024) available at <https://www.cfr.org/in-brief/how-houthi-attacks-red-sea-threaten-global-shipping>.

¹⁸ Jonathan Saul, *London Marine Insurers Widen High Risk Zone in Red Sea as Attacks Surge*, REUTERS, (Dec. 18, 2023), available at <https://www.reuters.com/markets/commodities/london-marine-insurers-widen-high-risk-zone-red-sea-attacks-surge-2023-12-18/>.

¹⁹ *Id.*

²⁰ Alex Longley and Aine Quinn, *Ship Insurers Seeking Exclusions for US and UK Vessels from Red Sea Coverage*, BLOOMBERG, (Jan. 16, 2024), available at <https://www.bloomberg.com/news/articles/2024-01-16/insurers-seek-to-exclude-us-uk-ships-from-red-sea-cover>.

²¹ Mohammed Al-ansare, *Container Freight Rates to Europe Spike to 15-Month High as Red Sea Attacks Continue*, S&P GLOBAL COMMODITY INSIGHTS, (Jan. 10, 2024), available at <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/shipping/011024-container-freight-rates-to-europe-spike-to-15-month-high-as-red-sea-attacks-continue>.

²² *Id.*

²³ *Id.*

²⁴ Mie Hoehris Dahl, *The Panama Canal is Running Dry*, FOREIGN POLICY, (Jan. 15, 2024), available at <https://foreignpolicy.com/2024/01/15/panama-suez-canal-global-shipping-crisis-climate-change-drought/> [hereinafter Panama Canal Running Dry].

²⁵ *The Dwindling of the Panama Canal Boosts Rival Trade Routes*, THE ECONOMIST, (Jan. 9, 2024), available at <https://www.economist.com/the-americas/2024/01/09/the-dwindling-of-the-panama-canal-boosts-rival-trade-routes>.

²⁶ Panama Canal Running Dry, *supra* note 24.

²⁷ *Id.*

²⁸ *Id.*

nounced the establishment of *Operation Prosperity Guardian*, a multinational security initiative under the purview of the CMF and the leadership of Task Force 153.²⁹ Currently, *Operation Prosperity Guardian* includes contributions from the United Kingdom, Bahrain, Canada, France, Italy, Netherlands, Norway, Seychelles, and Spain.³⁰

On January 10, 2024, the United Nations Security Council passed Resolution 2722, which demanded Yemen's Houthis immediately end attacks on ships in the Red Sea, cautioned against escalating tensions, demanded the release of the *Galaxy Leader*, and implicitly endorsed *Operation Prosperity Guardian*.³¹ The provision was sponsored by the United States and Japan.³² No members voted against the provision, while 11 members voted for it and four members (including veto wielding China and Russia) abstained.³³

On January 12, 2024, the USN, in conjunction with British forces, engaged in a limited air campaign against Houthi weapon sites and support infrastructure in Yemen. The attacks involved 60 targets in 16 locations and were aimed at degrading the Houthi' capability to target seaborne shipping.³⁴

Shippers have also expressed an increased concern that carriers will leverage the ongoing crisis as a means to maintain inflated profits.³⁵ As the crisis continues, the Federal Maritime Commission will be pivotal in insuring that fair market practices and regulations are being adhered to, in order to prevent high prices.

VI. WITNESSES

- Bud Darr, Executive Vice President of Maritime Policy and Government Affairs, Mediterranean Shipping Company (MSC)
- Dr. Ian Ralby, Chief Executive Officer, I.R. Consilium
- Jonathan Gold, Vice President of Supply Chain and Customs Policy, National Retail Federation
- David Heindel, President, Seafarers International Union

²⁹ Secretary of Defense Statement, *supra* note 5.

³⁰ *Id.*

³¹ Jonathan Landay and Arshad Mohammed, *UN Security Council Demands Houthis Stop Red Sea Attacks*, REUTERS, (Jan. 10, 2024), available at <https://www.reuters.com/world/middle-east/un-security-council-demands-houthis-stop-red-sea-attacks-2024-01-10/>.

³² *Id.*

³³ *Id.*

³⁴ See e.g. Joseph Clark, *U.S. Partners' Forces Strike Houthi Military Targets in Yemen*, DEP'T OF DEFENSE NEWS, (Jan. 12, 2024), available at <https://defense.gov/News/News-Stories/Article/Article/3644027/us-partners-forces-strike-houthi-military-targets-in-yemen/>; Phil Stewart, Idress Ali, & Mohammed Ghobari, *US and Britain strike Yemen in reprisal for Houthi attacks on Shipping*, REUTERS, (Jan. 12, 2024), available at <https://www.reuters.com/world/us-britain-carry-out-strikes-against-houthis-yemen-officials-2024-01-11/>.

³⁵ *The State of Transportation: Hearing before the H. Comm. on Transp. and Infrastructure*, 118th Cong., (Jan. 17, 2024) (Chairman Rouzer Question to panel, 38:30).

MENACE ON THE RED SEA: SECURING SHIPPING AGAINST THREATS IN THE RED SEA

TUESDAY, JANUARY 30, 2024

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:06 a.m. in room 2167 Rayburn House Office Building, Hon. Daniel Webster (Chairman of the subcommittee) presiding.

Mr. WEBSTER OF FLORIDA. The Subcommittee on Coast Guard and Maritime Transportation will come to order.

I ask that the chair be authorized to declare a recess during today's hearing.

Without objection, show that ordered.

I also ask unanimous consent that Members who do not sit on the subcommittee be permitted to sit here and ask questions.

Without objection, show that ordered.

As a reminder, if Members wish to insert documents in the record, please email them to DocumentsTI@mail.house.gov.

Now I recognize myself for the purpose of an opening statement for 5 minutes.

OPENING STATEMENT OF HON. DANIEL WEBSTER OF FLORIDA, CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Mr. WEBSTER OF FLORIDA. We meet here today to examine threats and emerging challenges to maritime commerce in and around the Red Sea shipping corridor.

I would like to welcome our witnesses today, I appreciate them: Bud Darr, executive vice president of maritime policy and government affairs at MSC Group; Ian Ralby, CEO of I.R. Consilium; Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation; and David Heindel, president of the Seafarers International Union.

Thank you all for being here, we really appreciate it and look forward to your testimony and what you have got to say.

The Red Sea is critical as a shipping corridor for global maritime commerce, connecting Europe and Asia through the Suez Canal, representing nearly 20 percent of container traffic and a significant portion of oil and liquefied natural gas shipments.

Since October, Houthis, an Iranian-backed separatist group based in Yemen, have sought to disrupt global commerce by signifi-

cantly increasing attacks against military and civilian vessels transiting the Red Sea. To date, dozens of vessels have been targeted either through hijacking, attempted hijacking, or missile or drone strikes, putting ships and their crews at risk.

Sadly, we learned last week that two Navy SEALs were lost at sea during a mission to disrupt Iranian arms shipments to the Houthis. Our prayers go out to the families of the fallen SEALs and all servicemembers still in the region.

In response to these threats, we have seen carriers reroute ships around Africa and insurance costs skyrocketing, leading to increased container rates and longer transit times for goods to arrive at their destinations.

On December 18, the United States announced the establishment of Operation Prosperity Guardian, a multinational security initiative to support maritime commerce transiting through the Red Sea. On January 12, the United States Navy, in conjunction with coalition partners, began air strikes in an effort to degrade the Houthis' ability to strike maritime targets.

At the same time these disruptions are occurring in the Red Sea, the Panama Canal is also facing bottlenecks as low water levels are forcing canal authorities to reduce transits by half, compounding uncertainty for ocean carriers and shippers.

We saw firsthand during the pandemic what a significant supply chain crisis can do to global economy, and we must not let that happen again.

And so, I thank our witnesses for joining us today and look forward to hearing what they have done to address these challenges.

[Mr. Webster of Florida's prepared statement follows:]

**Prepared Statement of Hon. Daniel Webster of Florida, Chairman,
Subcommittee on Coast Guard and Maritime Transportation**

We meet today to examine threats and emerging challenges to maritime commerce in and around the Red Sea shipping corridor. I'd like to welcome our witnesses joining us today—Bud Darr, Executive Vice President, Maritime Policy and Government Affairs at MSC Group; Ian Ralby, CEO of I.R. Consilium; Jonathan Gold, Vice President of Supply Chain and Customs Policy, National Retail Federation; and David Heindel, President of the Seafarers International Union.

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Since October, the Houthis, an Iranian-backed separatist group based in Yemen, have sought to disrupt global commerce by significantly increasing attacks against military and civilian vessels transiting the Red Sea. To date, dozens of vessels have been targeted, either through hijacking, attempted hijacking, or missile and drone strikes—putting ships and their crews at risk.

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We saw firsthand during the pandemic what a significant supply chain crisis can do to the global economy, and we must not let it happen again. And so, I thank our witnesses for joining us today and look forward to hearing what can be done to address these challenges.

Mr. WEBSTER OF FLORIDA. So, now I recognize the ranking member to give an opening statement.

OPENING STATEMENT OF HON. RICK LARSEN OF WASHINGTON, RANKING MEMBER, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Mr. LARSEN OF WASHINGTON. Thank you, Chair Webster and Ranking Member Carbajal, for holding this hearing on the ongoing Houthi attacks on commercial shipping. I look forward to learning about the status of the domestic and international supply chains, as well as the U.S. and the international response.

Ninety percent of goods moved worldwide spend time on a ship. As a country that depends on maritime trade, the U.S. has to do what it needs to do to ensure resilient supply chains. For its part, the U.S. Navy continues to do an exceptional job to ensure free and open maritime trade around the world.

I was on this committee when, in 2009, pirates captured the U.S.-flagged *Maersk Alabama* off the coast of Somalia, and the Navy ensured the safe return of the vessel and every mariner on board.

Unfortunately, a new threat exists: a continuous and unpredictable Houthi attack on commercial vessels transiting the Suez Canal and the Red Sea.

I do want to take a moment to formally recognize the work of the Navy, which is playing a leading role in Operation Prosperity Guardian and, with partner nations, is regularly thwarting Houthi attacks. As a result, ships continue to transit the region daily.

I am saddened, though, by the death of two Navy SEALs who perished during an operation to seize Iranian weapons bound for Yemen's Houthi rebels.

Special Warfare Operator First Class Christopher J. Chambers and Special Warfare Operator Second Class Nathan Gage Ingram died protecting American sovereignty, and their sacrifice kept deadly weapons out of the hands of terrorists.

However, the threat posed by Houthi rebels persists. To avoid this challenge, some operators have diverted their vessels around the Horn of Africa, adding 10 to 12 days to the trip, increasing carbon emissions and \$1 million in operating costs to their voyages.

Those who do transit the Red Sea face significant increases in their insurance premiums or risk being dropped altogether. In either case, the end result is higher prices for U.S. consumers.

And over the past 4 years, the global supply chain has been tested in ways previously unimaginable. From the Houthi attacks in the Red Sea to historic drought conditions at the Panama Canal to COVID-19-related backlogs, one thing is clear: smooth sailing on the high seas should not be taken for granted.

Congress responded to the COVID–19 supply chain crisis in several ways. As an example, Congress passed the Bipartisan Infrastructure Law, which, among other things, invests \$2.25 billion in the Port Infrastructure Development Program. That investment will help ensure that ports are prepared for inevitable fluctuations in cargo that jeopardize the seamless movement of goods.

Congress passed the Ocean Shipping Reform Act, a bipartisan bill which ensures fair and transparent policies and practices associated with international shipping.

And in 2009, in the wake of the piracy attack on the *Maersk Alabama*, this subcommittee took immediate action by holding hearings and coordinating a comprehensive Federal response to ensure the protection of U.S. ships and U.S. mariners. That response involved the Department of Transportation, Department of Defense, Department of State, Department of Commerce, and the U.S. Coast Guard. The result was the immediate protection of U.S.-flagged ships, as well as a coordinated international effort to apprehend and prosecute pirates and associated criminal organizations.

This time, even more is needed. The Houthi threat requires an international response that goes beyond a justified response in attacking Houthi aggression.

Today, we are going to hear from Dr. Ralby about the need to empower Yemen to combat the threat internally. Just as the U.S. should continue to stand by Ukraine, we have to support our friends around the world. Their security and sovereignty is our security and sovereignty.

And while we can't control the rain in Panama immediately, Congress can ensure that infrastructure here at home works. That means continued investments in roads, rail, airports, ports, vessels, and the women and men that make our transportation system work.

It's not too soon to start considering what that next investment in infrastructure will look like, as well as the investment in the U.S. maritime industry. So, I look forward to working with my colleagues to ensure the investments that started in the BIL are continued.

I would just note, as well, that we have the responsibility in this committee, as the Subcommittee on Coast Guard and Maritime Transportation, to look at the supply chain issues with regards to shipping around the world and shipping in the U.S. And that's the focus of this hearing, and I do want to thank the chair and the ranking member for calling it.

And with that, I look forward to hearing our witnesses and yield back.

[Mr. Larsen of Washington's prepared statement follows:]

**Prepared Statement of Hon. Rick Larsen of Washington, Ranking Member,
Committee on Transportation and Infrastructure**

Thank you, Chairman Webster and Ranking Member Carbajal, for holding this hearing on the ongoing Houthi attacks on commercial shipping.

I look forward to learning about the status of domestic and international supply chains as well as the U.S. and international response.

Ninety percent of goods moved worldwide spend time on a ship. As a country that depends on maritime trade, the United States must do everything to ensure resilient supply chains.

For its part, the United States Navy continues to do an exceptional job to ensure free and open maritime trade around the world.

I was on this Committee when, in 2009, pirates captured the U.S.-flagged Maersk ALABAMA off the coast of Somalia, the Navy ensured the safe return of the vessel and every mariner on board.

Unfortunately, a new threat exists—continuous and unpredictable Houthi attacks on commercial vessels transiting the Suez Canal and the Red Sea.

I would like to take a moment to formally recognize the work of the U.S. Navy, which is playing a leading role in Operation Prosperity Guardian and—with partner nations—is regularly thwarting Houthi attacks. As a result, ships continue to transit the region daily.

I am saddened though by the death of two Navy SEALs who perished during an operation last week to seize Iranian weapons bound for Yemen's Houthi rebels.

Special Warfare Operator 1st Class Christopher J. Chambers and Special Warfare Operator 2nd Class Nathan Gage Ingram died protecting America's sovereignty, and their sacrifice kept deadly weapons out of the hands of terrorists.

However, the threat posed by Houthi rebels persists. To avoid this challenge, some operators have diverted their vessels around the Horn of Africa, adding 10 to 12 days, increased carbon emissions and \$1 million in operating costs to their voyages.

Those who do transit the Red Sea face significant increases in their insurance premiums or risk being dropped altogether. In either case, the result is higher prices for U.S. consumers.

Over the past 4 years, the global supply chain has been tested in ways previously unimaginable.

From these Houthi attacks in the Red Sea to historic drought conditions at the Panama Canal to COVID-19-related backlogs, one thing is clear—smooth sailing on the high seas should not be taken for granted.

Congress responded to the COVID-19 supply chain crisis in several ways.

First, Congress passed the Bipartisan Infrastructure Law. Among other things, the BIL invests \$2.25 billion in the Port Infrastructure Development Program.

That investment will help ensure that ports are prepared for inevitable fluctuations in cargo that jeopardize the seamless movement of goods.

Second, Congress passed the Ocean Shipping Reform Act, which ensures fair and transparent policies and practices associated with international shipping.

In 2009, in the wake of the piracy attack on the Maersk ALABAMA, this Subcommittee took immediate action by holding hearings and coordinating a comprehensive federal response to ensure the protection of U.S. ships and U.S. mariners.

That response involved the Department of Transportation, Department of Defense, Department of State, Department of Commerce and the Coast Guard.

The result was the immediate protection of U.S. flagged ships as well as a coordinated international effort to apprehend and prosecute pirates and associated criminal organizations.

This time, even more is needed. The Houthi threat requires an international response that goes beyond a justified response in attacking Houthi aggression.

Today, we will hear from Dr. Ralby about the need to empower Yemen to combat the threat internally.

Just as the U.S. should continue to stand by Ukraine, we must support our friends around the world—their security and sovereignty is our security and sovereignty.

While we cannot control the rain in Panama, Congress can ensure that our infrastructure here at home works.

That means continued investment in roads, rail, airports, ports, vessels and the women and men that make transportation work.

It's not too soon to start considering what that next investment in infrastructure and the U.S. maritime industry will look like.

I look forward to working with my colleagues to ensure that the investments started in the Bipartisan Infrastructure Law are continued. I would note as well that we have the responsibility on this Committee, and this Subcommittee on Coast Guard and Maritime Transportation, to look at supply chain issues with regards to shipping around the world and shipping in the U.S.—and that's the focus of this hearing.

Thank you, Chairman Webster, and I look forward to hearing from our witnesses.

Mr. WEBSTER OF FLORIDA. Thank you, Ranking Member Larsen. Now I recognize the ranking member of the subcommittee.

Mr. Carbajal, you are recognized for 5 minutes.

OPENING STATEMENT OF HON. SALUD O. CARBAJAL OF CALIFORNIA, RANKING MEMBER, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Mr. CARBAJAL. Thank you, Chairman Webster. Today's hearing is timely so we can better understand the ongoing situation in the Red Sea and the effect it has on the global economy.

About 12 percent or \$1 trillion of global trade passes through the Red Sea every year. Ship operators have scrambled to account for the increased risk by taking extreme measures such as diverting vessels, paying increased insurance costs, hiring private security, and relying on the United States Navy-led Operation Prosperity Guardian for protection in the region.

The U.S. and global economy will be affected by this crisis in the Red Sea. The only question is how much.

I look forward to learning more about the commercial and economic impacts, but I would like to use the rest of my time to focus on the human factor.

Life on a ship is not glamorous. Mariners are typically at sea for several months at a time. They have limited access to internet and their families, and they are on-call 24 hours a day, 7 days a week.

For foreign mariners on foreign ships, it's worse. They are often required to work a year or more at a time, are paid unfair wages, and are often subjected to subpar health conditions and legal systems. Unfortunately, that's the result of the flag of convenience system where shipowners can register their vessels in low-tax—let me repeat that, low-tax—low-regulation countries, and find mariners from anywhere in the world as long as they will tolerate the wages.

For all mariners, though, the Houthi threat in the Red Sea is real. The U.S. Navy is doing incredible work protecting lives and commerce, but living, sleeping, and working under constant threat of deadly attack is unacceptable and unsustainable.

Unfortunately, this is business as usual for American mariners. Through every emergency, conflict, and war, the United States merchant marine has shown up. They bravely sailed during World War II when ships were being sunk daily by torpedoes. Many lives were lost. They delivered military supplies to our troops during the Gulf War when foreign mariners and foreign companies refused. They routinely sail hospital ships to disaster-stricken regions.

Currently, American mariners are showing their bravery and dedication by sailing through the Red Sea to deliver military cargo and humanitarian aid to the region.

Congress must find new and innovative ways to bolster the U.S. merchant marine.

I will close by expressing my appreciation for the U.S. Navy. Without them, vessel traffic in the Red Sea would have come to a halt in November.

I would also like to remember the two Navy SEALs who died during an operation in the Arabian Sea to intercept the delivery of

Iranian weapons to Houthi terrorists. They are heroes, and their sacrifice protected countless military and civilian lives.

Thank you, Chair, and I look forward to hearing from our witnesses.

[Mr. Carbajal's prepared statement follows:]

Prepared Statement of Hon. Salud O. Carbajal of California, Ranking Member, Subcommittee on Coast Guard and Maritime Transportation

Thank you, Chair Webster. Today's hearing is timely so we can better understand the ongoing situation in the Red Sea and the effect it has on the global economy.

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Unfortunately, this is business as usual for American mariners. Through every emergency, conflict, and war, the U.S. merchant marine has shown up. They bravely sailed during World War II when ships were being sunk daily by torpedoes. They delivered military supplies to our troops during the Gulf war when foreign mariners and foreign companies refused. They routinely sail hospital ships to disaster-stricken regions.

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I'd also like to remember the two Navy Seals who died during an operation in the Arabian Sea to intercept the delivery of Iranian weapons to Houthi terrorists. They are heroes and their sacrifice protected countless military and civilian lives.

Thank you, Chair, and I look forward to hearing from our witnesses.

Mr. WEBSTER OF FLORIDA. I would like to again welcome our witnesses.

I appreciate you being here. Thank you for being here today.

I would like to take a moment to explain our lighting system to the witnesses. There are three lights in front of you. Green means go, yellow means time to slow down, and red means conclude your remarks.

I also ask unanimous consent that the witnesses' full statements be included in the record.

Without objection, show that ordered.

And I ask unanimous consent that the record of today's hearing remain open until such time as the witnesses have provided answers to any questions that may be submitted to them in writing.

Without objection, show that ordered.

I ask unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, show that ordered.

As your written testimony has been made part of the record, the committee asks that you limit your oral remarks to 5 minutes.

With that, Mr. Darr, you are recognized for 5 minutes.

TESTIMONY OF CHARLES "BUD" DARR, EXECUTIVE VICE PRESIDENT OF MARITIME POLICY AND GOVERNMENT AFFAIRS, MEDITERRANEAN SHIPPING COMPANY (MSC); IAN M. RALBY, J.D., PH.D., FOUNDER AND CHIEF EXECUTIVE OFFICER, I.R. CONSILIUM, LLC; JONATHAN GOLD, VICE PRESIDENT OF SUPPLY CHAIN AND CUSTOMS POLICY, NATIONAL RETAIL FEDERATION; AND DAVID W. HEINDEL, PRESIDENT, SEAFARERS INTERNATIONAL UNION

TESTIMONY OF CHARLES "BUD" DARR, EXECUTIVE VICE PRESIDENT OF MARITIME POLICY AND GOVERNMENT AFFAIRS, MEDITERRANEAN SHIPPING COMPANY (MSC)

Mr. DARR. Thank you, Chairman Webster. Thank you, Ranking Members Larsen and Carbajal, and Members, for the opportunity to be here today and help describe what our experience has been to date and perhaps shed a little light on what the future may look like with this situation.

I have provided a written statement, I provided my CV. I will not bore you with too much detail on that, other than to say I am a graduate of the United States Merchant Marine Academy, proudly. I served in the U.S. Navy and the U.S. Coast Guard until retirement, and I am an American citizen, and I feel very strongly about the interests that the United States has in these issues, whether it involves U.S.-flagged ships, U.S. mariners, or other seafarers just trying to do their jobs every day.

I would like to offer up some comments on four points that I would like to ask your attention to.

One is that this is an unprecedented series of attacks by nonstate actors upon commercial shipping. There have certainly been attacks in the past, either by states that were well organized, and there have been attacks by nonstate actors such as Somali piracy some time ago, which seems, unfortunately, to be reemerging now at this moment. But as nonstate actors go, the level of sophistication of the targeting, the weaponry, and the boldness is absolutely unprecedented. And they have, in fact, taken control of a vital sealane, which is essential not only for U.S. economic interests, but for trade to flow more broadly throughout the world.

I will point out what we do in our industry is we are a conduit for trade. We don't operate ships just to operate them, although we love them very much, and we love the people that operate them. We go where the trade requires us to go, and we will adapt accordingly.

I would also like to offer my express thanks not only to the U.S. Navy, who not only has fought so bravely, sometimes paying the ultimate cost during this particular conflict, but also for keeping the watch over the holidays. I remember many conference calls with CENTCOM where we were at home with our families, and they were not, and we are grateful for the contributions that are being made, even if today we are not seeing a genuine improvement on the water to the point where we feel that it is safe.

So, my second point is, we are making this work. It is an extraordinary, unprecedented situation. It is extremely complicated, particularly to adapt global networks quickly, but we are making it work. Commerce is flowing.

The third point is, these are interconnected systems when you look at any one carrier or you look at a sector, such as the containerized sector, which is the part of our business I am here to speak to you about today. You can't look at one particular port or one particular service loop, which would be a series of ports served by a series of vessels. But you have to look at how it fits in with the broader system, particularly where it interfaces with ports and interfaces with the shoreside component of what it takes to keep supply chains moving.

And one major difference between the situation we face during the pandemic, which was also quite difficult, and what we face today is that those shoreside components are not showing the incredible stress that they were under during the pandemic, where it became painfully obvious to us that we could still operate ships quite well, we hadn't forgotten how to do that, but the shoreside component of what we would do once we got to port in the U.S. was not capable of handling that sort of a surge. And that is where I think these investments in the future are critically important, so that we have a more capable and more resilient series of supply chain components for the future in the interest of the United States.

I will also say there are substantial costs that come with these alterations. Some of the comments in the opening statement, I think, made recognition of that. And we are still trying to assess the full scope of those costs. At this moment, quite honestly, you have to make the best educated guess that you can, because it's not the same from company to company, it's not the same from service to service, it's not the same from loop to loop, and it's even not exactly the same from ship to ship. But keep in mind, if we need additional ships of a certain type or other equipment to fulfill the surge need, that has to come probably from other service areas, so, it causes disruption throughout the whole interconnected network.

I believe that situation will normalize. I believe we are in this for a while, at least it feels like that way. And as that happens, I think the market will take over again and pricing will reflect equity from carrier to carrier or customer to customer over time, as the market normally can do.

And the last point I will make, sir, is about seafarers. At the end of the day, the controlling consideration here and the controlling point of what the discussion should be, in my humble opinion, has to be about the human aspect of this. I work for a family-owned company. We have almost 200,000 employees, and I can tell you,

our chairman views them all as family members. It is unique for us, but it shouldn't be. These seafarers are keeping commerce moving, they are serving global society's needs, and they are just trying to do their job every day. And for them to be shot at, as they were three different times on our fleet, one of which was an hour-long firefight—an hour-long firefight—that they were directly in the middle of, is just unacceptable. We have got to find a way to make the shooting stop.

And for all the other considerations we have here, I would urge let's keep in mind there are real human lives hanging in the balance of the decisions that we make, and they cannot just be commercial decisions because we can insure a ship, we can insure a cargo or our customers can, but you can never properly insure the impact of a loss of human life. Thank you.

[Mr. Darr's prepared statement follows:]

Prepared Statement of Charles “Bud” Darr, Executive Vice President of Maritime Policy and Government Affairs, Mediterranean Shipping Company (MSC)

1. INTRODUCTION: MEDITERRANEAN SHIPPING COMPANY AND THE LINER SHIPPING INDUSTRY.

Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee, thank you for the invitation to testify today. My name is Bud Darr. I am Executive Vice President of Mediterranean Shipping Company Group (MSC).

MSC is a global leader in transportation and logistics. As one of the world's leading container shipping lines, and having by far the largest fleet, MSC has 675 offices across 155 countries worldwide, with the MSC Group employing almost 200,000 people. With access to an integrated network of road, rail, air, and sea transport resources which stretches across the globe, the company prides itself on delivering global services with local knowledge. MSC's shipping line sails on more than 300 trade routes, calling at 520 ports, and is targeting net-zero decarbonization by 2050.

MSC is also a member of the World Shipping Council (WSC). The World Shipping Council (WSC) is a non-profit trade association that represents the liner shipping industry, which is comprised of operators of containerships and roll-on/roll-off (ro-ro) vessels (including vehicle carriers). Together, WSC's members operate approximately 90 percent of the world's liner vessel services including more than 5,000 ocean-going vessels of which approximately 1,500 vessels make more than 27,000 calls at ports in the United States each year.¹

The liner shipping industry provides American importers and exporters with delivery service for almost any goods or commodities to and from roughly 190 countries. Approximately 35 million TEU of containerized cargo are currently imported into or exported from the United States each year. The container shipping industry is one of the most important facilitators of the nation's growth and ongoing economic activity.² Ocean shipping is also—by far—the most fuel-efficient form of transportation at scale on the planet.

2. THE RED SEA AND GULF OF ADEN SECURITY SITUATION REMAINS DIRE.

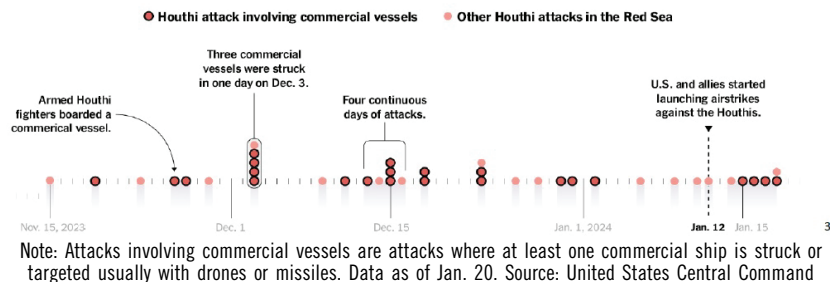
Since mid-November, Yemeni-based Houthi rebels have launched attacks on numerous commercial vessels in the Red Sea. These attacks employ powerful long-range sophisticated weapons—typically only possessed by nation States—including ballistic and anti-ship cruise missiles and one-way attack drones. *The world has never seen attacks like these by non-State actors on commercial shipping.*

¹A full description of the Council and a list of its members are available at www.worldshipping.org.

²Twenty-foot equivalent (TEU) is a general unit of cargo capacity based on size of a 20-foot-long intermodal container, which is a standard size box that can be easily transported by vessels, rail and trucks. In practice most containers are 40 feet in length.

The Houthis started their attacks on November 19, with a brazen attack and seizure by helicopter, dropping heavily armed militants onto the deck of the car carrier M/V GALAXY LEADER, where they proceeded to hijack the vessel and take it to Yemeni internal waters, where its 25-member crew remains kidnapped today, and we should not in any way forget about them. On December 26, 2023, our vessel, the M/V MSC UNITED VIII, was transiting from King Abdullah Port, Saudi Arabia to Karachi, Pakistan, when the master was contacted on the radio by Houthi forces claiming to be the Yemeni Navy and ordering the vessel to head towards Yemeni waters. After the master refused, the Houthis became increasingly threatening, resulting in the master reaching out to coalition naval forces for assistance. The Houthis fired missiles at the vessel, in a series of attacks that lasted over an hour, with missiles exploding in close proximity to the vessel, which was terrifying for our crew. By sheer luck, there were no physical injuries to the crew or damage to the vessel. This was one of three ships in our network that were targeted by the Houthis, with one of these attacks resulting in direct damage but fortunately without causing casualties or a major onboard fire.

On December 31, 2023, Houthis in armed small boats attacked and attempted to board the M/V MAERSK HANGZHOU—getting as close as 20 meters as a contract security team aboard the HANGZHOU deterred their advancement. The militants were only stopped when U.S. Navy helicopters responding to the HANGZHOU's distress calls were fired on by the Houthi small boats using crew served and small arms weapons, causing the U.S. Navy helicopters to respond in self-defense and destroy three of the four attack boats, and killing the militants. This attack represented the first counterattack by coalition forces against the Houthis resulting in loss of life. It is important to note that this particular attack occurred in morning following an aerial attack on the same vessel during the prior evening.



In the initial wave of attacks, the Houthis appeared to be targeting vessels that had an identifiable Israeli ownership interest. For instance, the M/V GALAXY LEADER was flying the Bermuda flag and chartered by the Japanese shipping corporation NYK—but was listed in public databases as being associated with an Israeli firm. Many vessels with Israeli ownership interests reacted by avoiding the Southern Red Sea, likely causing the Houthis to expand their targeting to all vessels calling on Israeli ports. *At present, the Houthi's targeting has become so attenuated from Israeli interests that it is indiscriminate, placing all commercial vessels transiting the Southern Red Sea and Gulf of Aden in the vicinity of Yemen at risk of being attacked.*

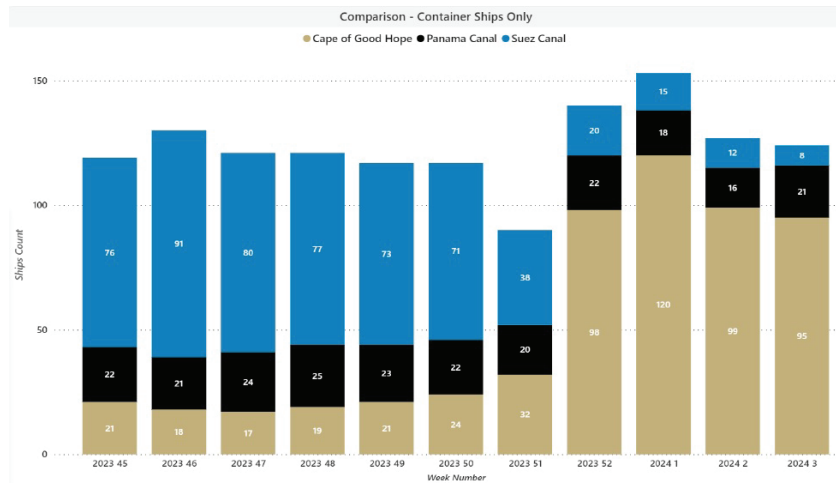
On December 18, 2023, the United States and its coalition partners announced the stand-up of Operation Prosperity Guardian (OPG), a defensive operation with the mission of providing naval presence to achieve deterrence. We applaud and appreciate the men and women from U.S. and coalition forces serving in OPG for standing the watch, and especially for the significant efforts they have made to protect seafarers and preserve the freedom of navigation. Unfortunately, the Houthi's continuing barrage of attacks show they are not yet deterred.

On January 10, 2024, the United Nations Security Council adopted Resolution 2722 condemning the Houthi attacks and demanding the Houthis immediately cease

³ How Houthi Attacks Have Upended Global Shipping, New York Times, Jan. 21, 2024, available at <https://www.nytimes.com/interactive/2024/01/20/world/middleeast/houthi-red-sea-shipment.html>

all attacks.⁴ On January 12, after a series of high-level U.S. and coalition nation warnings to cease attacks on commercial shipping in the Red Sea went unheeded, the U.S. and U.K. launched defensive attacks on Houthi land-based positions, to suppress their capabilities to attack commercial vessels in the Red Sea. The Houthis responded by expanding their targeting to include U.S. and U.K. vessels, and on January 22, they claimed to have attempted to attack the U.S.-flagged M/V OCEAN JAZZ. On January 23, the U.S. and U.K. responded with another series of attacks, resulting in the Houthis firing ballistic missiles at two U.S.-flagged Maersk Limited Line, Ltd. vessels on January 24, 2024 that were under direct U.S. Navy escort in the Gulf of Aden near Bab El-Mandeb.

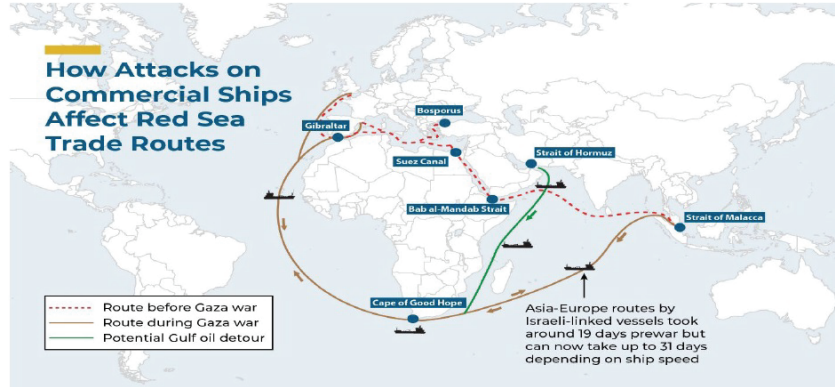
MSC has assessed that the security situation in the Red Sea and Gulf of Aden is not safe enough to protect our most vital asset—our seafarers—nor our customers’ cargo or our vessels which are of course of great value, but genuinely insurable value as materiel assets. We are diverting services that would typically transit the Red Sea and the Suez Canal around the Cape of Good Hope (CGH), until we are confident the security situation is safe enough to have our seafarers return to the Red Sea. We are also aware that many other major ocean carriers and other shipping interests have made similar decisions, as depicted in the graph below prepared by the World Shipping Council, which depicts container vessels above 7,500 TEU diverting voyages from the Red Sea and Suez Canal to go around the CGH.



3. RED SEA IMPACTS ON THE SUPPLY CHAIN.

The Suez Canal is a vital trade route for liner shipping and supports 10 to 15 percent of world trade and 30 percent of global shipping volumes. Thus, the decision to avoid the Red Sea and Suez Canal is a significant one.

⁴United Nations security Council Resolution 2722, Jan. 10, 2024, available at N2400928.pdf (un.org) [https://documents-dds-ny.un.org/doc/UNDOC/GEN/N24/009/28/PDF/N2400928.pdf?OpenElement]



Diverting around the CGH extends the voyage length from 8,500 nautical miles to 11,800 nautical miles—approximately 40 percent farther—and typically adds an additional 5 to 16 days of transit time, depending on the route, the ship’s particulars, and the destination.

Table A1

From	To	Distance (nm)	
		Via Suez	Via Africa
Singapore	Rotterdam	8,288	11,755
Singapore	Malta	5,948	11,678
Singapore	Norfolk	10,289	12,315
Mumbai	Rotterdam	6,320	10,743
Mumbai	Malta	3,980	10,666

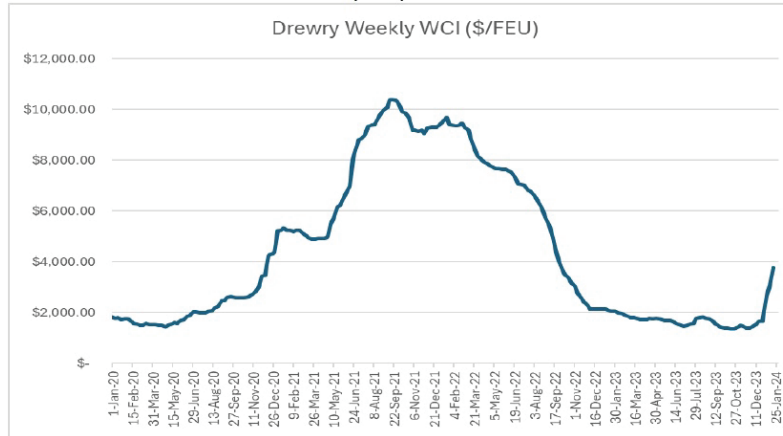
Table A2

From	To	Added Sailing Time in Days	
		17 kts	20 kts
Singapore	Rotterdam	8.5	7.2
Singapore	Malta	14.0	11.9
Singapore	Norfolk	5.0	4.2
Mumbai	Rotterdam	10.8	9.2
Mumbai	Malta	16.4	13.9

MSC, like most liner companies, typically seeks to provide a consistent service at ports of call within our network. Diverting around the CGH requires significant adjustments to our global network to, among other things, add additional vessel capacity, make schedule changes, connect with transshipment points, and reposition equipment. These adjustments result in increased costs, and they have knock-on effects beyond the services that would typically transit through the Red Sea.

The Red Sea security situation has required MSC to re-wire its entire global network. Transits will take more time and involve additional costs, but we will keep global trade running and shipping costs continue to be a very small percentage of the overall cost of goods. As the chart below depicts, additional freight costs resulting from the Houthi attacks are rising from very low rates that were below or consistent with pre-pandemic rates.

⁵Sea Intelligence, Dec. 17, 2023, Issue 645.



4. PANAMA CANAL LOW WATER EXACERBATING RED SEA IMPACTS.

Like the Red Sea, the Panama Canal is a critical route for liner shipping. Severe drought in Panama has resulted in a 36 percent reduction in Panama Canal transits. The Panama Canal authority recently announced it is cutting daily ship crossings to 22 per day, down from 38 per day last year, as well as reducing the maximum draft of vessels from 14.9 to 13.4 meters, which requires liner shipping using the canal to carry smaller numbers of containers. Prior to the Red Sea attacks, many shipping companies diverting from the Panama Canal to avoid delays or reduced cargo loads were relying on the Suez Canal and Red Sea as an alternative route for their vessels. The Red Sea security situation has severely limited this option, which puts further pressure on liner shipping companies, and requires diversions to longer routes to keep maritime commerce flowing.

5. OCEAN CARRIERS ARE FLEXIBLE, RESILIENT AND CONTINUE TO MOVE CUSTOMERS' CARGO.

MSC prides itself on providing reliable and cost-efficient global liner service to its customers to carry their cargo across the world's oceans and deliver it to where they direct it. It is important to point out to the Subcommittee, however, that the present situation is unique and distinct from the situation we faced during the pandemic where the congestion was caused by U.S. land-based logistics being overwhelmed by unprecedented import demand. The land-based congestion in U.S. ports and supporting logistics infrastructure caused, at its height in November of 2021, more than 100 loaded container vessels to back up off of Southern California ports (there were similar backups off of other U.S. ports) because while there was plenty of container vessel capacity, *the land-based logistics capacity could not efficiently process all the import cargo that was arriving.*

We are hopeful that the Congress's subsequent investments in U.S. port and landside infrastructure will at some point provide additional capacity and resiliency to handle similar future supply and demand surges caused by geopolitical and other unanticipated major events. MSC has made substantial and unprecedented investments in new vessel capacity—many of which are dual fuel vessels to support our efforts to advance to net-zero greenhouse gas emissions—and MSC now features the largest fleet in the world with some 800 container ships, with a capacity exceeding 4 million TEU. We assess that if we can continue to access U.S. ports uninterrupted, we have sufficient assets and capacity for the foreseeable future to ensure U.S. importers and exporters access to global markets.

6. CONCLUSION.

MSC is committed to serving the international trade of the United States, and our adaptability and resiliency to continue to move maritime commerce for importers and exporters across the world's oceans despite the current geopolitical challenges are evidence of our commitment.

Mr. WEBSTER OF FLORIDA. Dr. Ralby, you are recognized for 5 minutes.

TESTIMONY OF IAN M. RALBY, J.D., PH.D., FOUNDER AND CHIEF EXECUTIVE OFFICER, I.R. CONSILIUM, LLC

Mr. RALBY. Chairman Webster, Ranking Member Larsen, Ranking Member Carbajal, Members, I am Ian Ralby, and I appreciate this opportunity to share with you some of the maritime security aspects of this menace in the Red Sea, and it is indeed a menace. Based on my analysis and that of my team at I.R. Consilium, I want to make three points.

First, even if the Israel-Gaza situation ended today with a complete resolution that was mutually agreeable to all parties involved, the Houthis would continue to attack shipping.

Second, 100 percent of the ballistic missile capabilities of the Houthis could be taken out, and the Houthis would still attack shipping.

And number three, if the U.S. continues to be the face of the counter-Houthi narrative and the counter-Houthi operations, others will continue to be inspired to join the Houthis, and potentially could join them in attacking shipping, as well.

Since the 19th of November, the Houthis have seized on a convenient narrative that played into something that they wanted. They have opportunistically taken advantage of the Palestinian situation, and made it a cause that aligned with their own interests, albeit hypocritically so. If we look at that hypocrisy, the Houthis have, over the last 10 years, killed more Muslim Arabs than Israel has in 75 years of its existence. The Houthis do not care about the Palestinian cause except insofar as it furthers them.

Furthermore, they are protesting that situation by targeting innocent civilians, and that hypocrisy needs to be pointed out. By not having divorced the narrative between what is happening in Israel and Gaza and what is happening on the Red Sea, we have allowed the Houthis to gain momentum, gain new members, and to inspire others as being a party that is doing something it really isn't. They are looking out for their own interests, and they are loving the situation for the momentum it has given them.

Unfortunately, they are also loving the fact that we have bombed them now. For 10 years, they have been spouting the narrative that they were at war with the U.S. and the U.K., and that was one of the ways that they motivated people and particularly brain-washed some of the youth in Yemen to join their cause. Now the whole world's media is telling them that they are actually at war with the U.S. and the U.K., and so, we have given them, inadvertently, credibility. And that credibility has given them relevance, it has given them visibility, and they love the taste of the significance that they now seem to have. So, they are going to continue looking for ways to attack.

And so, even if we take out 100 percent of their capabilities on the ballistic front and on the drone front, they will find other ways to be continually attacking shipping. As we have learned from other piracy incidents in other parts of the world, from Somalia to the Singapore Strait to the Gulf of Guinea and beyond, it doesn't take very much to be able to disrupt maritime commerce, and they

have certainly the will to do so, and have in the past tested the use of remote-controlled bomb boats, and even found unmanned underwater systems that have been capable of potentially attacking shipping, as well.

So, now the world is watching and the Houthis are enjoying it. But we have to be very careful because, if we do not change how we are approaching the Houthis, we are going to continue to inadvertently embolden them.

They have an incredibly low regard for human life. They have shown that over and over. They have weaponized food for their own people. They have killed, as I said, more people over the course of the conflict than died in the entire conflict in Afghanistan over 20 years. They are not to be treated as a rational party in the way we see rational thinking, and so, we must suspend our own approach for what we think would be the right way forward to look at how to deal with the enemy that we actually face, not the one that we want.

We have to pull their attention away from shipping, and in order to do that, we have to also embolden the Government of Yemen. The Government of Yemen holds the keys to this situation. Without them taking up and fighting to regain their own sovereignty, we are setting ourselves up for a long-term problem. At the moment, the Houthis are a threat to the people of Yemen, they are a threat to the region, they are a threat to global shipping, they are a threat to the entire global commerce. And as a result, they are a threat to the United States public. Thank you very much.

[Mr. Ralby's prepared statement follows:]

**Prepared Statement of Ian M. Ralby, J.D., Ph.D., Founder and Chief
Executive Officer, I.R. Consilium, LLC**

Since the 19th of November 2023, the Houthi Movement within Yemen has launched a sustained assault on global maritime commerce. While the initial rationale for these attacks was to show support for Gaza, the Houthis have quickly moved to re-enliven their own ambitions. If the war between Israel and Hamas ended today, it is highly unlikely that the Houthis would cease their attacks on vessels transiting the Red Sea. After years of fighting in Yemen and claiming to be at war with the United States and the United Kingdom, the Houthis are thrilled to have finally achieved widespread visibility, and global relevance. The recent strikes by the US and the UK have not only failed to deter the Houthis, but have actually legitimized their domestic narrative, leading to a major upsurge in both popularity and recruitment. That popularity is also growing outside of Yemen, raising serious concerns for Houthi-inspired attacks. At the same time, Iran, which had promised to stop arming the Houthis in the Chinese-brokered agreement with the Saudis last March, has also renewed its overt support to them, and launched several attacks of its own on ships in the Indian Ocean and Arabian Sea. The Houthis are stronger today than they were three months ago and shipping in the Red Sea is a life-threatening prospect to the seafarers who carry the 90% of world trade that moves through the maritime domain. Unless the United States changes its approach, global shipping will remain impeded, the region will descend further into intractable conflict and the US economy will suffer.

THE HOUTHIS BEFORE NOVEMBER 2023

Before the world watched them board and commandeer the GALAXY LEADER on 19 November 2023, the Houthis were relatively unknown and invisible on the international stage. Sadly, Yemen has long been the forgotten corner of the Middle East. Even after ten years of fighting against the Government of Yemen and a Saudi-led Coalition, the Houthis had gained little attention, even in foreign policy and international security communities. That does not mean, however, that they were an in-

significant group. Over the course of the civil war, the UN estimates that more than 150,000 people have been killed in fighting and an additional 227,000 have died from famine and the related humanitarian crisis. In context, that means that more Yemenis have died in their civil war than the total number of deaths—on all sides—in the twenty years of War in Afghanistan. Though many are coming to know the Houthis for the first time, they actually have a long track-record that provides insights into how they are likely to operate and respond to different forms of intervention.

HOW THE HOUTHIS ENJOY OPERATING

The Houthis love to make the West and what they perceive to be Western institutions—like the United Nations—look bad. They have a long history of getting close to an agreement, or even agreeing to something, just long enough for the UN or others to expend funds or make bold statements, only to renege at the last minute. For years, the UN repeated the same cycle over and over again with regard to the FSO SAFER—a dilapidated tanker attached to the Marib-Ras Isa pipeline and used, before the war, as the main export terminal for Marib Light Crude. The vessel was laden with 1.14 million barrels of oil, and, had it spilled, would have not only caused an environmental disaster more than four times the size of the 1989 Exxon Valdez spill, but damage the desalination plants that provide drinking water for tens of millions of people along the Red Sea Coast. The Houthis consistently agreed to allow the UN to get onboard and assess the vessel, then delayed the mission once the assessment team was in place across the sea in Djibouti, and then backed out of the agreement altogether. While the UN kept thinking that the Houthis would be motivated to protect their own coast and the people who live by it, it became clear that the Houthis found far greater motivation in toying with the UN and trying to make it look foolish. Given that the Houthis consider the US to be an even bigger enemy than the UN, they will go to lengths to try to make the US look bad in the eyes of their target constituents.

HOUTHI NARRATIVE VERSUS REALITY

Despite claiming to be at war with foreign powers, it is worth highlighting that the Houthis have killed several times more Muslim Arabs in the last decade than Israel has in the entire 75 years of its existence. That said, the majority of the deaths in Yemen have not been from bullets or missiles but from a humanitarian crisis that put roughly six million people on the brink of famine. During the negotiations over the FSO SAFER, Mohammed Al Houthi, a member of the “Supreme Council” tweeted that the international community cared more about the “shrimps” than the Yemeni people. Meanwhile, the Houthis were limiting the movement of food to their own people in order to advance the narrative that they were being starved by Western Powers. At the same time, even when the money was available, they were failing to pay the salaries of Yemenis, further exacerbating the crisis in order to further their narrative. Their propaganda capacity is well-calibrated to appeal to their target audiences and they will unnecessarily cause Yemenis to suffer and die just to advance their talking points.

THE GAZA NARRATIVE

At present, the main Houthi narrative is that these attacks on maritime commerce are a form of protest against Israel’s campaign in Gaza. Unfortunately, Western media have continued to link the situation in Gaza to the situation in the Red Sea, giving further credence to that contention. Many in the region and even beyond who sympathize with the plight of the Palestinians now see the Houthis as one of the only elements that have taken meaningful action to back up their thoughts and prayers. The Houthis are opportunistically using the suffering of the Palestinian people to be able to reenergize their fighters, recruit new ones and boost both their funding and their popularity. And it is working. With the advent of US and UK strikes, Houthi recruitment is rapidly accelerating, and other groups in the region, including the Al Shabab in Somalia, are seeing a similar upsurge in energy and motivation to fight. With the advent of the US and UK strikes, the Gaza narrative is no longer necessary; a complete resolution of the situation for the Palestinians would still leave the Houthis with plenty of reasons to attack shipping in their own minds and in the eyes of their fighters and supporters. Divorcing the narrative from Gaza, however, would have helped to potentially motivate other states who are suffering from the Houthi attacks—like Egypt—to play a bigger, more visible role. While it would still potentially diminish some of the Houthi momentum if the Gaza crisis ended, that momentum may now have taken on a life of its own.

IRANIAN INSPIRATION

For most of the last decade, the Houthis were primarily focused on taking over sovereign control of Yemen. In the past, their leaders have shown a profound lack of understanding of the maritime domain. For example, at one point they proposed that in order to fix the FSO SAFER, they would simply repaint the exterior hull of the vessel while it was still at sea. Iran, by contrast, has shown remarkable ability to use maritime attacks to send targeted messages to specific interlocutors. In 2019, 2021 and 2023 in particular, Iran engaged in a series of attacks on vessels and facilities that had a noticeable impact in changing different states' or individuals' posture toward Iran. Throughout those attacks, Iran did not cause a major maritime environmental spill (despite hitting tankers), and, with one exception—the MERCER STREET in July 2021—did not take human life. The Houthis, by contrast, have shown reckless disregard for the marine environment and human life in almost equal measure. In the past, Iran has admitted that they have directed the Houthis to attack particular vessels, and have helped build the Houthi capacity to conduct maritime strikes. The recent haphazard attacks on vessels with no clear ties or very tenuous ties to their professed target shows that they are not concerned about getting it wrong. And given how they have viewed and treated the lives of Yemenis over the years, it is safe to say that they do not regard the sanctity of human life in a manner consistent with international norms. The Houthis are imitating Iranian aggression, without understanding or replicating Iranian precision. This puts seafarers at immense risk.

IRANIAN SUPPORT

Iran has long provided material support to the Houthis, arming them with a range of both small arms and light weapons and more sophisticated drones and ballistic weapons. Without Iran, the current aerial assault on shipping would not have been possible. Benefitting from the chaos that the Houthis have created over the last two months, Iran has resumed its overt support for the Houthis and this creates increased concern for ships in the region. Iran has provided intelligence and targeting to the Houthis, particularly in the recent attacks on US-linked vessels. Two vessels—the MV SAVIZ and the MV BEHSHAD—are ostensibly Iranian owned commercial vessels that operate in the southern Red Sea. They have, however, long been used to support the Houthis and both collect and provide intelligence. Iran's more sophisticated maritime capacity is a major factor in increasing the threat that the Houthis pose. At the same time, recent Iranian attacks on ships as far away as 200 miles off the coast of India and longstanding Iranian aggression against ships in the Strait of Hormuz should serve as a reminder that as much as the world can sanction Iran, Iran can still cripple the flow of international maritime commerce. In combination with the more erratic Houthis, and potentially others—like pirates based out of Somalia—this could create long-term hardship for the world's economy and those responsible for the physical movement of international trade.

MARITIME SIGNIFICANCE

The nature of global commerce makes this situation a major threat to the world's economic stability as well as critical supply chains and desperately needed humanitarian assistance. According to data from Lloyds List, the Bab al Mandeb—the southern entrance to the Red Sea—has seen a 47% year on year decrease between the third week of January 2023 and the third week of January 2024. That level of decline remained consistent in the fourth week of January. The Suez Canal—a major factor in Egypt's economy—saw a 36% decline in the third week and a 45% decline in the fourth week. Meanwhile, the Cape of Good Hope—the southernmost point of Africa—has seen an 80% increase in year on year traffic this January. This is already affecting insurance rates, which have increased as much as 40 times what they were, and, as a result, the cost of shipping. According to the accounting firm Ernst and Young, the six days during which the EVER GIVEN was famously stuck in the Suez canal in March 2021 cost the shipping industry \$416 million per hour. The costs of the Houthi attacks, however, will be far greater and will, as a result, be passed on to consumers throughout the world. The cost of everything is likely to increase, given the integrated nature of supply chains. While much attention has been paid to energy supplies, oil and gas are fungible commodities that can be rerouted more easily. By contrast, specific goods in specific containers have to get to specific destinations. Disrupting the 30% of global container traffic that traverses the Red Sea will therefore have a greater impact on the economy than the 10% of oil that traverses the same passage.

KNOCK-ON CONCERNS

Diverting ships around Africa comes with other concerns, as well, particularly for larger containerized vessels. African ports are too shallow to host those larger vessels, meaning that there is no safe harbor for such vessels in the event of a storm, an emergency, or even a need for resupply. And the weather is a concern—both in terms of the strong storm systems that have already been battering the Western Indian Ocean, and in terms of the traditional challenges associated with navigating around the Cape of Good Hope, the southern tip of Africa. Furthermore, the major increase in traffic around Africa means that the African ports are now overrun and do not have the capacity to resupply and service the vessels that are able to call. Finally African maritime security concerns, while recently calmer, could reemerge as major spoilers, with the combination of inspiration from the Houthis and opportunity from the heavy increase in vessel traffic. Piracy off Somalia and Nigeria, and terrorist attacks in various places remain serious threats to the safety of shipping and the free flow of maritime commerce.

HOUTHI ESCALATION

In addition to the threats that ships face in diverting around Africa, there are added concerns that could emanate from Yemen. Thus far, the attacks have manifested in three primary forms: capturing a vessel, aerial attacks on vessels, and at least one surface attack on a vessel. After capturing the GALAXY LEADER, the Houthis likely have satisfied their appetite for demonstrating that capacity. Taking a vessel comes with all sorts of challenges, and since they have not been after ransom money, it is unlikely that they will attempt to take more vessels in that manner. That said, taking ships for ransom could become an interest in the future. The aerial assault, however, is likely to continue as long as the weaponry exists to launch it. With longstanding arms smuggling routes to provide the Houthis with weaponry, it is unlikely the US and UK will be able to eradicate that capacity any time soon. Even taking out 100% of that aerial assault capacity, however, the Houthis can still attack ships. During the last decade, they have piloted the use of remote controlled “bomb boats” to attack ships in a manner similar to the USS COLE bombing in 2000, without having to commit suicide in the process. Furthermore, piracy has showed that with sufficient will, minimally armed individuals can cause significant hardship to maritime commerce. Surface attacks and even unmanned underwater system-based attacks could become a problem in the near future.

FURTHER CONCERNS

Having managed to get the oil off the FSO SAFER onto a more seaworthy vessel, the YEMEN, the UN has now paused the completion of the effort to protect Yemen and the Red Sea from the threat posed by that situation. The Houthis, therefore, could target that vessel, causing a catastrophic spill out of spite, further hampering access through the Red Sea. They could also attack and cause a similar spill on another tanker, producing the same effect. It would be consistent with the Houthis mindset to do so, blame the West, and seek to profit off the clean-up process. This could cause multi-generational harm to the other Red Sea states, not least of all Egypt. Additionally, the Houthis have publicly warned that they have the capacity to cut the submarine cables that traverse the Red Sea and account for one third of the world’s internet. They have cut cables in the past and doing so now would cause significant global economic hardship. With their amplified will over the last few months, the Houthis can continue to find ways to be disruptive for months and years to come.

YEMENI STABILITY

Yemen has benefitted from a ceasefire since 1 April 2022, and the Houthis were close to accepting a peace deal with the war weary Saudis before this situation erupted. The reenergized Houthi movement, however, may not only reject peace, but renew efforts to take Marib—seen by the Houthis as their economic future in light of its oil production capacity—and other parts of Yemen’s territory. With the momentum behind them, the Houthis could easily restart the fight to take over Yemen’s sovereignty. It is thus absolutely critical to support and empower the Government of Yemen—not just militarily—to be able to stand on its sovereignty and defend itself. The West effectively stopped the Government of Yemen from retaking the Port of Hodeidah on the Red Sea and other coastal areas in 2018 in favor of a deal—known as the Stockholm Agreement—that sought to deescalate tensions.

The Houthis have never abided by that deal and Yemen has suffered from leaving the Houthis in control of the coast. Now global shipping is suffering from that as well. Yemen's sovereignty needs to be a serious consideration in how to shift the dynamics of this currently spiraling situation.

CONCLUSION

The Houthis are merchants of chaos, and can play a disruptive role in the Red Sea for months and years to come. As long as they are motivated to fight, they will continue to do so. The more they are perceived to be standing up to the US, UK and other Western governments and institutions, the more support they will garner. With that support, they will be able to continue to replenish arsenals and recruit new members, as well as inspire others to fight. The US needs to change its approach, empower the Government of Yemen, help inspire others who are suffering the consequence of these attacks to step up, and work to divert the Houthi attention away from the maritime domain. The Houthis claim to be standing up for the innocent Palestinians who have been harmed by the war between Israel and Hamas. Their form of protest is to attack and threaten the lives of innocent seafarers, and harm the innocent people around the globe who rely on maritime shipping for survival. They cannot be allowed to maintain their false narrative and every effort must be made to restore the freedom of navigation and the safety of global maritime commerce.

Mr. WEBSTER OF FLORIDA. Mr. Gold, you are recognized for 5 minutes.

TESTIMONY OF JONATHAN GOLD, VICE PRESIDENT OF SUPPLY CHAIN AND CUSTOMS POLICY, NATIONAL RETAIL FEDERATION

Mr. GOLD. Thank you, Chairman Webster, Ranking Member Larsen, and Ranking Member Carbajal, for the invitation to testify today on behalf of the National Retail Federation on the impacts of Red Sea shipping disruptions.

Retail is the Nation's largest private-sector employer, contributing \$3.9 trillion to the annual GDP and supporting one in four U.S. jobs. That's 52 million working Americans. Having a safe, efficient, predictable, and timely supply chain is critical to the success of any retailer to ensure that products are available to the consumer, whether they shop online or in-store.

We all saw firsthand the disruption caused when supply chains were completely overwhelmed during the pandemic. Through significant efforts, supply chains were returning to normal and congestion issues were resolved. We are now faced with another significant supply chain disruption because of the attacks in the Red Sea—this on top of the restrictions impacting the Panama Canal, as was mentioned by the Members.

While the volume of U.S. trade through the Suez Canal is small, the disruption impacts are being felt far and wide. The biggest challenges for retailers are the additional volatility, cost, uncertainty, and overall risks to the supply chain. Retailers are being forced to readjust their supply chains to ensure product delivery.

Our members are seeing increased time—an additional 10 to 14 days or longer—to the supply chains to compensate for longer vessel sailing times around the Cape of Good Hope. Our members are also seeing an increase in shipping costs. This meant a significant increase in freight rates on the spot market. While not as high as during the pandemic, there are concerns about what this means for future contract rates.

Carriers are also seeking a number of different surcharges and fees, including war risk surcharges, emergency contingency surcharges, and others. We understand that longer vessel times impact fuel, labor costs, and insurance costs. Our members want to make sure these fees and surcharges cover real costs and are not intended for profit.

One member has told me that they have had carriers ask for an increase of \$1,500 to \$3,000 per container, which represents a 38-percent to 73-percent cost increase for directly affected cargo.

We are also hearing that the rates and surcharges are not just being applied to directly impacted cargo, but to other routes such as the EU-to-U.S. route because of equipment availability.

Some members are also noting that their overseas vendors are starting to see some challenges with their ability to source raw materials in a timely manner, as well as increased costs for those components.

Retailers are working closely with their supply chain partners to address the disruptions and to implement mitigation strategies. It is important to note that retailers are making decisions now regarding back-to-school and holiday shipments. Some of these strategies include transiting the Cape of Good Hope, as talked about. For cargo and vessels waiting to transit the Red Sea, the carriers have made the decision to shift around the Cape of Good Hope. NRF members have to rely on the decision of the carrier, but then address the delayed transportation issues once the cargo arrives in the U.S.

Our members are also indicating that they are shifting supply chains back to utilizing west coast ports, and then using intermodal rail to get the cargo back to the east coast. Unfortunately, the Panama Canal is not a viable option right now. Some retailers are shifting to air cargo for more timely and sensitive shipments. In addition, retailers are working with their overseas vendors to encourage early shipments to avoid disruptions.

While many are focusing on the current situation, more challenges will be created the longer these disruptions continue. The Federal Government needs to start paying attention to these issues now to help avoid significant congestion in the coming months.

We are now entering the new cycle for new ocean contract negotiations. Retailers are concerned about what the impact the long-term disruptions will have on this next contract. We do not want to see rates similar to the pandemic, which could impact inflation.

Shippers are also looking to shift back to the west coast ports. We know a significant amount of cargo had shifted away because of the pandemic and the most recent labor negotiations. We need to make sure that our ports, terminals, railroads, harbor drayage providers, and warehouses are ready for the increased cargo volumes that will shift back.

Railcar imbalances and increased demand could result in more congestion and increases in dwell. We are already hearing that the dwell time is starting to tick up on the rail side. We need to make sure we have an available fleet of chassis and readily available terminal appointments to be able to move containers out of the terminals as quickly as possible. Some believe this congestion could

begin within the next 4 to 6 weeks, so, we need to convene stakeholders now to plan.

There are also concerns that vessels and equipment will be out of position, including empty containers, because of the longer sailing times. Vessel space is becoming increasingly constrained, which may impact replenishment for spring and summer merchandise. Some carriers are canceling certain services, which will create additional capacity constraints in the market.

While the focus of today's hearing is on the Red Sea disruptions, it is important to note that other supply chain challenges will further complicate the global supply chain. The ripple effects will impact other issues. I already noted the Panama Canal restrictions. As retailers are looking to address these issues, they are also planning for potential labor disruptions at east coast and gulf coast ports because of the current labor negotiations between the ILA and USMX. The contract expires at the end of September, during the peak shipping season, when retailers are bringing in their holiday merchandise. Retailers are making their shipping decisions now to avoid any potential issues.

In conclusion, the challenges from the ongoing attacks in the Red Sea are significant and will get worse the longer they occur. We appreciate the attention and actions of the administration with Operation Prosperity Guardian and building an international coalition. More work, though, needs to go into efforts to ensure safe passage for vessels and mariners through the Red Sea. Their safety is of the utmost importance. While we are addressing the immediate issues, we need to make sure that we are preparing for the potential congestion issues that will impact U.S. ports in the coming months.

Thank you again for the opportunity to testify today.

[Mr. Gold's prepared statement follows:]

Prepared Statement of Jonathan Gold, Vice President of Supply Chain and Customs Policy, National Retail Federation

Thank you, Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee for inviting me to testify on behalf of the National Retail Federation (NRF) and the retail industry on the impacts of the supply chain disruptions impacting the Red Sea and Suez Canal.

NRF passionately advocates for the people, brands, policies and ideas that help retail succeed. From its headquarters in Washington, D.C., NRF empowers the industry that powers the economy. Retail is the nation's largest private-sector employer, contributing \$3.9 trillion to annual GDP and supporting one in four U.S. jobs—52 million working Americans. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities and global economies.

Having a safe, efficient, predictable and timely supply chain is critical to the success of any retailer. The ability to ensure that products are available for the consumer, whether they shop in-store or online, is key to the retail supply chain. We all saw firsthand the disruption caused when supply chains were completely overwhelmed from beginning to end during the pandemic. Through significant efforts on behalf of the private sector and governments, supply chains were returning to normal as trade flows returned to pre-pandemic growth levels and congestion issues were resolved. Unfortunately, we are now faced with another significant supply chain disruption with the attacks impacting commercial shipping through the Red Sea and Suez Canal. This is on top of disruptions already impacting the flow of commerce through the Panama Canal due to restrictions from low water volumes.

While the overall volume of U.S. trade that transits the Suez Canal is only about 12%, the impacts of the disruptions are being felt far and wide. The biggest challenge for retailers posed by the ongoing disruptions is the additional volatility, cost, uncertainty and overall risk to the supply chain. Once again, retailers and other shippers are being forced to readjust their supply chains to ensure product delivery.

CURRENT SUPPLY CHAIN CHALLENGES

To date, our members have experienced the following supply chain challenges because of the issues in the Red Sea:

- *Increased shipping timelines.* As a result of the attacks, ocean carriers have decided to shift their sailings away from the Red Sea to go around the Cape of Good Hope. Because of this change, NRF members have indicated that they have had to add an additional 10–14 days to their supply chains to compensate for the longer vessel times.
- *Increased shipping costs.* Tied to the longer transit times, retailers are seeing an increase in transportation costs. We have seen a significant increase in freight costs on the spot market. While rates are not as high as we saw during the pandemic, there are concerns about what this means for future rate discussions. In addition to the increase in freight rates, ocean carriers are also seeking to pass along a number of different surcharges and fees to their customers. While we certainly understand that the longer vessel times impact fuel, labor costs and insurance costs, NRF members want to make sure the new fees and surcharges actually cover real costs and are not intended for profit. We also know that maritime insurance rates are skyrocketing as well.

These new surcharges include Peak Season Surcharges, Transit Diversion Surcharges, War Risk Surcharges, Contingency Adjustment Surcharges, Emergency Contingency Surcharges and others. The Federal Maritime Commission recently issued an advisory regarding the surcharges and rate increases and will be holding a hearing on Feb. 7 to further explore this issue.

I've had one member tell me they have had carriers ask for an increase of \$1,500–\$3,000 per container, which represents a 38%–73% cost increase for directly affected cargo. We are hearing that the rates and surcharges are not just being applied to directly impacted cargo, but to other routes such as Europe to the U.S. because of equipment availability.

- *Material and Component Availability.* We have heard from some members that their overseas vendors are starting to see some challenges with their ability to source raw materials in a timely manner. They are also indicating increased costs for these components as well. There have been recent reports of European manufacturers shutting down because of their inability to get materials.

RISK MITIGATION EFFORTS

NRF members are working closely with their supply chain partners to address the disruptions and are implementing mitigation strategies to ensure products arrive in time. It is important to note that retailers are making decisions now regarding back-to-school and holiday shipments.

Some of these mitigation strategies include:

- *Transit via the Cape of Good Hope.* For cargo on vessels that have been waiting to transit the Red Sea/Suez Canal, the carriers have made the decision to make the shift to take the longer route around the Cape of Good Hope. NRF members have to rely on the decision of the carrier, but then address the delayed transportation issues when the cargo arrives in the U.S.
- *Shift cargo to West Coast ports.* Many NRF members have indicated that they have shifted their supply chains back to utilizing West Coast ports to avoid the disruptions and additional time because of the Red Sea issues. They have decided to bring cargo into the West Coast ports and then use intermodal rail to get the cargo back to the East Coast, where it was intended. Unfortunately, because of the current restrictions impacting the Panama Canal, that route is not a viable option.
- *Use air cargo.* Some retailers are shifting to using air cargo for more sensitive and timely shipments.
- *Encourage earlier shipments.* Retailers have been working with their overseas vendors to encourage them to ship earlier as they expect disruptions to increase.

FUTURE CHALLENGES

While many are focusing on the current impacts of the disruptions, the longer the attacks and disruptions continue, the more challenges that will be created. We believe the federal government needs to start paying attention to these issues now to help avoid significant congestion in the coming months.

- *Freight rates.* While many retailers and other shippers are still under their yearly ocean contract and are able to work with the carriers on rate increases and surcharges, we are now entering the cycle for new contract negotiations. Many NRF members are concerned about the impact of long-term disruption on the next ocean freight contract. We witnessed significant cost increases during the pandemic. We certainly hope we do not see those kinds of rates again, which could impact inflation, currently trending downward.
- *Port congestion.* As noted earlier, many shippers are looking to shift back to the West Coast ports. Unfortunately, this shift may cause congestion at those ports if they are not properly planning for the surge in cargo. We know a significant amount of cargo shifted away from the West Coast during the most recent labor negotiations. That cargo may shift back, so we need to make sure our ports, terminals, railroads, drayage providers and warehouses are ready for the increased volumes. We are already hearing that rail dwell times are starting to tick up. Rail car imbalances and increased demand could result in more congestion and increases in dwell. We need to make sure there is chassis availability as well. One of the biggest drivers of congestion during the pandemic was the lack of available chassis. We are also hearing of terminal appointment challenges.

Efforts need to be made now to convene the right stakeholders to plan accordingly to address these issues to ensure we don't see a significant congestion challenge in the coming weeks. Some believe this congestion could begin within the next 4–6 weeks, after Lunar New Year when trade volumes start to pick up again.

- *Vessel and Equipment Issues.* Because of the longer transit times for routing around the Cape of Good Hope, there are concerns that vessels and equipment will be out of position. There is growing concern about the impact on empty container availability overseas. We have heard from some members that vessel space is becoming increasingly constrained, which may impact replenishment for spring and summer merchandise. We have also seen reports of some carriers canceling certain services, which will create additional capacity constraints in the market.

While the focus of today's hearing is on the impacts of the attacks and disruptions in the Red Sea, it is important to note that other supply chain challenges will further complicate the global supply chain. The ripple effects from these disruptions will impact other ongoing issues as well. I noted earlier the current restrictions on using the Panama Canal. Unfortunately, these restrictions are going to continue and further impact the choices that shippers and carriers have for an alternate route.

In addition, as retailers are addressing the Red Sea issues, they are also planning for potential labor disruptions at East Coast and Gulf Coast ports because of the ongoing labor negotiations between the International Longshoremen's Association and the United States Maritime Alliance. The contract is set to expire at the end of September, during the peak shipping season when retailers are bringing in their holiday merchandise. Again, retailers are making their shipping decisions now and many are again looking to shift to the West Coast to avoid any potential issues. NRF recently called for the ILA and USMX to return to the bargaining table in the hopes of reaching a new deal before the current one expires.

CONCLUSION

As we discussed, the challenges stemming from the ongoing attacks in the Red Sea are significant and will get worse the longer this goes. We appreciate the attention and actions that the administration has taken with Operation Prosperity Guardian and building an international coalition. We know that more work needs to go into the effort to ensure safe passage for vessels and mariners through the Red Sea. Their safety is of the utmost importance.

We know the future impacts that will result from ongoing disruptions. While we are addressing the immediate issues impacting transit through the Red Sea and Suez Canal, we need to make sure we are preparing for the congestion issues that will impact U.S. ports in the coming months.

Thank you again for the opportunity to testify on this important issue.

Mr. WEBSTER OF FLORIDA. Mr. Heindel, you are recognized for 5 minutes.

TESTIMONY OF DAVID W. HEINDEL, PRESIDENT, SEAFARERS INTERNATIONAL UNION

Mr. HEINDEL. Thank you, Chairman Webster, Ranking Member Carbajal, and the members of the committee for letting me testify today. I am representing the interest of the seafarers unions, not only domestically but internationally, as well, with regards to this menace that we are all experiencing. We represent the crews here in the States of the U.S.-flagged vessels that have been attacked in the Red Sea.

These attacks in the Bab-el-Mandeb Strait have disrupted international commerce and represent the greatest threat to the merchant marine since World War II. The men and women of the merchant marine are no strangers to armed conflict. Throughout our history, we have battled privateers, commerce raiders, mines, submarines, pirates, and terrorists. These attacks have highlighted what every mariner knows: our jobs are essential, they are dangerous, and may require us to sail into harm's way.

The Red Sea attacks represent the most technologically advanced threat we have ever faced. Drones, anti-ship cruise missiles, and anti-ship ballistic missiles have all targeted American and foreign ships and their crews.

I want to thank the President, the Secretary of Defense, TRANSCOM, CENTCOM, NAVCENT, and the other military components, as well as the Maritime Administration, for their efforts on our behalf. And it is thanks to them that we have managed to avoid casualties so far.

These attacks have had a major impact on the global supply chain. The Red Sea accounts for as much as 25 percent of the world's container shipping trade. We have seen a 70-percent reduction in ship transits and a 50-percent reduction in cargo through the region. Several carriers, both international and U.S.-flagged, have chosen to divert their vessels away from the Red Sea, and instead make the trip around the Cape of Good Hope to avoid this menace. This adds nearly 2 weeks to a typical voyage each way. If these attacks continue, the impact will have an effect on our economy and potentially add to a rise in prices of consumer goods. It is critical for our economic interests that this shipping route remain open.

As of today, we have not had any difficulty in crewing ships headed through the warlike area, and no ship has sailed late because of crew issues. It is our goal that every American ship that has been called upon sails on time with a full complement.

It is important to note that our ships are not combat vessels, and they are not capable of defending themselves against these kinds of attacks. We are wholly reliant on naval support. We have been coordinating with TRANSCOM, MARAD, and the MSC at a variety of levels to ensure the safe passage through these areas.

Our biggest need right now is secure communications. Whether this is in the form of specialized equipment, naval liaisons embedded on board our ships, or additional American civilian mariners with proper clearances and certificates on board, having direct com-

munications between our ships and combat ships in the area is key. We have been informed by the Military Sealift Command that they will be sending additional personnel to the 5th Fleet NAVCENT Maritime Operations Center, and we hope this enhances the flow of information between our ships and their defenders in the region.

I am convinced that our mariners would prefer to only enter the region when it is absolutely necessary and any nonessential voyages be rerouted.

Having a reliable, dependable, and loyal maritime transportation system is critical to American national security. Programs like the Maritime Security Program, Tanker Security Program, Cargo Preference, and the Jones Act create and maintain jobs in peacetime so that the ships, their crews are available when called upon by the Government. Every American ship attacked so far has either been enrolled in the MSP or is a Government-owned vessel crewed by civilian mariners.

Finally, maritime labor is very concerned about how much information is publicly available about these attacks. Thanks to social media, we have seen information like ships' locations, registration data, vessel schedules, speed, routes, and destinations posted on the internet and made available in almost real time. The level of detail being provided is far beyond that needed to convey the message that American ships need protection. This is actionable intelligence for the Houthis, should they choose to use it. We have learned the hard way in past conflicts that loose lips do sink ships, and we need to make sure that this vital seaway is kept open to keep commerce moving.

We merchant mariners are proud of our 250-year history of service, and we have delivered the goods in peace and war, and we will continue to do so. I would like to thank you for holding this hearing, and I am happy to answer any questions that you may have. Thank you.

[Mr. Heindel's prepared statement follows:]

**Prepared Statement of David W. Heindel, President, Seafarers
International Union**

Thank you Chairman Webster, Ranking Member Carbajal and the members of the subcommittee for holding this hearing. My name is David Heindel, and I am the President of the Seafarers International Union (SIU) and the Maritime Trades Department (AFL-CIO). I went to sea in 1973 after graduating from the SIU's entry-level mariners' program and sailed aboard deep-sea vessels as a member of the engine department for nearly a decade before coming ashore to serve the union in a variety of capacities. On behalf of the SIU and the rest of maritime labor, we are pleased to offer this testimony to Congress. Collectively, we represent the crews of the U.S.-flag vessels that have been attacked, to date, in the Red Sea.

The recent attacks on international and U.S.-flag shipping in the Ban el-Mandeb Strait of the Red Sea have disrupted international commerce and represent the greatest combat threat to the United States Merchant Marine since the Vietnam War.

The men and women of the United States Merchant Marine are no strangers to armed conflict. The Merchant Marine dates its birth to 1775, when Jeremiah O'Brien took control of the Unity sloop, and captured HMS Margareta in the Battle of Machias. Since then, in every major American conflict, the Merchant Marine has played its role as America's fourth arm of defense. During World War II, nearly 10,000 merchant mariners gave their lives to deliver the goods that kept our allies and our armed forces in the fight for freedom in Europe. Most recently, American

commercial ships carried most of the sustainment cargo needed during Operations Iraqi Freedom and Enduring Freedom. The attacks against shipping in the Red Sea have highlighted what has long been a fact of life for the American mariner—these are essential, dangerous jobs, that may require sailing into harm’s way.

American merchant mariners have learned many hard lessons over the years when it comes to dealing with armed conflict. We have had to learn to respond to attacks from armed privateers and commerce raiders. We’ve navigated through mined harbors and rivers. We’ve braved torpedoes fired from invisible submarines. We’ve dealt with attempted hijackings, boarding by pirates and terrorist attacks in port. The attacks in the Red Sea represent some of the most technologically sophisticated threats we have ever faced. Attack drones armed with explosive devices, anti-ship cruise missiles and anti-ship ballistic missiles have all been employed against ships transiting the Red Sea.

We wish to thank the President and Secretary of Defense, the United States Transportation Command (TRANSCOM), the United States Central Command (CENTCOM), the United States Naval Forces Central Command (NAVCENT) and the other relevant components of the United States military for their efforts to date, that have successfully protected U.S.-flag merchant shipping in the region. Despite the dozens of attacks launched by the Houthi rebels, every U.S.-flag ship that has transited the Red Sea has done so safely and without loss of life. We are also grateful to Maritime Administrator Ann Phillips and the rest of the Maritime Administration (MARAD) staff for their strenuous support of our mariners during these illegal attacks.

The impact of these attacks on the global international supply chain has been significant. Several international carriers have chosen to divert their vessels from the Red Sea and Suez Canal approaches and instead send those vessels around the Cape of Good Hope in Africa, adding nearly two weeks transit times to vessel voyages as well as sometimes sending shipping into areas of known pirate activity. Increased transit times, coupled with the increased cost of insurance has had a major impact on operations. The Red Sea accounts for 25% of the world’s container shipping miles. We have seen a 70% reduction in ship transits and a 50% reduction in cargo moving through the region. Not since the Second World War has there been such prolonged, indiscriminate targeting of merchant shipping and as the crisis continues, impacts are likely to widen. Given the importance of the Red Sea on the Suez Canal route between Asia and Southern Europe—and more importantly, the United States—it is paramount that access to these critical shipping lanes remain open.

As noted, thanks to the significant support from the combatant commands in the region, no U.S.-flag ship has been hit by a successful attack from Yemen, and we have not yet lost a civilian mariner. We, along with the rest of America, mourn the loss at sea of two U.S. Navy personnel engaged in special operations to interdict weapons deliveries to the Houthi rebels in Yemen. To date, we have not seen any appreciable impact on mariner willingness to accept jobs on vessels heading into the combat zone, and to date we have not had a ship fail to sail on time because of a lack of crew due to these attacks. It is our goal to ensure that every U.S.-flag ship that is called upon sails on-time and with a full complement, as has been our long-standing tradition.

Our ships are not combat vessels, and they are not capable, alone, of repelling attacks from drones and anti-ship missiles. We are totally reliant on the United States Navy and our allies to protect all U.S.-flag ships transiting the war-like zone. By long-standing practice, we have coordinated with TRANSCOM, MARAD and the Military Sealift Command (MSC) to provide on-going information, best practices, and critical information necessary to ensure safe passage in these areas. Thanks to this coordination, the shipping companies and labor organizations responsible for the vessels and their crew have access to critical situational updates from the relevant sources in the region.

In a recent letter to General Jacqueline Van Ovost, commander of TRANSCOM, maritime labor noted the critical importance of “continued cooperation and information sharing, to ensure that our vessels and their crews have all the tools needed to ensure safe transits of the area. Especially critical are secure communication links between vessels transiting the Red Sea and the naval vessels deployed in the area to deter and defend against Houthi attacks,” and specifically asked for continued communication, “. . . whether this is in the form of specialized equipment, U.S. naval officers from the [Naval Cooperation and Guidance for Shipping] NCAGS Shipping Control Teams, U.S. civilian mariners with the proper security clearance and COMSEC certification, or other naval liaisons being embedded on the vessels[.]” In response, TRANSCOM informed us that MSC would be sending additional personnel to augment the Naval Cooperation and Guidance for Shipping (NCAGS), 5th

Fleet/NAVCENT Maritime Operations Center, to enhance the flow of information between our ships and the combatant commands in the region.

Traditionally, mariners who have been sent into active combat zones have been entitled to hazard pay. We are working with our ship operators to ensure that this past practice is implemented across the U.S.-flag fleet. So far, we have had a number of good conversations with our ship operators and we are confident that our members will receive a small premium for the additional risks they are taking while these attacks continue. However, I am convinced that every mariner sailing in that region would say the small premium they are receiving is nowhere near worth the risk of facing indiscriminate missile drone and rocket attacks reigning down in their workplace and would prefer to reroute around Africa than transit the conflicted region, in the absence of a need to deliver an essential cargo to the area in question. It is important to note, again, that we have had no issues crewing vessels heading into the Red Sea because of these attacks so far, but should the existing global conflict continue, non-essential transits of a war zone may have a detrimental effect on the maritime industry's ability to recruit and retain mariners in the future.

This fact highlights one of the messages we have been communicating to Congress for decades—the continued need for a United States Merchant Marine, crewed by American citizens, that can carry a significant portion of the waterborne commerce of the United States, as well as serve as a naval auxiliary and defense asset in times of national emergency or armed conflict. The United States Merchant Marine ensures that our nation has a reliable, dependable and loyal maritime transportation system, and that is why we continue to advocate for programs like the Maritime Security Program (MSP), Tanker Security Program (TSP), cargo preference and the Jones Act, all of which ensure peacetime jobs and infrastructure so that the ships, mariners, intermodal networks and experience we need to safeguard our economic security are there when we need them. To our knowledge, the U.S.-flag ships that have been attacked in the region have all been either MSP enrolled vessels or MSC civilian-mariner crewed vessels. This reinforces what we have been telling Congress and the Administration for years, namely, that continued support for the United States Merchant Marine is critical to American national, economic and homeland security.

Finally, maritime labor is concerned about the level of information that has been made available publicly regarding these incidents. Modern technology has made a wealth of information available to the public in a way that is far more accessible than it ever has been before. This includes vital information like ship locations, registration data, and even things like transit speed and destinations. Since the start of these attacks last November, there have been alarming breaches of operational security, including disclosure of vessel schedules, routes and other information regarding transits through the Red Sea. This information has been released in almost real time. The public dissemination of this kind of information, which can easily be rendered into actionable intelligence by the rebels in Yemen, is dangerous, and we would ask those in the press, whether professional or amateur, those on social media and elsewhere to remember one of the axioms of the Merchant Marine: “Loose lips sink ships.”

The United States Merchant Marine is proud of our record over the last quarter of a millennium. We have operated side-by-side with the United States military in virtually every conflict in the history of the United States. We provide the materiel and supplies to the warfighter and they, in turn, have protected our vessels and crews as we sail into harm's way. While the current situation involves the Houthis rebels in Yemen, we may well face in the future more sophisticated adversaries. The experience we are gaining now has demonstrated to the U.S. citizen mariners who are in harm's way that U.S. naval and other military personnel stand with them and will continue to do so. Working together again has strengthened the bond between the Merchant Marine and the military, and we hope our success will deter our adversaries from taking unwise action against American shipping. The efforts taken so far to protect our vessels in the region have demonstrated the United States is committed to protecting its shipping and keeping the sea lanes open, and we hope this will incentivize other carriers to put their vessels under the U.S.-flag and use American citizen mariners, as has happened in past conflicts.

Our members aboard ship and our organizations ashore are committed to working with Congress, the Administration, and the Armed Forces to continue doing what has been our traditional mission—to deliver the goods, in peace and in war, as we have since 1775.

Thank you for holding this hearing on the vital topic, and I am happy to answer any questions you may have.

Mr. WEBSTER OF FLORIDA. Thank you for your testimony, and we will now turn to questions from the panel. I will recognize myself for 5 minutes for questions.

Mr. Darr, during the pandemic, we saw a clear impact on the supply chain and disruptions of the global economy. Can you share if there have been any lessons learned from that that we might use now?

And if so, how would they be implemented to prevent future situations this time around?

Mr. DARR. Thank you, Mr. Chairman. I would be happy to answer that question.

I have to say that the fundamental problems that we saw, particularly in the United States, really can be traced back to much more of the shoreside component. And I think addressing both the infrastructure and operational practices there can help insulate us for future crises, whether it be one of this scale or one of a different scale like the pandemic was. So, I would emphasize a focus on fixing that part, because that was essentially what failed us all as consumers, and also companies trying to serve the economy.

When it comes to application to this particular situation, I would say it taught us to expect the unexpected and not think you really can predict what's coming next, be as nimble as possible, and it has forced us to maintain some additional capacity at substantial cost to be able to respond. And if we did not have that additional capacity at hand right now, as we do under the current market conditions, I would argue we probably would be in a much, much more difficult situation than we are. The reality is, because we have kept that additional capacity available, we have been able to deploy it. And although it takes longer and although it has some additional costs associated with it, we are making it work, and the goods are moving.

Mr. WEBSTER OF FLORIDA. Dr. Ralby, simply put, what objectives do you think the Houthis' movement is hoping to achieve by perpetrating these attacks?

Mr. RALBY. Thank you, Chairman. Their main objective is to advance their own movement. Their movement includes goals to not only take over the remainder of Yemen, but to advance on both Mecca and, ultimately, Jerusalem. They see this as a global movement.

Theologically, the Houthis began with a certain interpretation of how the world should be ordered. They have no real interest in governing, they just have an interest in advancing that ideology. And interestingly, that ideology is actually at odds with Iran. The Iranian and Houthi ideology do not line up. So, at some point, they will find themselves at odds with each other. But for now, their interests are aligned because the Houthis are willing to be as erratic and chaotic as they are in pursuing both advancement on Yemen and, ultimately, advancement on more of the region.

So, they're merchants of chaos. They really enjoy being chaotic. And so, for right now, that is serving their purpose.

Mr. WEBSTER OF FLORIDA. Can you share with the subcommittee some of the risks currently incurred by American owned or flagged maritime assets transiting the Red Sea, as well as any other poten-

tial ones of concern emerging from the Houthis' increased aggression?

Mr. RALBY. Certainly. I think since we began striking targets within Yemen, there has been a major increase in the direct attempt to target U.S.-affiliated ships because U.S.-flagged ships are obvious, but there are also different layers of ownership and connection to the United States that have led to the Houthis targeting them more.

Interestingly, it appears that some of that targeting is being aided and provided by Iran, who are much more capable in discerning the overall character of vessels. They have proven themselves over the years to be very competent in identifying a specific entity attached to a vessel and targeting that entity as their interlocutor in using their attacks. The Houthis don't care that much, but they are enjoying the fact that they can target U.S. ships right now.

The problem is that they are erratic, as I said, but also they don't care if they get it wrong. So, as much as they may be targeting one nationality of ship, they are likely indifferent as to whether they actually hit it, as long as it gets some attention. And they are also indifferent as to whether they hit something else or someone else.

And so, this is a grave threat to all shipping, but certainly at the moment, the increase in attention on the U.S. and U.K. vessels has been problematic.

Mr. WEBSTER OF FLORIDA. Thank you very much. It looks like my time is out.

So, Mr. Carbajal, you are recognized for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chair. I will yield to Ranking Member Larsen.

Mr. LARSEN OF WASHINGTON. Thank you, Mr. Carbajal.

Mr. Heindel, your statement warns that loose lips sink ships. Can you underscore a little bit more how concerned maritime labor is about the availability of vessel movement information, which I can get on my phone right now, right? So, can you talk a little bit about that?

Mr. HEINDEL. Well, there has been quite a bit. Obviously, it is very hot news today. The media is all covering it, and specifically, the maritime media is covering it very heavily. And if you happen to look at some of the issues—and it's practically daily—that are—or I should say coverage that they are putting out there, it is showing vessels where they are, and they are tracking these vessels, it is almost like, as I said, in real time.

Now, perhaps it may be a few hours old, it may be a day old. But the fact is that, if the media is covering it to such a degree and putting this information out there, it's not healthy. It's not healthy for our mariners, and it's not healthy for the vessels that we are sailing on. It's important that I think it be said that you don't have to have all of the details in the photos that they are putting out there in their journals or blogs, if you will.

Mr. LARSEN OF WASHINGTON. Well, I think the men and women in the maritime labor are an important part of this supply chain. I didn't check my tags on my clothes this morning, but I imagine a few of these were not made in the U.S., and were brought in containers on a few ships that traveled around the world. I am not

sure from where to where, but I am sure if we all checked our clothing, we would find that we are connected to this problem a little bit more closely ourselves than we all realize. But you are all on the front line, and I appreciate what you are doing out there to help us out.

Mr. Darr, while the Navy is doing a good job—a great job, actually—in maintaining a minimum level of safety currently in the Red Sea, are there other things the U.S. can be doing to prepare for supply chain disruptions in the future?

Keep in mind, as I said in my opening, we are the Coast Guard and Maritime Transportation Subcommittee, so, our focus is largely on the supply chain side of things, the economic side of things. Can you address what we can do to prepare for supply chain disruptions in the future?

Mr. DARR. Thank you, sir, and when it comes to your original comment about how closely connected we all are, I think that is very true, and I would urge everyone to think about that. Because again, we are a conduit for world trade, and we work best and we serve our customers' needs the best and, ultimately, the consumers best when supply chains are functioning in an integrated way.

So, I would suggest infrastructure investments in the physical infrastructure; changing some of the operational constraints on maintaining inventory so there is more of a surge capacity, including impacts that it may have on warehousing and shipping capability and things like that; find the right balance between regulating what needs to be regulated, say, on the environmental side and the safety side against the practical needs of keeping goods moving. It's not an easy thing to do, but that pragmatism is required in order to keep things functioning.

From the Navy's standpoint, of course, keeping the sealanes open. I think it was my third day in Navy boot camp, when I was a very impressionable 18-year-old, when I was taught that that was one of our fundamental missions. And I think, worldwide, whether it is the Red Sea, Strait of Malacca, doesn't matter, I think that is an essential part of it, to keep commerce flowing.

But what's happening today with the kinetic responses to the activity there, that's treating a symptom. And I think that, ultimately, to keep sealanes peaceful and open requires a strong element of diplomacy that maybe we shouldn't expect to shoulder on behalf of the United States Navy or other navies, but rather the diplomats and Government leaders that support that.

Mr. LARSEN OF WASHINGTON. In your testimony, I just want to clarify one thing, as well, that you said during COVID, we had the backups at the ports, but things could get there, and this is sort of the opposite. Things are having trouble getting to the ports because of the attacks, but our ports largely are resilient, more resilient than they had been during COVID. Did I get that right?

Mr. DARR. There is extra capacity available. Our operations people advise me on the terminals we call, they are operating at about 60 percent capacity right now, and a terminal is optimized at around 80 percent or so. During the pandemic, we saw numbers like 115, 120 percent.

So, that surge capacity to absorb this is available at the moment. But we shouldn't take that for granted, and there will be some

times because of the modification of the services, where we will get large volumes arriving at once, and those need to be dealt with. But I think those will be transient situations where it was a rather long haul during COVID.

Mr. LARSEN OF WASHINGTON. Great, thanks.

I yield back, thanks.

Mr. WEBSTER OF FLORIDA. Mr. Babin, you are recognized for 5 minutes.

Dr. BABIN. Thank you, Mr. Chairman, I appreciate it, and I appreciate you witnesses coming forward in this very, very serious development.

Well, we have heard the numbers: 20 percent of all container shipping, 10 percent of seaborne oil, and 8 percent of LNG pass through the Suez Canal; a dramatic increase in attacks since October of 2023. And quite frankly, I don't know if this is sustainable. Many companies have ceased transits through the Red Sea, increases in risk, insurance premiums, transit times, fuel costs, et cetera.

We have announced, of course, Operation Prosperity Guardian, an international coalition. I certainly like that. But throughout October, U.S. Navy destroyers intercepted numerous missiles fired by Houthi forces over the Red Sea, and Houthi air defense also shot down a MQ-9 Reaper. Probably, that Reaper came out of my district outside of Houston.

And the Houthi forces on November the 19th seized control of a British-owned ship, Japanese-flagged, the *Galaxy Leader*. And after 3 months, they are still holding that ship and still holding the crew. As a former merchant seaman myself, that greatly disturbs me. We have to protect our merchant mariners' lives, as well as our allied merchant mariners.

Over and over, we have seen a number of attacks by Houthi fighters firing on U.S. Navy helicopters with small arms, et cetera. Now we have lost three U.S. military personnel, dead. We had two SEALs lost at sea, over two dozen American military personnel wounded. I think it's high time that the United States retaliate in a way that will make these folks remember and be aware of what they are playing with, and that is playing with fire.

So, I would ask, Mr. Ralby, if you would, in your written testimony, you shared some of the downsides of diverting ships around Africa, specifically highlighting a lack of safe harbors and the increased potential for piracy. Somalia is out there. What can carriers do to mitigate some of those risks if our administration doesn't strike back? What is the current alternative?

Mr. RALBY. Thank you, sir. I think, first of all, I would agree that there needs to be retaliation. But retaliation does not necessarily mean giving them exactly what they want, which is a direct confrontation, militarily, with the United States. So, I think we need to retaliate by finding ways that will actually persuade them, and they cannot be persuaded in the ways that we would be persuaded. So, we need to look to solutions that will draw their attention away from shipping, and that is a critical, critical piece of this.

In order to make shipping more safe, particularly through Somalia, we need to be looking at how to resuscitate some of the lessons we learned 10, 12 years ago—or even longer now—when we were

dealing with Somali piracy on a day-to-day basis. We saw two attacks yesterday, so, this is a real threat. The skills for piracy were not lost over the last decade, they were transferred. A lot of the attacks were actually by Somali pirates against vessels that were engaged in illicit trafficking. And so, the skills are still there, the reporting just hasn't been there and the attacks on vessels engaged in legitimate international maritime commerce haven't been there.

But we need to be ready for that possibility. To that, I think we need to take a new look at Best Management Practices 5, the guidance that is given to shippers to harden their vessels and ensure safest operations for averting piracy attacks. We need to ensure that we have a greater familiarity with where there are potential safe harbor options. And as the United States, we could do a lot to try to support African ports in being ready to provide fuel supplies, food supplies, fresh water supplies, other husbandry services to the increased traffic.

We have seen an 80-percent, year-on-year increase going around the Cape of Good Hope. That is a major increase.

Dr. BABIN. Right.

Mr. RALBY. And so, that is a critical point.

Dr. BABIN. Yes, sir. I would also remind you that when Somali piracy was at its peak, they seized several Russian vessels. The Russians did not mess around with them. They did not play. And I think that it goes without saying that hitting back and hitting back very hard teaches people a lesson.

I am sure diplomacy is great, but you cannot project weakness. And that is what we have seen with all of the attacks going on, and the further threats, and trying to tie it in some form or fashion to the Israeli war. And I dare say that, even if the Israeli war were over, we would probably continue to see Houthi attacks in that Red Sea area.

It looks like I am out of time. So, Mr. Chairman, I will yield back. Thank you.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Mr. Carbajal, you are recognized for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chair.

Mr. Heindel, there is no question the Navy is doing an incredible job thwarting the Houthi attacks. How does the treatment of U.S.-flagged vessels differ from other ships utilizing flags of convenience?

And should the Navy be prioritizing the protection of American-owned, American-flagged, and American-crewed vessels, many of which are carrying defense and humanitarian cargoes?

Mr. HEINDEL. Thank you for that question, Congressman. In simple terms, I believe they should be, but we do have an obligation as well to support all commerce going through that area. I believe that is the goal. But if there are going to be ships that are queuing up to be escorted through the area, I believe that U.S.-flagged should be priority.

Now, first of all, it is the U.S. taxpayer dollar on the line here, and I think it is vitally important that we look to protect our seafarers, and help the rest of the world when we can.

Mr. CARBAJAL. Thank you. What is the most important thing that can be done to further protect U.S. vessels and American mariners?

Mr. HEINDEL. Right now, the important thing is communications. As I indicated earlier, we need better communications between the commercial vessels that are active in the Red Sea and being escorted or waiting to be escorted. And if we have the communications that the Navy has or the Military Sealift Command has, we would be in much better position than we are today. Right now, we are using, basically, the radio or mobile phones, if we are fortunate enough to have the connectivity. But having the communications with the combat vessels is vital.

Certainly, the way things are currently in the Red Sea, I believe I have seen a news piece that said there is about 75 minutes between the time the missile is launched to the time it hits its target. So, we need very quick communications with the combat vessels.

Mr. CARBAJAL. Thank you.

Mr. Gold, I am glad we were able to work together throughout the pandemic to enact meaningful legislation in the form of the Ocean Shipping Reform Act. One thing we learned in that process, though, is what happens when we are reliant on a supply chain dominated by foreign interests.

What are your members doing to increase the share of cargo that goes on U.S.-flagged ships?

Mr. GOLD. Thank you, Congressman, and we definitely appreciate all of your support throughout the pandemic to get the Ocean Shipping Reform Act put through. I think our members are continuously looking at diversifying their supply chains, whether it is away from China or elsewhere, but it takes time to move their supply chains. And unfortunately, with the ongoing challenges that we see, even when you go and look to diversify, you are being impacted by something else.

So, I think, again, retailers are looking to make their shifts, but we have got to have open, stable shipping routes to be able to make sure we can get product to where it needs to go. Unfortunately, we are not able to bring everything back here to make. Folks are looking at friendshoring, onshoring, ally-shoring, but it takes time to develop those. So, they are trying to make sure they are doing what they can to make sure products are getting here when they need to be here for the consumer.

Mr. CARBAJAL. Thank you.

Mr. Darr, today we are talking about the appropriate U.S. response to Houthi attacks in the Red Sea. Given that MSC doesn't flag a single ship in the United States, doesn't pay United States taxes, and doesn't employ American mariners, how should the U.S. Navy prioritize the protection of MSC ships?

Mr. DARR. Well, first of all, I will say we do have a large base of operations in the U.S. We are number one in the U.S. market, we do employ a lot of American citizens, including myself sitting here today, and we do pay taxes where they are due in the United States.

But that's not what I came here to talk about today. What I would like to address is your question straight on, and it comes down to we are there to serve the commerce needs of the world's

trading partners, and what they need, we will provide. And what they need right now is a very competitive service with other options that are out there. We provide that through a variety of flags. We are based in Switzerland, and our corporate headquarters is there in Switzerland, physically, as it has been continuously since 1978, which, by the way, has corporate tax rates that are very close to OECD Pillar Two.

And taxation is not the real issue here. And what we would like to see is the trading partners keep the seelanes open, whether that is the United States or whether a larger burden is shouldered by other trading partners around the world, which I think it should be, including some of the largest that are absent from these operations and these risks right now. They should all do so because the merchant navies of the world are not capable of keeping the seelanes open themselves, but they will adapt to whatever the needs are of the customers and the countries that are behind them.

Mr. CARBAJAL. OK, thank you.

Mr. Chair, I am out of time.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Mr. Mast, you are next.

Mr. MAST. Thank you, Mr. Chairman.

Mr. Carbajal, will you engage with me for 1 minute so I can understand something?

Mr. CARBAJAL. Sure.

Mr. MAST. Just listening to your line of questioning, are you advocating that a non-U.S.-flagged vessel received no protection?

Mr. CARBAJAL. No. What I am saying is that I appreciate all commerce. It's important when you consider the global trade, the dependence we have. But I think that taxpayers, the United States taxpayers, would want us to prioritize, first and foremost, American-taxpaying companies.

Mr. MAST. Very good. Just thank you for clarifying that. I agree with that. I would love to see agreement on that issue as it pertains to our southern border and prioritizing Americans first. I think that's something that we should take that same ideology and apply it there—not to conflate the issues, but I think they are similar, and so, I was glad to hear you bring it up in that way as it relates to flagged vessels.

I want to go to a couple of things that were brought up here and, Mr. Ralby, I will start with you. You used the term “persuade” as it relates to responses that the U.S. could put forward. And just the first question would go to the Biden administration's policies towards Yemen, taking them off the Foreign Terrorist Organizations list. They have received about \$3 to \$3½ billion in aid since being taken off it. Has that persuaded them not to attack?

Mr. RALBY. Let me clarify. The Houthis are 100 percent not the Government of Yemen. So—

Mr. MAST [interrupting]. Has it persuaded, though, the Houthis—they are Yemeni, correct?

Mr. RALBY. They do not see themselves as Yemeni, no. They are physically occupying territory in Yemen, but the Houthi movement sees itself as temporarily occupying Yemen in advance of a greater attempt to take over. They currently control 30 percent of the territory of Yemen and 70 percent of the population. Seventy-five per-

cent of that population is under the age of 29. So, they are revolutionizing a very young population, but they do not see themselves as Yemeni.

Mr. MAST. And they may not be the Government, but it is always an important question to ask whenever you are looking at our foreign policy, is does our aid, does our foreign policy support what we want out of each individual country?

Because kind of going to going back to what Mr. Carbajal said, it has to represent the American taxpayer, right? And does that \$3 to \$3½ billion support what we want out of Yemen towards the policy towards the United States of America? I would say not. Maybe you want to have the argument that way, but—

Mr. RALBY [interrupting]. I would agree that our foreign policy towards Yemen is failing at the moment in that we have for several administrations consistently failed to bolster the Yemen Government. We have focused our attention on the Houthis since the outset of the coup in 2015, but we have not provided the wherewithal.

In 2018, the U.S. was part of a major effort to prevent the Government of Yemen from retaking the Port of Hudaydah on the Red Sea coast. That is now a critical strategic failure on our part, because if the Government of Yemen controlled that sea access, we would perhaps not be having the same conversation we are having today.

And so, I agree that we need to rethink our foreign policy towards Yemen, particularly because Yemen has long been the sort of forgotten corner of the Middle East. It is a very sad reality. And so, we have not paid enough attention to understanding, as well, the Houthi mentality, which is why, to the point of Mr. Babin and others, we need to strike back. But our way of striking back has to be geared towards providing benefit to the U.S. public.

If we just want to strike back for the sake of striking back, we may find ourselves actually making things worse. And that is, unfortunately, what seems to be happening right now. The Navy is very good at doing its job and fulfilling its mission, but that mission right now that it has been set on is, unfortunately, backfiring with regard to protecting shipping, protecting seafarers, and making commerce free flowing.

Mr. MAST. I don't agree with liberal mentality like that. I mean, we are Americans. If somebody hits us, there's going to be a reckoning, and we are going to hit back. And that's just the American way, and it should always be the American way, flat out.

I want to go to some different questions at this point. I want to talk about range, armaments, reconnaissance, maneuverability, quantity, capabilities. This is advanced in terms of these drone systems throughout not just conflict between United States of America and vessels, but we saw this going on with Saudi Arabia and Houthis and the conflicts that have taken place there.

Are we dealing for the vessels with strictly radio or line of sight, or do you have another capability with which you are able to track the inbound drone strikes?

Mr. DARR. Generally speaking, what the military operators have said is to use some established lines of communication via CENTCOM, or through UKMTO secondarily, and that the first should come through VHF, which, obviously, has some downside,

because everyone listens to VHF 16, including the bad guys, but also that they offer satellite communication options where, if you call them, they will pick it up. But that's not a secure line of communication.

Then, of course, we have some ability to have awareness of what is going on to the extent that AIS is being used. That sends a signal from other vessels in the area, too. But obviously, the bad guys in the region are not going to have AIS transponders on if they have them at all.

Mr. MAST. I have many more questions I would love to ask you guys on armaments and reconnaissance and maneuverability, but my time has ended.

I appreciate the increase in time, Mr. Chairman, and I have nothing to yield back.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Mr. Garamendi is recognized for 5 minutes.

Mr. GARAMENDI. Thank you, Mr. Chairman, and gentlemen, thank you very much for your testimony. The more this testimony has gone on, the more the questions have been asked, the more complex the situation is revealed. I am going to go to Mr. Ralby.

You have opined that we are not on the proper path towards a solution. Could you define how we might find a solution and what it might be?

Mr. RALBY. Yes. I certainly agree that when the U.S. gets hit, we hit back. But what we have to be looking at is what we want to accomplish with that. And the way that we hit back has to be similar to what we have looked at even with Ukraine.

Russia posed a real threat to the United States. It always has for the last century. And our approach to supporting Ukraine has been in empowering the Ukrainians to fight for their own sovereignty as they have been attacked. Similarly, we need to look at the Yemen people and give them the encouragement and the backing to actually fight for their own sovereignty.

And that fight is multifold. Yes, it may be kinetic, but at the moment, they also need to be recognized. The fact that there is still confusion in critical circles around the world as to whether the Houthis are the Government of Yemen or not is part of the problem. We do not understand Yemen, and so, a starting point needs to be there.

That then needs to also come with our help in divorcing the narrative between what is happening in Israel and Gaza and what is now happening in the Red Sea. Otherwise, we are not protecting shipping, and we are not protecting U.S. interests because they will continue to attack, and we have to provide that divorce of the narrative in order to help embolden some of the neighbors to be willing to speak up.

Egypt has been ominously quiet on this subject, though they are losing a huge amount. Their canal revenues are dropping precipitously. Their economy is going to take a major, major hit. And unfortunately, they are not going to eke out even a comment unless we divorce that narrative.

We then also need to get better in the information operations space. We have allowed the Houthis to control the narrative, and they are very good at it. Their propaganda machine is really quite

impressive for the target audience that they are going to. We are very good at speaking to our people about fighting back, about retaliation. Unfortunately, that doesn't sit with the people that we need to be targeting right now in order to change the situation.

So, if we want to change that context, we are going to have to change our approach to messaging, to visibility. And as I said, we may be not the right face for this. We may need to find others to carry the water for us, or at least help us.

Mr. GARAMENDI. I think it would be very useful if you were to repeat all of that at least a few more times, so that we might come to a better understanding of what we are faced with. Certainly, we already heard just a moment ago that some of us do not understand the Yemen Government and the Houthi, quite different, or the history of Saudi Arabia and the Houthis.

So, the question really to all of you is, how do we gain the support of the international community in dealing with this problem?

And I will also note that this particular onset of attacks coincides with the Israel-Hamas war, and may not end if that were to end, but nonetheless, did begin at that point.

So, the question to all of you in the next minute or so is, how can we enhance international support for the protection of shipping in the area?

I do note that Denmark yesterday sent an air defense vessel into the Red Sea. Perhaps that's a start.

So, let's start, Mr. Heindel, and then right on down the line. How do we get further or better international support for the protection of shipping in the area?

Mr. HEINDEL. Well, my first thought is, that's above my pay grade, but I think we all have to try to continue to educate our allies in the importance of what's going on. In my view, there is a bigger dynamic going on that is not on the surface today. That's my personal opinion.

But the fact is that we have to do everything we can to convince our allies that it is important that they participate, because a strong front, I think, will provide for a certain message to go not only to the Houthis, but to the guys across the water from—

Mr. GARAMENDI [interrupting]. We note quickly that the Somali pirates were lessened when the international community was strongest.

Mr. Gold and Mr. Darr, quickly—well, I think I am out of time.

Mr. GOLD. I would just say real quick—again, not my area of expertise on how to do that, but I think continuing to talk to our allies about the situation because, again, we are impacting global commerce here, and everybody is being impacted by this. So, we need to make sure our allies are fully aware of the situation, not just the impact on the U.S., but the impact on their own markets, as well, because we are certainly seeing a significant impact in the European market right now, where they are starting to see some inflationary pressures there.

Mr. GARAMENDI. I am pushing my time well beyond, but it seems to me that, if we are going to be successful here, we need to have a large alliance in place, all that are interested in the shipping in the area.

And the comment about Egypt's lost revenue is instructive. Thank you very much.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Mr. Bean, you are recognized for 5 minutes.

Mr. BEAN OF FLORIDA. Thank you very much, Mr. Chairman. Good morning to you; good morning, T&I; good morning, witnesses, welcome.

Outside of war, have you all ever seen—it is a toss-up, anybody can jump in—outside of war, has it ever been this bad in the Red Sea, attacks on merchant vessels?

VOICE [discussion off the record]. Yes.

Mr. DARR. To my knowledge of the history, no. And it is, in part, a sign of the times. The last time there was more conflict that threatened the Red Sea in its entirety, the weaponry used against commercial shipping directly was not as sophisticated.

Mr. BEAN OF FLORIDA. For you to say it's an hour, your ships, merchant ships, were under attack for a firefright, directly an hour, that to me is very scary. What happens if this continues? What happens, Mr. Darr? If this continues, paint the picture for us.

Mr. DARR. Well, I will try and go beyond speculation and just give you my observations of what's happening now and extrapolate it out.

We will adapt. We will make it work. We will meet the world's commerce needs. That's what we do. But it may not look like it does today. And what we are learning through the initial 6 weeks of adaptation of our networks is maybe we are going to call different places than we called before. Maybe we are going to shift volumes for transshipment to different hubs than we did before. Maybe we are going to avoid transshipment hubs we used very closely. Maybe we are going to avoid the Suez Canal altogether, and all that may come from that, as far as stability in the region goes. All of those things are possible. I can't paint exactly the picture—

Mr. BEAN OF FLORIDA [interposing]. Got you.

Mr. DARR [continuing]. But I can assure, you we will meet the need, but it will be more expensive. There will be costs associated with that.

Mr. BEAN OF FLORIDA. Ten-four. Dr. Ralby, is it just American and ally ships? Are they attacking Iranian ships? Are they attacking Chinese ships?

Mr. RALBY. They, as I said, are quite erratic. So, they are attacking everybody at the moment. They are trying to target U.S. and U.K. and Israeli-affiliated ships, but as I said before, they don't really care. They nearly hit a Russian cargo. They have done a couple of things that show that they are just not all that precise.

They are imitating what has been, to your earlier question, a fairly consistent Iranian approach of what we have often termed "hybrid aggression" when a state actor does it. But this is just a nonstate actor engaging in terrorist activity. And so, they are using these attacks to send messages, and they don't really care who they hit or what vessel might be affected—

Mr. BEAN OF FLORIDA [interrupting]. Have we seen other countries like China—have they responded, or other countries saying enough of this, we are not going to put up with it?

Mr. RALBY. Everybody is hurting, let's put it that way. No shipping, no shopping. You do not have free flow of maritime commerce, everyone on Earth hurts, whether you are on the coast or thousands of miles inland.

The problem is that a lot of the states are keeping quiet, while we have been willing to go out in the front and try things out. And so, China has been ominously quiet on this front, and my guess is that they are looking for ways to do what I was saying before. They have equities in this that are really important to understand.

In 2023, China brokered a rapprochement between Saudi Arabia and Iran. Part of that deal was for the Iranians to stop arming the Houthis. In the last few weeks, they have overtly resumed arming the Houthis, as we have seen—

Mr. BEAN OF FLORIDA [interrupting]. So, Iran is the main factor behind the Houthis. Are there are other countries? Is China involved in Houthi armament, or any other country other than Iran?

Mr. RALBY. The armament flow goes through a number of countries, and the illicit traffic of arms has been well ingrained, so that they have different directional flows that allow them to gain weapons. China has been involved. Iran has been involved. I am sure Russia has been involved. There are a lot of countries that have been involved in the illicit flow of arms for years, and some of that has gone through Somalia, through Djibouti, and into Yemen.

There are two vessels, though, that are really important for the U.S. to pay attention to, Iranian-owned commercial vessels in the southern Red Sea: the MV *Behshad* and the MV *Saviz*, both of which take turns operating as both a floating armory and as an intel source for Iranian support to the Houthis. Those vessels should be very much on our focus of how we would want to retaliate, and thus far—

Mr. BEAN OF FLORIDA [interrupting]. They're not, they are given a hall pass.

Twenty years ago, whenever it was, I know we had—Somali pirates was an issue. That has kind of gone away. Is it true because we finally said enough about this, and we started using force? Is that what ended Somali pirates, that type of interaction?

Mr. RALBY. There is—

Mr. BEAN OF FLORIDA [interrupting]. Mr. Heindel, you say yes. You are nodding yes. Jump in, Mr. Heindel. Is that force—is that our option here?

Mr. HEINDEL. Well, if you are trying to equate the two, I think there's a—the politics are different, at least from my viewpoint. Somali pirates were just a band of thugs that—

Mr. BEAN OF FLORIDA [interrupting]. But force, you say force—and my time is about to run out—force is what they deal with, and that's the language they speak.

And it bears—Dr. Ralby, this has nothing to do with Israel, is that correct? That was your testimony. Nothing to do with Israel. They are just using that as the guise. Is that correct?

Mr. RALBY. It was a convenient narrative. And for them, the profit margin is not the motivation as it was for Somali pirates. So, the risk-reward calculus for them is very, very different. That is why they are a much more difficult threat.

Mr. BEAN OF FLORIDA. Thank you very much, Mr. Chairman, and I yield back. Thank you.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Ms. Scholten, you are recognized for 5 minutes.

Ms. SCHOLTEN. Thank you, Chair Webster. Thank you so much to all of our witnesses today. I apologize for the gravelly voice. I am not sick, I lost my voice cheering for our beloved Detroit Lions.

We really want to thank you for your testimony. This is an incredibly precarious time in our world and in the Red Sea. While the humanitarian impacts are deeply felt across the globe, constituents back home are also concerned about the deep economic impact that this will have, as they are already struggling with hyperinflation and putting food on the table.

I have a series of economic questions about the impacts of this war, and also what we can do about it here in Congress. So, my first question is for Mr. Gold.

Our economy is still recovering from supply chain shortages that we experienced after the pandemic, with some industries still struggling to access essential components. From our national GDP, to increased operating costs for maritime shipping, do you have an estimated cost to our economy if the route through the Red Sea is no longer a viable option?

Mr. GOLD. Thank you for the question. Unfortunately, we do not have an estimate at this point in time. I think there are so many variables as to what the actual impact would be. I think, as Mr. Darr noted, the supply chain will adjust and will adapt, and I think you have to figure out what those additional costs will be.

We are seeing some of those costs that are being passed along now, especially to small and medium-sized enterprises who don't have the ability to negotiate and push those costs off. But again, as we are in a new negotiating cycle for new contracts, that is going to be an impact; the impact on congestion at our ports, if that does materialize, is going to have an impact, as well.

So, I think, again, preparing for what's to come is where we need to be giving a lot of focus now. I agree with Mr. Darr that the focus on infrastructure, both on kind of the land side but also through the gate, is critically important, but also looking at kind of the IT systems, as well.

I think one of the areas where we kind of failed throughout the pandemic was that communication aspect which is so critical among supply chain partners, the ability to know what is coming in, and when, and how it's going to transit through the supply chain is incredibly important. And unfortunately, we haven't seen that progress yet on that aspect of this to be able to plan accordingly.

Ms. SCHOLTEN. Thank you.

Mr. Darr, you mentioned your hopefulness that Congress' investments in port and landside infrastructure included in the Bipartisan Infrastructure Law will increase capacity and resiliency. Can you talk a little bit more about how some of those investments can help us cope?

Mr. DARR. Yes, ma'am. Those investments, in large part at the port level—let me give you an example.

In the U.S., we are largely constrained by the geography of the ports and the terminals that we have. And so, to build a new terminal, while not impossible, is very, very difficult. And they tend to encroach upon other users of that land space.

So, the more we can do to densify the operations in the terminals and make them more efficient, while also—I should point out in our company's model—maintaining the workforce, because it can be done, and it can be done effectively because the volumes go up, that's a good start. And being as thoughtful as possible about those sorts of investments in particular I think helps us the most because also some of those investments can be done faster than to, say, identify a new site and then all that goes with that. And it is a lot that goes with that, in building that out.

Second, I would say the road infrastructure needs huge work. And the rail operators also need whatever incentivization is there to maintain additional surge capacity to meet the rail network needs because whatever we can put on rail is avoided going on the roads and overstressing that again.

Ms. SCHOLTEN. It's all a part of the shipping and transport larger ecosystem.

What other suggestions do you have for us in Congress? Obviously, containing the conflict, ending the conflict is a major path to maintaining this route through the Red Sea. But in the interim, this is a daily problem. What can we do here in Congress to help make sure that we are supporting the industry?

Mr. DARR. So, again, I will start with maybe what you didn't want me to focus on, but I think it is important. The shooting has to stop. It has to be safe enough for us to send our sons or daughters or people that have trusted their lives to us into that region.

When it comes to what we can do day to day, we have what we have, and we have a substantially altered series of networks trying to deliver the cargo. And I would say being as prepared as possible, from retail shelving all the way down to the quay side, will help us avoid another situation like we had during the pandemic.

Ms. SCHOLTEN. Yes.

Mr. DARR. But I want to be very clear. The scale of this disruption comes at a better time when there is additional capacity, both at sea and ashore.

And second, the scale of the cost excursions, the underlying expenses to us to operate that have to find their way into the market is, to this point, nowhere near what it was during the pandemic. It happened very quickly.

Ms. SCHOLTEN. Right.

Mr. DARR. But if you look at what the analysts are putting out there, we may have seen the top in some of the markets. It's not for me to speculate on, but you can review that yourself.

And then lastly, on the export trades, they are under a lot less stress and price pressure.

Ms. SCHOLTEN. Thank you so much, Mr. Chairman. Thank you for the additional time. I yield.

Mr. WEBSTER OF FLORIDA. The gentlelady yields back. Mr. Van Drew.

Dr. VAN DREW. Thank you, Chairman. I have a little different angle here. I believe President Biden has failed our country. He

grossly mishandled our Afghanistan withdrawal. It was a sign of weakness. He didn't prevent Russia's attack on Ukraine when we could have just prevented it. It was a sign of weakness. And he has been unable to prevent Iran-backed proxies from attacking our ally, Israel, and all of our troops in the Mideast. Again, it is a sign of weakness.

None of these horrendously handled events would have ever happened under our previous President Trump. He knew that in order to protect America abroad, the Commander in Chief must be strong. What we need in this country are those great words, "peace through strength," because where there is weakness, there is always war.

Just this weekend, 3 of our servicemembers were killed and almost 40 others injured in an Iranian-backed drone attack in Jordan. You are all aware of it. This, again, is a tragedy that President Biden could have prevented, but has failed to do so because he has created an era of weakness around the world. And it's gravely impacting Americans, and it's impacting our American interests.

The Houthi terrorist organization based in Yemen has been launching missile barrages on Israel and has conducted over 30 different attacks on civilian and military vessels, and these are the vessels that transit the Red Sea. Houthi forces are also responsible for seizing control of the *Galaxy Leader*, an allied vessel with 25 human beings on board, all of whom are being held captive by the Houthi terrorists.

Dr. Ralby, to your knowledge, what is being done to rescue the hostages from the Houthis?

Mr. RALBY. I am not familiar with any negotiations, and I don't think it would be appropriate to share that in an open forum if I were. Thank you.

Dr. VAN DREW. OK, so, you have no knowledge of it, and I don't think anybody else does, either.

What can be done to prevent all of these attacks from happening again and again? Your thoughts, Dr. Ralby?

Mr. RALBY. To prevent the attacks, we have to draw the Houthi attention away from shipping. That has to be the first step. It doesn't mean that they will stop attacking, it doesn't mean they will stop fighting, but they need to not be attacking global maritime commerce and the seafarers who carry our goods.

We need to embolden not only the Government of Yemen, but, as we said before, the neighborhood, in order to help make that happen. So, American strength and diplomacy and American strength in its military both require that we help our closest friends recognize their own interests, as well.

At the moment, we have some hope in the immediate horizon with the EU naval force mission that is being sent to the region on the 19th of February. The EU is not a military alliance. The EU is not a sovereign nation state in and of itself. And during the piracy days, we learned an important lesson from the EU naval force mission. Some of the most hostile nations towards each other—so, Russia, China, Iran, India, the United States, others who do not necessarily love to speak to each other or love to work together—found common purpose using the EU as that nameless, faceless

economic community in combating an economic threat. And so, we may be able to work more closely with some of our partners with some of the region if we first divorce the narrative.

Second, find these kinds of avenues for pulling Houthi attention away.

Third, embolden and support the Government of Yemen and the Yemeni people to retake their sovereignty and ultimately try to keep the focus on the consequences, not necessarily the actions—

Dr. VAN DREW [interrupting]. Thank you for your answer.

Mr. RALBY. Thank you.

Dr. VAN DREW. Thank you. Houthi attacks have also gravely affected, as we all know—that's why you are here—our supply chain. The Red Sea helps facilitate a massive amount of global trade per year. And you all know that, as well. And these attacks have forced many of these ships to reroute around the Cape of Good Hope, which you also know, and it's making cargo more expensive, which you also know, and time-intensive. This is directly caused by the very same group that our current President declassified as a specially designated global terrorist group over 2 years ago. Again, it's a clear example, in my opinion, of weakness.

In that time, this undoubtedly terroristic organization has been able to regroup and put themselves in a position where they can attack, and they are, and they are attacking America and our allies with the help from Iran. Mr. Ralby, do you believe it was wise to declassify the Houthis 2 years ago?

Mr. RALBY. At the time, I did think it was the wise decision. The reason was, at that point, there were two major equities at stake. Number one, the humanitarian situation in Yemen was absolutely dire. Six million people were on the brink of famine. And the ability to negotiate the movement of aid with a foreign terrorist organization controlling the territory was one of the challenges that was being faced—

Dr. VAN DREW [interrupting]. Thank you, and I thank you for the answer. I am running out of time. I would respectfully disagree with you. We are where we are now. And certainly, look how that worked out for us.

Mr. Chairman, I yield back.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Mr. Auchincloss, you are recognized for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Chairman. I appreciate the witnesses' time and testimony.

Dr. Ralby, despite their protestations, do you think the Houthi leadership cares about the people of Gaza?

Mr. RALBY. No, I do not.

Mr. AUCHINCLOSS. And is it true that, in fact, under their brutal, incompetent, nefarious governance, that 10 times as many people have died in Yemen as have died in Gaza?

Mr. RALBY. I am terrible at math, but it sounds about right.

Mr. AUCHINCLOSS. Yes. And so, I would note for those in the United States and elsewhere who are cheering on these Houthi pirates who have designed to make them into social media stars who are chanting, who are rallying to their flag, that they are supporting terrorists who have killed American servicemembers, who have been sadistic to their own people, and who seek to undermine

the very rules of international commerce that have allowed peace and prosperity to spread the world over.

Do you think the Houthi leadership gains or is weakened with direct confrontation with the United States?

Mr. RALBY. One important thing to note is that the Houthi leadership is a bit of an amorphous body. It is always intentionally decentralized. And so, one of the challenges is that, yes, we could maybe look at who the supreme council is, and determine them. But there are also other factions in different parts of the area that will respond differently. All of them, though, all of them, are responding in the same way at the moment to the U.S. strikes. It has emboldened all of them uniformly.

Mr. AUCHINCLOSS. Yes. So, to be blunt about it, this is good politics for them at home, yes.

And so, while I hear the outrage and the sense of urgency from my Republican colleagues, and viscerally I share it any time American merchant marine, any time American servicemembers are under harm's way, we also have to recognize that we don't want to walk in to the game that our enemy wants to play.

So, let's now unravel what might actually scare Houthi leadership. They are reliant on Iran as their patron state, is that correct?

Mr. RALBY. They are.

Mr. AUCHINCLOSS. And Iran itself is reliant on China, as the purchaser of its oil exports. Is that right?

Mr. RALBY. They are.

Mr. AUCHINCLOSS. So, is it safe to say that China could exercise significant influence here, if it wanted to, to reduce support and funding for the Houthi?

Mr. RALBY. Very much so.

Mr. AUCHINCLOSS. And yet, as a member of the Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party, I want to highlight that China is not only missing in action as a purported upholder of international commerce and rules, but is in fact actively undermining the potential for a peaceful resolution to this issue.

The deal that they brokered between—I use the word “brokered” maybe in quotation marks, because really it was a performance—but that they claimed to help broker between Saudi Arabia and Iran required that those states bring the Houthis under control. Obviously, that hasn't happened, and yet China has done nothing to curtail or punish Iran for that.

China has also done nothing to ensure the safety of the Red Sea. Is that right?

Mr. RALBY. That is correct.

Mr. AUCHINCLOSS. What do you think should the response of the United States be to the Chinese Communist Party's complete unwillingness to be a responsible global citizen in this episode?

Mr. RALBY. Well, first of all, I think it needs to be made clear that that is a major factor.

China has also a signed treaty by Xi Jinping himself with Ukraine not to—to stand in if anybody attacked them. They didn't do that. They are very good at not fulfilling their obligations when things get hot.

And in this particular situation, they are probably a bit frustrated by the equities that they did host, I would say, that deal between Iran and Saudi Arabia, which complicated in some ways their position because they now have a vested interest in maintaining that detente, that rapprochement between Iran and Saudi Arabia, and the Saudis have very complicated equities with regard to the Houthis. So, they are probably quite frustrated right now.

Mr. AUCHINCLOSS. And their economy is the most trade-dependent of any in the world.

Mr. RALBY. Absolutely. So, they are hurting, but they are actually probably enjoying watching us take the first set of hits for this. So, they are a looming question mark, and we need to call them out quickly.

Mr. AUCHINCLOSS. Yet another example of the malign and malicious attempts at global leadership from the Chinese Communist Party.

I yield back.

Mr. WEBSTER OF FLORIDA. The gentleman yields back.

Mr. Ezell, you are recognized for 5 minutes.

Mr. EZELL. Thank you, Mr. Chairman.

The Houthi attacks that are targeting maritime vessels in the Red Sea represent a direct threat to maritime transportation and, ultimately, to the world's supply chains. The Trump administration recognized the threat posed by this group, and took decisive action by designating the Houthi rebels as a global terrorist entity, which would allow the placement of crippling sanctions on these fighters.

However, one of the Biden administration's first acts has communicated a message of weakness as President Biden removed the Houthis from this designation. We are witnessing a clear trend. Past actions by President Biden continue to strengthen terrorist organizations and encourage global attacks.

Dr. Ralby, it's clear we must put an end to this Houthi aggression. You mentioned in your testimony that the Houthis are often untrustworthy negotiators. Can you expand on how negotiations have gone in the past, and do you think anything has changed?

Mr. RALBY. The Houthis not only are untrustworthy, they enjoy making whoever they are negotiating with look bad in the eyes of their people. They have a long history of agreeing to things and then reneging. I will give one concrete example.

The FSO *Safer* was a critically important issue to address off the coast of Yemen. It had 1.14 million barrels, and would have not only caused a spill 4 times the size of *Exxon Valdez*, but would have actually taken out the desalination plants on which more than several tens of millions of people rely for their drinking water along the Red Sea.

And the Houthis, in negotiating to do something about the vessel, continually agreed to an assessment mission, allowed for the U.N. to expend funds on placing that assessment team in Djibouti, and then reneged on it. And they enjoyed doing the same thing over and over again. And unfortunately, a lot of the negotiators who have tried to work with the Houthis have found themselves falling again afoul of the definition of insanity: trying to do the same thing over and over again, expecting a different result.

The Houthis are consistent in one thing: in being untrustworthy, in being very quick to renege on any promises they make. So, they cannot be trusted, they cannot be negotiated with in the same way that we would otherwise.

Recently, they agreed to not attack vessels that were carrying oil coming into the gulf, the Port of Aden. Unfortunately, they went ahead and struck them very quickly. So, they have a long history of renegeing on every promise they make.

Mr. EZELL. Thank you, Doctor.

Mr. Chairman, I yield back.

Mr. WEBSTER OF FLORIDA. The gentleman yields back.

Mr. Rouzer, you are next. Welcome to the committee.

Mr. ROUZER. Thank you, Mr. Chairman. I see my friend and colleague, Dusty Johnson, here. Dusty and I serve as cochairs of the Supply Chain Caucus here on the House side, and I know I have heard from industries all across the board, obviously, just how critically important the Red Sea and Suez Canal are to an efficient supply chain.

Dr. Ralby, in your testimony you state that, while oil and gas shipments are being impacted, the greater threat is the shipment of specific goods with specific delivery times.

You also mentioned that disrupting the 30 percent of global container traffic on the Red Sea will have a greater impact on the economy than the 10 percent of oil traffic. Could you speak a little bit more to these goods shipped through the Red Sea, and what impacts delayed shipments have on the global economy and commerce?

And then, as a followup to that, Mr. Gold, I would be curious of your thoughts on the impact to consumer prices.

Mr. RALBY. I will be very quick. Energy supplies are fungible. Oil is oil. Yes, there are different categories of oil, but once the products have been refined, they can be replicated and supplanted by different shipments from all over the world.

Goods, however, are targeted towards specific purchasers. And so, you can't just make up for somebody's race car that is due to be at a specific race at a specific time by substituting another one. So, there are a different set of equities for the container carriers versus the oil and gas industry and the wider energy industry.

In fact, one of the other disparities is that oil and gas movements through the Red Sea are actually a much smaller percentage of the overall traffic than the container goods, and so, that is why I would argue that the container industry, which is why it's important to have Mr. Darr here, is more affected by this.

Mr. ROUZER. Yes. As a followup, too, how much—let's just assume, hypothetically, that all trade is cut off there. How much of the U.S. economy is represented with that? What is that figure?

Mr. RALBY. I do not have that figure. That is not my area of expertise. But what I can say is that it is not just the U.S. economy, it is global because of the nature of our globalized supply chains.

And the important piece that I would also note that doesn't get looked at as much is that it is not just goods for sale, it is also humanitarian aid. And so, there are other consequences to this that transcend just the marketplace and go as well to desperately need-

ed aid, medical supplies, other things that need to get to places on time in order to make sure human life is protected.

Mr. ROUZER. Absolutely. Any other thoughts there from the panel?

Mr. Gold, do you want to talk about the inflationary impact?

Mr. GOLD. Sure. I mean, obviously we saw what happened during the pandemic when supply chains were essentially shut down, and the impact we saw on prices and costs and everything else. I think right now it's too early to tell what that impact is going to be because of what's happening in the Red Sea.

I think, as we have talked about here, carriers and shippers will find a way to make product arrive. It might arrive later than you expected. You are going to have an impact on not just retailers, but manufacturers who are waiting on inputs to production, on ag products. You have already seen the impact in Europe with ag products that are having to go around the Cape of Good Hope that are having spoilage and having impact there. So, I think, for my members, they are trying to contain costs as much as possible.

So, again, for the larger retailers, they are more nimble at being able to do that. For small and medium-sized companies, that is going to impact them more because they don't have that ability to negotiate on whether it's rates, surcharges, what have you.

And again, it's not just on the rates that you are seeing in the surcharges, but it's the other impact on the congestion issues that we are going to witness if the surge does come and starts to clog up our ports once again. You are going to see the additional charges from every mode of transportation throughout the supply chain, as we have witnessed during the pandemic. Hopefully, we won't see the prices rise as much. That shouldn't be an issue. But again, it's way too early to tell what that economic impact is going to be.

But we need to start paying attention now and working through those issues so we don't have congestion as we witnessed during the pandemic.

Mr. ROUZER. So, what improvements do we need to make at our ports? What kind of alternative thinking, additional resources, what kind of opportunity does that present to us?

Mr. GOLD. I think the biggest issue right now is, as we talked about earlier, we are making investments on the landside infrastructure, but we have got to work through some of the operational issues that really caused the congestion issues during the pandemic. We have got to make sure all of the stakeholders—the carriers, terminals, drayage trucks, railroads, warehouses, the shippers—are all talking to each other to understand what is happening at any point in time so that we don't have the congestion issues. Making sure we have equipment readily available, the chassis, the railcars are there when they need to be there, and not cause further congestion.

Mr. ROUZER. Mr. Darr, it looked like you had something to say.

Mr. DARR. I did, thank you, sir.

First of all, I would like to say I agree with that interconnectivity that Mr. Gold just laid out. I think that is spot on.

And I want to congratulate the Department of Transportation for initiating the flow process, which is a pretty good attempt to try

and open up some more visibility with the hope that we can project forward patterns much better based on the past. And it is an example of a genuine public-private partnership that I think deserves some recognition.

Also, I want to point out that when it comes to containerized goods, they are not all affected equally here. And the higher value that the goods are relative to their volume that goes into a container, the much less affected they are by excursions in price. And as I mentioned earlier, we are not seeing anywhere near the sort of price excursions in the open market that we did during the pandemic.

And also keep in mind the baseline of which we might say prices are higher or less actually is a baseline which was at a very low point in the market, below pandemic levels. And in a lot of cases like, for example, in exports of U.S. ag cargoes, a lot of those we are carrying below our costs at the time. So, it is not painting the full picture just to look at an absolute pricing point. Thank you.

Mr. ROUZER. Thank you very much.

Sorry, Mr. Chairman, I appreciate your indulgence, though. Sorry to go over.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Mr. Johnson, you are recognized for 5 minutes.

Mr. JOHNSON OF SOUTH DAKOTA. I want to pick up where Mr. Rouzer ended. He does a great job helping to lead the Supply Chain Caucus.

And I think we—number one, we all get it. We understand that going through the Red Sea is an incredibly dangerous proposition these days. I think we all understand that some carriers would rightfully make a decision to reroute. I think we understand that those reroutes could cause price adjustments. Now, Mr. Gold and Mr. Darr, you have both made it clear the full effect of those really haven't been felt yet. We don't know what next month or the month after that holds.

Of course, I have talked to some shippers. We are a little concerned that these reroutes could create an opportunity for not just reasonable fee and rate adjustments, but perhaps unreasonable fee and rate adjustments, really with a process that doesn't have a tremendous amount of transparency.

And so, Mr. Darr, what do you say to shippers who raise those concerns?

Mr. DARR. Well, like I say, first of all, get to know us better and have the kind of dialogues that we have had facilitated by some associations of ag exporters in particular. And we understand each other better, we can serve their needs better, set up groups to help accommodate that even when times are good, rather than the really challenging times like now. And I think, if you have prepared and you have built the relationships in those times, it's much easier to deal with a crisis, and you are speaking the same language.

I also would encourage those that can to seek the stability of longer term service agreements, rather than just to be reliant upon the spot market, because those that are, are much more subject to market fluctuations. And in the U.S., for example, 90 percent, roughly, of our cargoes in and out are carried under service agree-

ments. And there is a significant advantage as far as stability goes with that.

Lastly, I will make the point about the need to mutually focus on things that could be of benefit. And for example, investments in the ports for densification purposes, which involves taking advantage of some technology that exists today, does not have to be at the expense of any port jobs. And as I said, our model, we try not to do that at all, but yet we can improve and do much better and reach higher efficiency levels, similar to what we see in many overseas ports if we make those investments here and do so with the right goals in mind.

Mr. JOHNSON OF SOUTH DAKOTA. So, with those associations that do have an active dialogue with you, you are not hearing those kind of concerns about maybe unreasonable rate increases to come?

Mr. DARR. No, sir, I am not. Because if they are unreasonable, we are in a very competitive marketplace. And even though right now the carriers are having to adapt very quickly and to add capacity and add equipment and things into it, ultimately the competition in the market is going to be a boundary on this.

And I think as a case in point, Sea-Intelligence, for example, just published their latest analysis over the last couple of business days, and they have shown that on the export side in the U.S. transpacific market, which is where most of the ag goes, those rates are actually about flat.

So, again, we are seeing the import side, or the headhaul, carry most of the burden of the extra costs of having to adjust the networks. And in normal times, it's not uncommon to see 85 to 90 percent of the revenue actually generated on the import side, and the exporters benefit from that. That seems to be, according to the published data, one of the dynamics that's happening now. And if it gets too far out of bounds, the market will correct it. There will be somebody else that will carry the cargo that meets the shipper's needs.

Mr. JOHNSON OF SOUTH DAKOTA. Certainly a competitive market would respond in that way. I mean—and I don't know how you would ultimately define a market that's not competitive enough. We have seen concentration in the industry in the last couple of decades. You'd know the numbers better than I would, but I think 70 percent of the cargo held by the largest five or six partnerships. But it is good to hear that the rates have been flat.

Mr. Gold, what else would you say in response to Mr. Darr's comments?

Mr. GOLD. I think certainly those that are under the yearly contract have better ability to negotiate on rate increases and surcharges. There certainly are provisions.

But again, small and medium-sized companies that aren't under those yearly contracts that have to rely on the spot market don't have the same ability and same flexibility, and they certainly are the ones that are being impacted by those increases.

And again, looking to the next contract cycle, concerns about what comes next and how those prices are going to go forwards. Right now, we would love to see more visibility into how some of those numbers are coming about. I think, from what I hear from my members, they are working with the carriers and negotiating,

and figuring out how much of those surcharges they are going to take on, but they would love to get the exact understanding of where those numbers are actually coming from to understand what's being put forward to them.

Mr. JOHNSON OF SOUTH DAKOTA. So, as we look about problem-solving and even doing a better job, Mr. Darr, I thought your suggestion about, hey, more engagement would be good.

It sounds like additional transparency would be your addendum to that, Mr. Gold, right?

Mr. GOLD. I think so, yes. And we are looking forward to the hearing the Federal Maritime Commission will be holding on February 7 on this specific issue.

Mr. JOHNSON OF SOUTH DAKOTA. Yes. Thank you very much, gentlemen.

And with that, I would yield back.

Mr. WEBSTER OF FLORIDA. The gentleman yields back. Seeing there is no further testimony, I would like to thank the witnesses for being here. They were very good testimonies. I thank the Members for being insightful. I thank the audience for being respectful.

The hearing is adjourned.

[Whereupon, at 11:51 a.m., the subcommittee was adjourned.]