

**FUTURE OF UNITED STATES MARITIME,
PART 1: REVIEW OF FISCAL YEAR 2026
FEDERAL MARITIME COMMISSION
BUDGET REQUEST**

(119-27)

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

FIRST SESSION

JULY 22, 2025

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

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JULY 18, 2025

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 “*Future of United States Maritime Part 1: Review of Fiscal Year 2026 Federal Maritime Commission Budget Request*”

I. PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation of the Committee on Transportation and Infrastructure will meet on Tuesday, July 22, 2025, at 2:00 p.m. ET in 2167 Rayburn House Office Building to receive testimony on the President’s Fiscal Year (FY) 2026 Budget Request for the Federal Maritime Commission (FMC) and FMC reauthorization issues. The Subcommittee will hear testimony from the FMC.

II. BACKGROUND

FEDERAL MARITIME COMMISSION

The FMC was established in 1961 as an independent agency that regulates ocean-borne transportation in the foreign commerce of the United States.¹ The FMC protects shippers and carriers from restrictive or unfair practices of ocean carriers, including foreign-flagged carrier alliances. The FMC also enforces laws related to cruise vessel financial responsibility to ensure cruise vessel operators have sufficient resources to pay judgments to passengers for personal injury or death or for non-performance of a voyage.²

The FMC is composed of five commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The Commission currently has two vacancies. The Honorable Rebecca Dye serves as a Commissioner.³

IMPLEMENTATION OF THE OCEAN SHIPPING REFORM ACT OF 2022

The Ocean Shipping Reform Act of 2022 (P.L. 117–146) was signed into law on June 16, 2022, and strengthened FMC authorities to promote the growth and development of United States exports through an ocean transportation system that is competitive, efficient, and economical. The law authorizes appropriations for the FMC through FY 2025; sets standards that detention and demurrage charges must comply with and penalties for charges deemed inaccurate; allows the FMC to set

¹ 46 U.S.C. § 46101.

² FMC, *Federal Maritime Commission FY 2026 Budget Justification*, (May 2025), available at <https://www.fmc.gov/wp-content/uploads/2025/05/FY2026CongressionalBudgetJustification2025.pdf>.

³ FMC, *Rebecca Dye*, available at <https://www.fmc.gov/about/commissioner-archive/rebecca-f-dye/>.

minimum contract standards for ocean shipping service contracts to protect United States shippers from actions that leave export cargoes stranded at United States ports; and increases protections for United States shippers from retaliation by foreign ocean carriers. The Commission has been working to implement the legislation since its passage more than two years ago and has signaled that the majority of all statutorily mandated requirements will be implemented by the end of FY 2025.⁴

FMC INVESTIGATION ON FLAGGING PRACTICES

On May 21, 2025, the FMC announced a “nonadjudicatory investigation into whether the vessel flagging laws, regulations, or practices of foreign countries, including so-called flags of convenience, or competitive methods employed by the owners, operators, agents, or masters of foreign-flagged vessels, are creating unfavorable shipping conditions in the foreign trade of the United States.”⁵ Many vessels in the international trade fly flags that differ from the nation where the ownership is based. The FMC is concerned that certain flag states may have standards that provide vessels with lower costs and oversight at the expense of reliability and safety.⁶ The FMC has a public comment period open through August 20, 2025.

III. BUDGET FOR FMC

The President’s FY 2025 budget request for the FMC⁷ compares to the FY 2024 enacted funding level⁸ as shown here:

FMC FY 2025 Enacted to FY 2026 President’s Budget Request Comparison

(Dollars in Thousands)

Account	FY 2025 Enacted	President’s FY 2026 Budget Request	FY 2025 to FY 2026 Change (\$)	FY 2025 to FY 2026 Change (%)
Operations and Administrative Program	\$ 40,000	\$ 40,000	\$ 0	0%

The President requests \$40 million in FY 2026 for the activities of the FMC, an amount equal to the FY 2025 enacted level.⁹ The request includes \$25,869,320 for salaries and expenses to support 120 full-time equivalent positions, which represents a \$2 million decrease from current levels. The remainder of the funding request includes operational expenses, including rent and technology upgrades. The funding would allow the Commission to continue its efforts to enforce antitrust exceptions for ocean carriers and ensure a competitive ocean transportation system.¹⁰

IV. WITNESS

- The Honorable Rebecca Dye, Commissioner, Federal Maritime Commission

⁴The Ocean Shipping Reform Act of 2022, Pub. L. No. 117–146, 136 Stat. 1272.

⁵Investigation Into Flags of Convenience and Unfavorable Conditions Created by Certain Flagging Practices, 90 Fed. Reg. 21926 (May 22, 2025).

⁶*Id.*

⁷*Supra*, note 2.

⁸Consolidated Appropriations Act, 2024, Pub. L. No. 118–42, 138 Stat. 25.

⁹*Id.*

¹⁰*Id.*

FUTURE OF UNITED STATES MARITIME, PART 1: REVIEW OF FISCAL YEAR 2026 FEDERAL MARITIME COMMISSION BUDGET REQUEST

TUESDAY, JULY 22, 2025

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

The committee met, pursuant to call, at 2 p.m., in Room 2167, Rayburn House Office Building, Hon. Mike Ezell (Chairman of the subcommittee) presiding.

Mr. EZELL. The Subcommittee on Coast Guard and Maritime Transportation will come to order.

I ask unanimous consent that the chair may be authorized to declare a recess at any time during today's hearing.

Without objection, so ordered.

I also ask unanimous consent that Members not on the subcommittee be permitted to sit with the subcommittee at today's hearing and ask questions.

Without objection, so ordered.

As a reminder, if Members wish to insert a document into the record, please also email it to DocumentsTI@mail.house.gov.

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

OPENING STATEMENT OF HON. MIKE EZELL OF MISSISSIPPI, CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Mr. EZELL. We meet today to review the President's fiscal year 2026 budget request for the Federal Maritime Commission, or FMC. The FMC is an independent agency responsible for the regulation of oceanborne transportation in the foreign commerce of the United States. They also protect shippers and carriers from unfair practices of foreign-flagged carrier alliances.

The President's fiscal year 2026 budget request includes \$40 million to fund the salaries, operations, and capital needs of the FMC.

Today, we welcome our witness, Commissioner Rebecca Dye—welcome, Commissioner—of the Federal Maritime Commission, to discuss the President's fiscal year 2026 budget request, as well as the state of the ocean shipping industry and their ongoing work implementing the Ocean Shipping Reform Act of 2022, also known as OSRA, O-S-R-A.

The FMC has worked diligently since the enactment of OSRA to implement its enhanced authorities, and I look forward to hearing from Commissioner Dye today on the status of FMC's efforts.

Earlier this year, the FMC announced an investigation into vessel flagging laws, regulations, and practices of foreign countries. I fear these so-called flags of convenience create unfavorable shipping conditions in the foreign trade of the United States.

Many vessels conducting international trade fly a flag that differs from the nation where the ownership is based. The FMC is examining whether certain flag states may have standards that provide vessels with lower cost and oversight at the expense of reliability and safety. I look forward to hearing from Commissioner Dye on the progress of the investigation.

In line with President Trump's Executive order to restore American maritime dominance, we are working to bolster our domestic maritime capabilities, which are paramount to both the security and economic growth of our Nation. I look forward to hearing from our witness on how the FMC plans to make United States maritime great again.

Commissioner Dye, thank you for being here today.
[Mr. Ezell's prepared statement follows:]

**Prepared Statement of Hon. Mike Ezell of Mississippi, Chairman,
Subcommittee on Coast Guard and Maritime Transportation**

We meet today to review the President's fiscal year 2026 budget request for the Federal Maritime Commission (FMC).

The FMC is an independent agency responsible for the regulation of ocean-borne transportation in the foreign commerce of the United States. They also protect shippers and carriers from unfair practices of foreign-flagged carrier alliances. The President's fiscal year 2026 budget request includes \$40 million to fund the salaries, operations, and capital needs of the FMC.

Today, we welcome our witness, Commissioner Rebecca Dye of the Federal Maritime Commission, to discuss the budget request, as well as the state of the ocean shipping industry and their ongoing work implementing the Ocean Shipping Reform Act of 2022 (OSRA).

The FMC has worked diligently since the enactment of OSRA to implement its enhanced authorities, and I look forward to hearing from Commissioner Dye today on the status of FMC's efforts.

Earlier this year, the FMC announced an investigation into vessel flagging laws, regulations, and practices of foreign countries. I fear these so called "flags of convenience" create unfavorable shipping conditions in the foreign trade of the United States.

Many vessels conducting international trade fly flags that differ from the nation where the ownership is based. The FMC is examining whether certain flag states may have standards that provide vessels with lower costs and oversight at the expense of reliability and safety. I look forward to hearing from Commissioner Dye on the progress of the investigation.

In line with President Trump's executive order to restore American maritime dominance, we are working to bolster our domestic maritime capabilities, which are paramount to both the security and economic growth of our nation. I look forward to hearing from our witness on how the FMC plans to make United States maritime great again.

Mr. EZELL. I now recognize Ranking Member Carbajal for 5 minutes for an opening statement.

Mr. CARBAJAL. Thank you, Mr. Chairman. As usual, I will defer my time to Ranking Member Larsen.

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

Mr. LARSEN OF WASHINGTON. Thank you, Mr. Chairman, thank you, Ranking Member, for scheduling this hearing on the fiscal year budget for the Federal Maritime Commission.

While a small agency, the FMC has a big role. They protect shippers and consumers by monitoring and taking action against unfair and uncompetitive foreign shipping practices.

Ocean shipping is dominated by foreign shipping companies, with U.S.-flagged operations comprising less than 2 percent of imports and exports. The supply chain crisis associated with the pandemic and ongoing international conflicts demonstrate the need for robust oversight to ensure there is a fair playing field. Fluctuations in service and pricing are normal, but it is the role of the FMC to ensure these fluctuations are justified in a competitive market.

The President's fiscal year 2026 budget request for the FMC is flat. And I look forward to hearing from our witness how the agency can ensure fair shipping with flat funding.

The FMC has begun to use its new investigative and prosecutorial authorities provided under OSRA of 2022. I look forward to hearing an update on the implementation of these new authorities.

And since the passage of the reform act, container prices have fallen and queues at ports have evaporated.

The FMC has also improved its reporting process, leading to an increase in charge complaints from American businesses, one of which resulted in a \$2 million settlement over findings that the shipping company knowingly and willfully violated the shipping act.

This means lower costs for consumers, thanks to the quick action and passage of this bill by Congress and signature by President Biden.

These are positive trends, but I am concerned this will be short-lived if the administration neglects the FMC. The FMC has lost nearly 20 percent of its workforce due to the deferred resignation program and the ongoing hiring freeze. This means fewer investigators finding unfair shipping practices and fewer attorneys prosecuting cases.

The FMC is also operating without two Commissioners, and currently there is no Chair. As a bipartisan, independent agency, the FMC's critical functions cannot be understated.

I look forward to hearing from Commissioner Dye about ways to ensure a fair and competitive maritime supply chain and to build upon the successes we have seen so far.

With that, I 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**

Mr. Chairman, thank you for scheduling this afternoon's hearing to review the Fiscal Year 2026 budget request for the Federal Maritime Commission.

While a small agency, the Federal Maritime Commission has an important role. It protects shippers and consumers by monitoring and taking action against unfair and uncompetitive foreign shipping practices.

Ocean shipping is dominated by foreign shipping companies with U.S.-flagged operations comprising less than 2 percent of imports and exports. The supply chain crisis associated with the pandemic and ongoing international conflicts demonstrate the need for robust oversight to ensure a fair playing field.

Fluctuations in service and pricing are normal, but it is the role of the FMC to ensure that those fluctuations are justified in a competitive market.

The President's fiscal year 2026 budget request for the Federal Maritime Commission—is flat. I look forward to hearing from our witness how the agency can ensure fair shipping with flat funding.

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The FMC is also operating without two Commissioners and there's currently no chair. As a bipartisan, independent agency, the FMC's critical functions cannot be overstated.

I look forward to hearing from Commissioner Dye about ways to ensure a fair and competitive maritime supply chain and to build upon the success we have seen so far.

I yield back.

Mr. EZELL. The gentleman yields back.

I would once again like to welcome our witness and thank her for being here today.

Briefly, I would like to take a moment to explain our lighting system to our witness. There are three lights in front of you. Green means go, yellow means you are running out of time, red means put on brakes.

I ask unanimous consent that the witness' full statement be—
Mr. Carbajal, did you want to?

Mr. CARBAJAL. Sure.

Mr. EZELL. The Chair now recognizes Mr. Carbajal.

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

Mr. CARBAJAL. Thank you, Chair Ezell, for scheduling today's hearing on the "Future of United States Maritime, Part 1: Review of Fiscal Year 2026 Federal Maritime Commission Budget Request."

I look forward to hearing from Commissioner Dye of the Federal Maritime Commission, or FMC as we know it, on the President's budget request and their agency's priorities for the upcoming year.

In 2022, we worked hard to pass the Ocean Shipping Reform Act out of this subcommittee, which subsequently became law. I am particularly eager to hear about its implementation and how its new authorities have helped maintain a resilient and efficient supply chain.

As a federal agency tasked with ensuring fairness for American shippers, carriers, and consumers, the FMC plays a crucial role in safeguarding transparency and enforcing equitable maritime commerce. According to the U.N., over 80 percent of the world trade volume is carried over the ocean. In 2024, over 11 percent of the total U.S. GDP came from ocean shipping, which translates into over \$4 trillion.

In a global economy, the FMC is often our only referee for a fair shipping market.

We know from recent history that weaknesses in our supply chain were exposed as landside port congestion and unfair shipping practices by foreign ocean carriers led to backlogs and price increases. This contributed to higher prices for Americans on almost everything they buy.

The reforms in our bill strengthen the FMC's authority to investigate unfair fees and help facilitate the efficient movement of cargo through U.S. ports. I am proud to say that since the passage of the OSRA, vessel congestion at ports has decreased. And in the 3 years since the enactment in 2022, more than \$5.8 million in fees have been waived or refunded in undue charges by carriers.

In May of this year, the FMC launched an investigation into flagging practices of foreign governments, otherwise known as flags of convenience. These practices severely undermine flag states that employ rigorous standards, ensure fair pay, and provide basic human rights. I hope that the FMC will leverage every authority they have to address this systemic global problem.

Further, the FMC is currently undertaking a rulemaking aimed at ensuring that exporters are given fair access to cargo space. It is important that the FMC is sufficiently funded so that it can properly carry out these reforms, which will greatly benefit American businesses and the American consumer.

While I am pleased to hear about all the success that FMC has been having, I would be remiss if I did not mention my growing concern with the shortage of Commissioners, the loss of employees through the deferred resignation program, and the lack of a Chair for the agency. The absence of leadership threatens the positive momentum they have had so far.

I look forward to a robust discussion about the FMC's ongoing actions and how they will ensure a strong maritime industry.

Mr. Chairman, I yield back.

[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 Ezell, for scheduling today's hearing on the "Future of United States Maritime, Part 1: Review of Fiscal Year 2026 Federal Maritime Commission Budget Request."

I look forward to hearing from Commissioner Dye of the Federal Maritime Commission, or FMC, on the President's budget request and their agency priorities for the upcoming year.

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While I am pleased to hear about all the success that FMC has been having, I would be remiss if I did not mention my growing concern with the shortage of commissioners, the loss of employees to the deferred resignation program, and the lack of a Chair of the agency. The absence of leadership threatens the positive momentum they have had so far.

I look forward to a robust discussion about how the FMC's ongoing actions will ensure stronger maritime industry.

I yield back.

Mr. EZELL. The gentleman yields.

I ask unanimous consent that the witness' full statement be included in the record.

Without objection, so ordered.

I ask unanimous consent that the record of today's hearing remain open until such time as our witness has provided answers to any questions that may be submitted to her in writing.

Without objection, so ordered.

I also 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, so ordered.

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

With that, Commissioner Dye, you are recognized for 5 minutes for your testimony.

**TESTIMONY OF HON. REBECCA F. DYE, COMMISSIONER,
FEDERAL MARITIME COMMISSION**

Ms. DYE. Thank you very much. Mr. Chairman, Ranking Member Carbajal, members of the subcommittee, it is like coming home for me. And I very much appreciate your holding this hearing. And thank you so much for your interest in the responsibilities of the Federal Maritime Commission.

As you are aware, my friend and colleague Lou Sola departed on June 30, and we look forward to news of his future endeavors.

There has been a smooth transition at the Federal Maritime Commission, and there will be consistency in dealing with shipping issues of importance to you and your constituents.

I fully support the President's FY 2026 budget of \$40 million for the Federal Maritime Commission. This will fund FMC's mission and statutorily driven activity, as well as important technology investments. This level of funding reflects no change from the 2025 enacted budget.

As in past years, our budget is straightforward, with the majority of funding going to personnel, office space, and important information technology. We have budgeted \$25.8 million for employee salaries and benefits, a reduction from FY 2025 of \$2 million.

The Commission had 13 employees depart under the deferred resignation program, the voluntary retirement program. They will be paid from the FMC budget until the end of 2025.

We are working with OPM for six exemptions to hire critical attorneys and economists in our flag ship competition and enforcement programs in line with the administration's 4-to-1 hiring ratio.

Finally, that leaves rent and security services of \$4.2 million, a slight increase of \$150,000 from FY 2025.

Also, \$6 million has been budgeted for badly needed core IT operations and modernization. The remainder consists of all other budget requirements to support essential operational needs.

This \$40 million allows us to effectively carry out our mission, identifying and assertively investigating conduct that unlawfully disadvantages U.S. interests essential to protect marketplace integrity.

OSRA 22 has better prepared the FMC to meet the demands for its services and to respond to developments in the marketplace. The Commission issued two OSRA 22 mandated final rules in 2024: detention and demurrage billing practices; and unreasonable refusal to deal with respect to vessel space.

Two rulemakings remain to be completed: our Shipping Exchange Registry; and certain outstanding elements of unfair or unjustly discriminatory methods.

Although the two final rules are operational today, we are still involved in litigation over the final outcome.

Section 10 of the Ocean Shipping Reform Act of 2022 established a new way for shippers to submit complaints to the Commission. These are regarding charges assessed by common carriers, and to receive a refund or waiver for noncompliant charges. Those charge complaints were voluntarily resolved during the investigations phase, we are pleased to say.

Next year, the FMC will propose a rulemaking for fast resolution of disputed charges in which the ocean carrier is ordered to demonstrate the lawfulness of a charge.

The Commission is guided by the purposes of one of the sections of the shipping act, including “encourage an economically sound and efficient liner fleet of vessels of the United States capable of meeting national security needs.” I applaud President Trump for emphasizing the importance of both the U.S. military, U.S. Coast Guard, and commercial maritime sectors.

We appreciate the Congress and the Commission’s support and the Congress’ support to fund the FMC at \$40 million for FY 2026. Thank you. I will be glad to answer your questions.

[Ms. Dye’s prepared statement follows:]

Prepared Statement of Hon. Rebecca F. Dye, Commissioner, Federal Maritime Commission

Chairman Ezell, Ranking Member Carbajal, Members of the Subcommittee, thank you for holding this hearing and for your interest in the responsibilities of the Federal Maritime Commission (FMC or Commission).

As you are aware, my friend and colleague, Louis E. Sola, departed on June 30, 2025, and we look forward to news of his future endeavors. There is a smooth transition and there will be consistency in dealing with the international ocean supply chain and shipping issues of most importance to each of you and your constituents.

The Commission will continue to emphasize strong enforcement and compliance, protecting exporters and importers from potential anticompetitive behavior, supporting port and marine terminal process improvements to strengthen our international ocean freight delivery system, and revitalizing the American merchant marine industry.

I applaud President Trump for emphasizing the criticality of both the U.S. military and commercial maritime sectors and prioritizing the growth of the maritime industry. The President is taking the actions necessary to develop a vibrant maritime industry that creates economic security for many and national security benefits for us all.

I support the President’s FY 2026 budget of \$40 million for the Federal Maritime Commission, which will fully fund the FMC’s mission and statutory-driven activity, as well as important technology investments. This level of funding reflects no change from the FY 2025 enacted budget.

As in past years, our budget is straightforward, with the majority of funding going to personnel, office space, and important information technology (IT). We have budgeted \$25.8 million for employee salary and benefits, a reduction from FY 2025 of \$2 million. That leaves rent and security services at \$4.2 million, a slight increase of \$150,000 from FY 2025. Finally, \$6 million has been budgeted for core IT operations and modernization. The remainder consists of all other budget requirements to support essential operational needs.

The \$40 million budget allows us to effectively carry out our mission: identifying and assertively investigating conduct that unlawfully disadvantages U.S. interests is essential to protect marketplace integrity.

I. STATUTORY AUTHORITIES

OSRA 2022

The most recent update to the Commission’s statutory authorities took place when the Ocean Shipping Reform Act (OSRA 2022) was enacted, positioning the Commission to be even better prepared to meet the demand for its services and to respond to developments in the marketplace. The Commission issued two OSRA 2022 mandated final rules in 2024:

- Detention and Demurrage Billing Practices; and
- Unreasonable Refusal to Deal With Respect to Vessel Space Accommodations.

With both of these rules now in force, only two rulemakings remain to be completed: the Shipping Exchange Registry and completing any elements of Unfair or

Unjustly Discriminatory Methods that were not included as part of the Final Rule on Unreasonable Refusal to Deal.

- Elements of both the Final Rule on Detention and Billing Practices and the Final Rule on Unreasonable Refusal to Deal With Respect to Vessel Space Accommodations are being legally challenged by the World Shipping Council.
- Oral arguments in the Detention and Demurrage case has been heard before the U.S. Court of Appeals for the D.C. Circuit and we are awaiting the court's ruling. Oral arguments in the Refusal to Deal case is scheduled for September 9, 2025.

The Commission is guided by the purposes section of the Shipping Act: to “encourage an economically sound and efficient liner fleet of vessels of the United States capable of meeting national security needs and supporting commerce [,]” 46 United States Code (U.S.C.) § 40101(3). The Commission is using all its authorities to meet this goal.

Here are other statutory authorities of the Federal Maritime Commission that support commerce:

Unfavorable Conditions in Foreign Trade, Section 19 Authority
(Chapter 421 of Title 46, United States Code) (46 U.S.C. §§ 42106, 42107)

The Commission may investigate and address general or special conditions unfavorable to shipping in the foreign trade when the conditions are attributable to laws or regulations of a foreign country, or competitive methods, pricing practices, or other practices of foreign vessel operating common carriers, including container vessels. The Commission has very broad authority under this provision, including over entities it does not typically regulate under the Shipping Act, such as vessel owners, and over a wider scope of activities, including other services and activities integral to transportation systems. The Commission may initiate an investigation on its own, or in response to a petition.

Foreign Shipping Practices Act
(Chapter 423 of Title 46, United States Code) (46 U.S.C. §§ 42304, 42305)

This authority is narrower than the Commission's Section 19 authority. It is tailored to address laws, regulations, or practices of a foreign government, or practices of a foreign carrier, that adversely affect U.S.-flag common carriers and that do not exist for foreign-flag carriers. The Commission has extensive authority to address these conditions by imposing restrictions or fines on foreign-flag vessel-operating common carriers.

Foreign-to-Foreign Jurisdiction
(Chapter 411 of Title 46, United States Code) (46 U.S.C. § 41108(d))

The FMC has jurisdiction over actions by foreign governments or foreign carriers that impair access of U.S.-flag vessels to ocean trade between foreign ports. The FMC's authority to respond to these conditions is extensive, mirroring that under the Foreign Shipping Practices Act. This statutory provision refers to U.S.-flag vessels and is broader than the statute's definition of a common carrier. It empowers the Commission to address access restrictions imposed on bulk, tramp, tanker, or other kinds of vessels so long as they are U.S.-flagged. This results in the scope of the Commission's foreign-to-foreign jurisdiction being broader than its jurisdiction under the Foreign Shipping Practices Act.

Controlled Carrier Act
(Chapter 407 of Title 46, United States Code) (46 U.S.C. § 40701)

Ocean carriers may benefit from different forms of direct and indirect governmental support. In instances where that subsidization goes from support to control, the Commission designates the shipping company as a Controlled Carrier. A Controlled Carrier is an ocean common carrier operating in the U.S.-foreign trades that is, or whose operating assets are, directly or indirectly owned or controlled by a foreign government. Controlled carriers are subject to enhanced regulatory oversight by the Commission.

By statute, the Commission monitors government-controlled carriers, whose marketplace decision-making can be influenced by foreign governmental priorities or by their access to non-market sources of capital, to ensure that they do not engage in unreasonable below-cost pricing, which would disrupt trade or harm privately owned shipping companies.

Since 2024, the Commission has added four companies to the Controlled Carrier list. Today, six are from the People's Republic of China (COSCO, OOCL, OOCL Europe, HEDE, ANJI, and Chipolbrok) and one is from the Republic of Korea (HMM).

Additionally, pursuant to section 14 of OSRA 2022 (section 46106(b) of Title 46, United States Code), the Commission is required to identify otherwise concerning practices by ocean carriers, particularly controlled carriers, that are:

- (A) State-owned or State-controlled enterprises; or
- (B) Owned or controlled by a subsidiary of, or related legally or financially to a corporation in a nonmarket economy country, identified by the U.S. Trade Representative as a priority foreign country or subject to monitoring by the U.S. Trade Representative.

The Commission is currently developing a methodology to identify otherwise concerning practices by ocean carriers in the above-mentioned countries.

II. SUPPORTING U.S. COMMERCE

Using the above referenced statutory authorities, the Federal Maritime Commission carries out enforcement matters and investigations. Below are some of the Commission's ongoing investigations.

Lake Carriers Investigation (Investigation Into Conditions Affecting United States Carriers in Connection With Canadian Ballast Water Regulation in the United States/Canada Great Lakes Trade, 89 FR 44979 (May 22, 2024))

- The Commission is statutorily authorized to investigate and take remedial measures to address laws or policies of foreign governments that discriminate against U.S.-flag vessels.
- The Commission has been investigating and monitoring the impacts of Canadian ballast water regulations on U.S.-flag vessels since 2020. The core issue is whether Canadian regulations would require U.S.-flag vessels to install new, expensive, and unnecessary ballast water management systems.
- The Commission initiated a targeted Chapter 423 investigation in May 2024 of the impact of the Canadian regulations on specific U.S.-flag vessels built after a certain date. In response, Canada developed a process for U.S.-flag vessels to request exemptions from the regulations, and all covered vessels were exempted. Due to this successful outcome, the Commission closed its Chapter 423 investigation in December 2024.
- The Chapter 421 Investigation remains open. FMC continues to investigate and monitor the impact of Canada's ballast water regulations on all U.S.-flag vessels, regardless of build date, in anticipation of Canada's planned 2030 full implementation of its ballast water rules.

Spain Investigation (Investigation Into Conditions Affecting Shipping in the Foreign Trade and Denial of Entry of Vessels Into Spanish Ports, 89 FR 96973 (Dec. 6, 2024))

- FMC is authorized by statute to investigate and take remedial measures to address laws or policies of foreign governments that discriminate against U.S.-flag vessels.
- FMC initiated an investigation in December 2024 because reports that the Government of Spain had denied port entry to U.S.-flag vessels participating in the U.S. Department of Transportation's Maritime Administration's (MARAD) Maritime Security Program.
- Comment period closed on December 26, 2024. The FMC received 8,323 comments. The Government of Spain filed a comment that focused on their sovereignty rather than on their reasons for refusing port access.
- The Commission continues to investigate and will make public findings this year.

Chokepoints Investigation (Order of Investigation Into Transit Constraints at International Maritime Chokepoints, 90 FR 12158 (March 14, 2025))

- The Commission is authorized by statute to investigate unfavorable shipping conditions caused by the laws, regulations, or practices of foreign governments or the practices of foreign-flag vessel owners or operators.
- FMC initiated an investigation of conditions at seven key global chokepoints—the English Channel, the Malacca Strait, the Northern Sea Passage, the Singapore Strait, the Panama Canal, the Strait of Gibraltar, and the Suez Canal.
- The comment period closed on May 13, 2025. Thirteen comments were filed, including from the Panama Canal Authority and the Government of Singapore.
- The Commission continues this investigation and may reach out to specific governments or commercial entities for additional information.

Flags of Convenience Investigation (Investigation Into Flags of Convenience and Unfavorable Conditions Created by Certain Flagging Practices, 90 FR 21926 (May 22, 2025))

- The Commission is statutorily authorized to investigate unfavorable shipping conditions caused by the laws, regulations or practices of foreign governments or the practices of foreign-flag vessel owners or operators.
- The Commission initiated an investigation of the flagging rules and practices of foreign governments in May 2025. The 90-day public comment period will close on August 20, 2025.
- Initial indications are that vessel registration practices of certain foreign countries, so-called flags of convenience, are creating unfavorable shipping conditions in the foreign trade of the United States. These flags enable unsafe vessels to operate, and further enable shadow fleet activity and the evasion of sanctions.
- There has been a race to the bottom—a situation where flag states compete by lowering standards and easing compliance requirements, lowering the cost of flagging vessels beyond a point where the efficiency, reliability, and safety of the vessels used in the ocean shipping supply chain can be assured. The use of these flags of convenience endangers the U.S. ocean shipping supply chain.
- The Commission will review all filed comments and determine next steps later this year.

Unfortunately, not all foreign ship registries share a commitment with the United States to ocean shipping integrity and accountability. This lack of ship registry accountability not only disadvantages U.S.-flag shipping, but also presents a problem in addressing smuggling operations, sanctions evasion, disguised ownership, and other irregularities.

Aggressively investigating and enforcing the law against foreign conduct that disadvantages U.S.-flag interests is an incentive to registering ships under the United States flag, as the United States is prepared to intervene legally on behalf of U.S.-flag vessels.

Shipowners have a multitude of options to register their vessels, and the ability of the Federal Maritime Commission to take direct action to enforce the law against discriminatory behavior of other foreign governments or foreign-flag carriers, with the involvement of the President, Federal agencies, and Federal courts, is a unique benefit to U.S.-flagged vessels.

III. COMPETITION ENFORCEMENT

The FMC's Competition Enforcement Program monitors filed agreements to ensure that collaboration between vessel-operating common carriers (VOCCs) and/or marine terminal operators, which compete against each other in the market, do not result in a reduction in competition that produces unreasonable increases in transportation costs or unreasonable decreases in transportation services. (46 U.S.C. § 41307 (b)(1)).

The number of major carriers in the U.S. transpacific and transatlantic trades has decreased from 20 in 2015 to 11 by 2022, due to ocean carrier mergers and the bankruptcy of one major carrier.

The Federal Maritime Commission and the U.S. Department of Justice (DOJ) have a statutory division of competition authority over international liner shipping in the U.S. trades. The DOJ reviews and approves mergers of ocean carriers. The FMC analyzes the competitive market effects of collaborative agreements among competitors, such as vessel sharing agreements (alliances are vessel sharing agreements that operate globally) or joint ventures. It is noted that market concentration results from mergers, not from the market effects of collaborative agreements among competitors.

While it may be characterized as an exemption, the Shipping Act of 1984 is not an exemption from the antitrust laws, but an alternative competition regime put in place by Congress in recognition of the multinational nature of international ocean shipping and importance of working with our international trading partners in this arena.

The FMC, with its specialized knowledge and expertise, is the agency responsible for administering this alternative competition law. The basic framework for initial analysis aligns with established guidelines used for evaluating collaboration among competitors and is performed by attorneys, economists, and industry analysts who are experts in the ocean transportation system.

Agreements that may pose competitive concerns are subject to continuous monitoring by Commission staff. The Commission validates the data and information collected through our monitoring with external sources of information on ship schedules, capacity, and measures of cargo moved. The FMC also regularly reviews and revises monitoring data to ensure that the data collected aligns with the realities of the industry.

During the pandemic, blank sailings were a particular concern because of their potential to be used for anti-competitive purposes. Our monitoring, however, indicated that this reduced service by ocean carriers was driven by port congestion rather than a desire to reduce capacity, and delays and skipped ports have been a frequent occurrence. The Commission staff have reviewed the data collected on blank sailings to assess the factors driving schedule delays and blanked sailings.

Protecting the integrity of the marketplace is one of the key missions of the FMC and the linchpin of these efforts is our competition program. Accurate, insightful, in-depth analysis is essential to monitoring the behavior of carrier agreements, especially shipping alliances. The Commission took two important actions in 2024 to bolster its abilities to review newly filed agreements and monitor filed agreements for anticompetitive effects.

- First, the Commission issued a policy statement in July 2024 announcing that it may use its investigatory authorities, including fact finding investigations, when reviewing the competitive effects of some cooperative agreements among ocean carriers or marine terminal operators.
- Separately, in December 2024 the Commission moved primary responsibility for its monitoring program from the Bureau of Trade Analysis economists to the Office of the General Counsel attorneys, a realignment I strongly supported. The consolidation fosters greater efficiency and integration in the legal and economic review of competition analysis. As a result, the Commission will be able to conduct more extensive reviews of filed agreements and ensure that there are no current anticompetitive effects regarding agreements that are in effect.

IV. ALLIANCE STRUCTURE

Most large VOCCs participate in alliances, which are agreements between competitors to rationalize vessel utilization and trade lanes. Alliance members are expressly prohibited from agreeing on pricing and agreeing on prices within an alliance carries severe criminal consequences. In 2025, the world's largest VOCC, Swiss-based Mediterranean Shipping Company (MSC), determined to operate independent of its previous alliance, although it currently cooperates with the Premier Alliance.

As it currently stands, there are three alliances:

- 1) Gemini (Hapag-Lloyd and Maersk);
- 2) Ocean (COSCO, OOCL, CMA, and Evergreen); and
- 3) Premier (HMM, ONE, and Yang Ming).

The three alliances comprise 70% of U.S. trade, and MSC, which on its own covers 15% of U.S. trade. The remaining 15% of U.S. trade is served by smaller carriers.

The alliance system benefits U.S. trade by helping maintain a larger number of VOCCs in U.S. trades and disincentivizing further mergers and consolidation. VOCCs can join together to create efficiencies and economies of scale without the permanence of a merger. The system also promotes a steady level of service and shipping options in the U.S.

The withdrawal of MSC from the now dissolved 2M Alliance (Maersk and MSC) resulted in the filing of two new alliance agreements: the Gemini Cooperation Agreement and the Premier Alliance Agreement. In both alliances, the Commission issued a Request for Additional Information (RAFI) to obtain documents and verifiable information necessary to achieve clarity on matters that were not addressed by filing parties or where insufficient information was provided in the originally filed agreements. The Gemini and Premier agreements are now fully in effect.

V. COMMISSION MATTERS

In addition to all the previously described enforcement activities and responsibilities of the FMC above, the Commission's jurisdiction covers many areas across the supply chain. For example, one notable investigation was in regard to OCEMA Box Rules. In a complaint case filed by an association of truckers, the Commission found that in four national transportation markets, ocean common carriers' restrictions limiting truckers and shippers to the carriers' designated chassis provider violate the Shipping Act, and ordered those practices to immediately cease so truckers and shippers can negotiate and deal with chassis providers they choose. Ocean carriers had benefited financially from the restrictions they imposed on truckers and shippers.

- Reports that ocean carriers continued to enforce their unlawful restrictions in violation of the cease and desist order led the Commission to launch an investigation, subpoena documents and testimony from the carriers and other transportation providers and conduct in-person site visits at facilities servicing the

Memphis region to document actual practices and barriers to truckers and shippers using chassis providers they choose.

- The Commission's Bureau of Enforcement, Investigations, and Compliance (BEIC) concluded its investigation and reported its findings earlier this year. BEIC concluded that carriers have changed their practices, as ordered by the Commission, so that truckers and shippers in the markets covered by the order are no longer restricted to carriers' designated chassis providers and can choose other options.
- After the Commission ordered certain restrictive practices to cease, the parties continued to litigate other claims raised by the truckers' association, and the Commission's Chief Administrative Law Judge dismissed as moot those remaining claims because intervening changes in the chassis market, including increased reliance on trucker-owned chassis, alleviated conditions the truckers sued to remedy. A motion by the ocean common carriers asking the Commission to reconsider and vacate the cease and desist order is pending before the Commission.

Additionally, the Commission reviewed a proposed amendment to the New York Shipping Exchange (NYSHEX) Agreement, which initially became effective on December 2, 2017. The Agreement intended to offer an American-based shipping index. Upon review of the proposed amendment that was filed in January 2025, the Commission issued an RFAL. The amendment to the NYSHEX agreement is now in effect.

VI. SIGNIFICANT LITIGATION

In addition to ongoing investigations, the Commission has cases pending in the U.S. Court of Appeals for the District of Columbia Circuit:

- *World Shipping Council v. FMC* (D.C. Cir. No. 24–1088)—World Shipping Council, a trade association for ocean carriers, challenged the Commission's OSRA 2022-based demurrage and detention billing rule as it applies to the billing of truckers. The case was argued on March 13, 2025, and is pending a decision.
- *World Shipping Council v. FMC* (D.C. Cir. No. 24–1298)—World Shipping Council challenged FMC's OSRA 2022-based rulemaking on unreasonable refusal to deal. The case has been briefed and is awaiting oral argument.
- *Evergreen Shipping Agency (America) Corp. v. FMC* (D.C. Cir. No. 25–1104)—Evergreen, a Taiwan-based VOCC, challenged the FMC's decision that it could not bill demurrage to a motor carrier on certain days when a port was closed and equipment could not be returned, and the equipment was not available for pickup until the port's closure. The case is currently in briefing.

Recently, on June 24 2025, the U.S. Court of Appeals for the District of Columbia Circuit issued its decision in *Mediterranean Shipping Co. v. FMC* (D.C. Cir. No. 24–1262). MSC, a Swiss-headquartered VOCC, had challenged FMC's decision in a private complaint case, in which the FMC ruled against the company because it refused to participate in discovery. The D.C. Cir. Court denied MSC's petition and determined that it was reasonable for the Commission to find that MSC's actions undermined the agency's authority.

VII. INFORMAL DISPUTE RESOLUTION

The Commission is a venue for resolving disputes related to ocean shipping. This can be done informally and cooperatively through the Office of Consumer Affairs and Dispute Resolution Services (CADRS) or adjudicated through more structured, formal, and traditional litigation options. Across the board, the demand for Commission services remains strong.

In FY 2025 to date, CADRS has received more than 1,000 requests for assistance, resulting in more than 300 cases being opened.

Section 10 of the Ocean Shipping Reform Act 2022 established a new way for shippers to submit complaints to the Commission regarding charges assessed by common carriers and to receive a refund or waiver for non-compliant charges, 46 U.S.C. § 41310. From the start of FY 2025 to date, the FMC received 209 charge complaints. Of those, 118 were appropriate for the charge complaint process and assigned for investigation. Since OSRA 2022, the total amount of charge complaints refunded or waived during this period has been over \$5 million.

While most charge complaints were voluntarily resolved during the investigation phase, the FMC's process also provides for fast resolution of non-compliant charges disputed by the parties through a proceeding before the Commission where the carrier is ordered to demonstrate the lawfulness of a charge. This temporary process

has provided practical experience the Commission will include in a rulemaking that it will initiate to establish a permanent procedure for administering Charge Complaints. A rulemaking regarding the Charge Complaint process will begin in FY 2026.

VIII. ADJUDICATORY PROCEEDINGS

Adjudicatory proceedings at the FMC have increased dramatically in recent years, and this increased pace is expected to continue in upcoming years. FY 2024 was the Office of the Administrative Law Judge's (OALJ) busiest year on record with the highest caseload in decades. In FY 2024, the OALJ both received and resolved more cases than in prior years. We anticipate finishing FY 2025 with a significant number of new cases.

To address this additional demand, the Commission now has five Administrative Law Judges (three permanent, two detailed from the U.S. Department of Health and Human Services (HHS)) presiding over cases involving multiple parties in which potential damages can run into the millions of dollars. The Commission has seen a sharp increase in the motions practice before its ALJs.

The Commission's Small Claims Officer, located within the OALJ, has the highest number of pending cases ever recorded, and is on a pace to double.

Formal complaints, small claims, and CADRS activity demonstrate that the Commission is serving the U.S. shipper community.

The Commission continues to carry out its mission critical statutory responsibilities, making it a vital agency serving the American public. From helping small shippers informally resolve shipping disputes to adjudicating cases that establish precedent to resolve shipping disputes in the future, the FMC provides a wide range of services and resources to all parties involved in international ocean freight delivery. The FMC continued its critical mission to ensure coemption and integrity for America's oceanic supply chain. We have appreciated the President and Congress' support to fund the FMC at \$40 million for FY 2026.

Mr. EZELL. Thank you for your testimony. We will now turn to questions from the panel.

I will recognize myself for 5 minutes for questions.

The global ocean shipping market is increasingly dominated by foreign state bad actors, bad carriers, particularly from China, which raises concerns about unfair competition and potential harm to U.S. mariners, shippers, and long-term supply chain operations.

Does the Commission have enough resources to protect U.S. mariners and shippers from unfair practices by foreign state-sponsored carriers like those backed by the Chinese Government?

Ms. DYE. Thank you, Mr. Chairman. We do. One of the advantages of a small agency, I have found, is that we are able to pivot much more quickly than giant organizations. And we have reorganized our competition office to combine our economists with our attorneys working on competition.

And I have long supported this approach. And it will make us much more effective. And we have also refocused our enforcement regime to make sure that we are using those resources effectively.

So, thank you very much. I am confident that we will be effective.

Mr. EZELL. Very good.

The Ocean Shipping Reform Act of 2022, OSRA, expanded the FMC's authority to regulate detention and demurrage practices, investigate discriminatory behavior by carriers, and enhance protections for shippers.

Where is the FMC on OSRA implementation? When do you expect full implementation of OSRA? How have shippers benefited since OSRA's passage?

Ms. DYE. As I reported, we have completed two of the most important regulations. And we are waiting to see the final court action on those. But today, ocean carriers are complying with those regulations.

Mr. EZELL. Very good.

Ms. DYE. We get good reports about the operation of those. We still are working on the Exchange Registry and a small remainder of the discriminatory regulation that we will complete.

We are also going to complete the new charge complaint regulation to make sure the public understands the approach. And we are in good shape in compliance with all the reports in OSRA as well.

Mr. EZELL. Very good. The FMC recently launched an investigation into whether foreign vessel flagging laws, regulations, and practices create unfavorable conditions for U.S. trade. What prompted this investigation?

What practices are you concerned about that could undermine fair maritime trade?

Ms. DYE. Thank you. These authorities that I outlined in my statement for the record are advantageous to U.S.-flag ships. And we believe that it could provide a good grounding for a U.S. vessel registry to know that if there are problems, the United States will go to bat for you. And this is one of them.

Flags of convenience are really open registries. Panama, Marshall Islands, and Liberia accept registrations from owners of vessels who are outside their residence. The United States has a closed registry. And many other major ones are closed registries.

There has been a concern that the open registries, flags of convenience, are not as effective in enforcing regulations. And then, in some ways, their enforcement has been pushed off onto core states like the United States.

These fact findings, these investigations are very flexible, they can be stood up quickly. They do not have, on their own, authority to require violations or anything like that.

But we will get to the bottom of this. And then, of course, we will inform the Coast Guard.

Mr. EZELL. Thank you very much.

I yield back.

Ms. DYE. Thank you.

Mr. EZELL. I now recognize Mr. Larsen.

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

Commissioner Dye, according to the budget request, most of the rulemakings have been completed as part of the OSRA. Can you report on the progress of the remaining rulemakings?

Ms. DYE. On the remaining rulemakings?

Mr. LARSEN OF WASHINGTON. The remaining rulemakings.

Ms. DYE. We have made good progress on exchanges. We have a couple things to check out before we can complete this registration process. And the remaining discrimination parts that were not addressed in the refusal to deal rule have—we have begun those as well.

Mr. LARSEN OF WASHINGTON. And do you have a timeline, prospective timeline, a hopeful timeline?

Ms. DYE. I would say as soon as we can turn our attention to it.

Mr. LARSEN OF WASHINGTON. Yes. Related to that, we know the FMC has lost employees. And by our count, it's about 20 percent. And whether it's 20 percent, or 19 percent, or 21 percent, it's a lot; it doesn't make much difference.

Could you outline the impacts of the loss of those folks and then not replacing folks has had on the work of the FMC?

Ms. DYE. Well, as I reported, we are working with OPM on an exception for six employees, not new hires, but to replace people who have left.

Mr. LARSEN OF WASHINGTON. Mm-hmm.

Ms. DYE. We believe that with those that we will be in good shape.

Mr. LARSEN OF WASHINGTON. Yes. And do you sense there's progress in getting them hired?

Ms. DYE. That we want authority to hire those six.

Mr. LARSEN OF WASHINGTON. Okay.

Ms. DYE. To replace. I say—so we don't really consider those new hires, because they are—

Mr. LARSEN OF WASHINGTON [interrupting]. I understand. I'm not arguing that point, it's more about whether OPM is being helpful in moving that forward.

Ms. DYE. Very much.

Mr. LARSEN OF WASHINGTON. And are there people at OPM, enough people at OPM to help you do that?

Do you feel like you are getting the service you need from OPM to get that done?

Ms. DYE. They will grant us the exemption to hire. Of course, the head of the agency, which my general counsel informs me that we have plenty of authority, the three of us, to make decisions and to operate. And we have to—of course, we have to oversee any hirings.

Mr. LARSEN OF WASHINGTON. Yes. Are you then looking at whether or not being short that number of folks is impacting the length of time it takes you to do any one investigation, the length of time it takes to manage a rulemaking?

Ms. DYE. I think that we are, and I think my colleagues agree that we are in good shape.

Mr. LARSEN OF WASHINGTON. Yes.

Finally, section 10 of the OSRA established the charge complaint process.

Ms. DYE. Right.

Mr. LARSEN OF WASHINGTON. And according to the budget request, the FMC has ordered to return over \$2.5 million in refunds or canceled fees. Is that accurate?

Ms. DYE. Yes.

Mr. LARSEN OF WASHINGTON. Yes. Can you talk a little bit about why you are returning those?

Ms. DYE. Well, we had, I think, a little over \$5 million that was returned. But as I said, the good news is that when the process began, many of the fees were returned voluntarily.

Mr. LARSEN OF WASHINGTON. Mm-hmm. How would you rate that as a marker of the success of the enforcement program? In general, how would you rate the success of the enforcement program?

Ms. DYE. I think that some people believe, you know, we write a regulation, we pass a law, and it is effective, and people obey it. And if that were true, then there wouldn't need to be any law enforcement agencies.

So, it takes—especially when there is a big change, it takes time, and resources, and commitment. Demurrage and detention charges are internationally despised.

Mr. LARSEN OF WASHINGTON. Yes.

Ms. DYE. And when we weighed in on this we knew it would be a hard slog. It is not over. But I think that we have had remarkable compliance so far. And we will keep at it.

Honestly, I've said to my advisory committee, can't you think of a better way to get fluidity or encourage fluidity than these awful charges? There must be a better approach.

Mr. LARSEN OF WASHINGTON. Right.

Ms. DYE. Because it's the clunky type of service.

Mr. LARSEN OF WASHINGTON. Thank you. I am sure one of the parents of OSRA 2022 will have more questions. Mr. Garamendi will have more questions.

Ms. DYE. I will look forward to it.

Mr. LARSEN OF WASHINGTON. I will yield back.

Mr. EZELL. The gentleman yields.

The Chair now recognizes Mr. McDowell for 5 minutes of questioning.

Mr. MCDOWELL. Thank you, Mr. Chairman.

And thank you, Commissioner Dye, for being here. It is good to have another North Carolinian in the room today.

Ms. DYE. Absolutely.

Mr. MCDOWELL. But, Commissioner, you stated that the FMC's budget request for FY 2026 is \$40 million, which is level funding from fiscal year 2025.

Ms. DYE. Yes.

Mr. MCDOWELL. So, within that budget, can you explain why you have set aside more funding for rent and security services, and why your resources needs are different from last year?

Ms. DYE. Well, the biggest change in this budget is that we are dedicating more resources to IT. We were in the position that we literally could not buy parts for our system because they weren't made anymore.

And so, we are pleased that we were able to devote more to those systems that will also benefit our shipping public.

Mr. MCDOWELL. Sure.

Ms. DYE. But the one, you mean the \$150,000?

Mr. MCDOWELL. Yes.

Ms. DYE. Well, security costs have gone up. And I think that's—they went up.

Mr. MCDOWELL. Sure.

Ms. DYE. The prices increased.

Mr. MCDOWELL. Yes. How does your commitment to carrying out the Commission's core objectives play into your budgeting process?

Ms. DYE. I support the \$40 million. As I said, this is level funding. We didn't get cut, which I think speaks well for our mission and our approach. And I am convinced that with our reorganizations and refocusing that we have done that we will be fine.

Thank you.

Mr. McDOWELL. Can you explain further how the Ocean Shipping Reform Act changed the FMC's operations?

Ms. DYE. Well, we had a couple of rulemakings to accomplish. Some of the reports we have learned some very valuable information. And I support the bill. I think that the reform act has helped us, especially with charge complaints, have helped the shipping public deal with a lot of the—

Mr. EZELL [interrupting]. The gentlelady will suspend.

Will you suspend?

Could you speak into the microphone just a little more, please? I am hard of hearing, and I can't hear you.

Ms. DYE. Oh, I understand, sir. Right.

Mr. EZELL. There you go. Thank you.

Ms. DYE. Well, there you are. Is that better? Well, good. I hear myself better, too. Thank you.

Mr. McDOWELL. Just to ask you another question, but the Commission has relatively broad authority to investigate unfavorable or anticompetitive shipping practices of foreign-flagged vessels. Generally, what are the most common scenarios that require the Commission to intervene?

Ms. DYE. Well, I think that I am not able to talk a lot about the existing investigations.

Mr. McDOWELL. Sure.

Ms. DYE. But those examples in my statement were good ones. Any time that the U.S. flag is disadvantaged, then I—as we had intervened for the Great Lakes carriers, certain carriers who were denied entry into Spanish ports. And I support those. And this fact finding authority has proved to be very valuable for us.

Mr. McDOWELL. So, has the number of complaints increased or decreased since the Ocean Shipping Reform Act of 2022?

Ms. DYE. Well, allowing the charge complaints has been very valuable. And it has allowed our shipping public an avenue to quickly resolve some charges, with the FMC overseeing it. And that has been effective.

Mr. McDOWELL. Thank you, ma'am.

And, Mr. Chairman, I yield back.

Ms. DYE. Thank you.

Mr. EZELL. The gentleman yields.

Mr. Carbajal is recognized for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chair.

Commissioner Dye, I am a strong supporter of the FMC. And I want to focus all my questions today on the recently announced flag of convenience investigation.

Why did the FMC decide to initiate the investigation? In other words, what is the potential risk to Americans?

Ms. DYE. And this is which one?

Mr. CARBAJAL. The investigation that you recently opened, the flag of convenience.

Ms. DYE. Oh. I think that, without talking about the reasoning or—but I think that one, as well as the others, is the facts that we develop will be worth any argument on the issue.

Mr. CARBAJAL. What is the potential risk to Americans?

Ms. DYE. For?

Mr. CARBAJAL. The reason why you opened up this investigation.

Ms. DYE. Oh. The risk is to any U.S.-flagged vessel, or the detriment.

Mr. CARBAJAL. Thank you.

And what practices have foreign countries participated in that have resulted in the degradation of U.S.-flagged shipping?

Ms. DYE. I am so sorry. I am having trouble hearing you.

Mr. CARBAJAL. Okay, let me say that again.

What practices have foreign countries participated in that have resulted in the degradation of U.S.-flagged shipping?

Ms. DYE. The investigation in Spain, of course, has been—there have been vessels, U.S.-flagged vessels, that have been turned away. And the other fact findings are, obviously, we had a good result with the Great Lakes carriers. And they were most pleased that we got involved. Our general counsel was able to work with the State Department. And that was an excellent result for them.

And the others are facts that may be useful in the future to U.S.-flagged vessels, especially concerning our registry and how we may decide to change a U.S.-flag registry in the future.

Mr. CARBAJAL. As a strong supporter of the U.S. merchant marine and the U.S.-flagged vessels, what actions are available to the FMC should you find that the use of flags of convenience has resulted in unfair shipping practices?

Ms. DYE. Yes, well, at some point, even the President could become involved in taking action against foreign countries. The remedies are slightly different for each of these if a violation is found. And, of course, the fact findings that we are conducting now don't have proceeding authority.

At this stage, we are finding facts in preparation for another proceeding if we develop the evidence.

Mr. CARBAJAL. But what are some of the actions that you can take?

Ms. DYE. Their ships could be prohibited from our ports. There are some monetary penalties.

But they are slightly different for each one.

Mr. CARBAJAL. Commissioner Dye, I must say I am disappointed with the administration's budget request. If Congress were to increase the FMC's budget, and you were able to rehire the 26 people that have been lost, what would that mean for the effectiveness of the agency? What kind of work would they be doing?

Ms. DYE. We have reorganized in a way that we are—I shouldn't say reorganized. They tell me not to say that. We have refocused in a way that we are in good shape today.

Mr. CARBAJAL. Well, I guess that feeds into the whole argument. If this is the case, maybe we should have done this reorganization in the past.

Ms. DYE. Well, the past really doesn't exist. We are looking today and forward.

Mr. CARBAJAL. Thank you very much, Mr. Chair.

I yield back.

Ms. DYE. Thank you.

Mr. EZELL. Mr. Patronis is recognized for 5 minutes of questions.

Mr. PATRONIS. Thank you, Mr. Chairman.

Good afternoon.

Ms. DYE. Hello.

Mr. PATRONIS. Commissioner, I am sitting here, I am reading your resume. And you have seen a lot of activities over your time at the Commission. Thank you for your service to our Nation.

Ms. DYE. Thank you very much.

Mr. PATRONIS. I guess where I kind of get some anxiety is thinking about how dynamic the situation is. Kind of a tough place to be, as much as I would like to see as much stateside manufacturing, we are definitely—there is going to be those dependencies we have on goods coming in. And I can't imagine the dynamics of what happened at least with y'all's concerns during COVID, supply chain disruptions, and as you looked at where we are trying to at least onboard predictability.

And then I am looking and I am thinking about the games that might be played by those other countries and their reports of getting into the U.S. market.

Do you see, have you seen—if you wouldn't mind elaborating, I would love to understand, even if you want to—I learn by stories—if you have got an instance of what you have seen between the United States and China where they have done unfair practices, maybe leverage, or maybe if you saw anything during COVID, enlighten me. This is an opportunity for me to learn.

Ms. DYE. Well, thank you. We have added a couple of the controlled carriers owned or subsidized by foreign countries.

Mr. PATRONIS. Mm-hmm.

Ms. DYE. Five of the six are Chinese. We are a competition agency primarily. And so, we are looking to make sure to continually look at their price structure to make sure that if there are subsidies, then they aren't used to below price, to the detriment of the other carriers that are not owned or controlled by foreign countries.

And we will be watching even more carefully in, I think, October when the Trade Representative charges begin then that doesn't cause the controlled carriers to make some decisions or some pricing decisions that we think are a problem.

Mr. PATRONIS. So, did you say that five of the six controlled carriers are subsidized by China?

Ms. DYE. Yes. Five of the six are controlled.

Mr. PATRONIS. Wow.

Ms. DYE. Owned or controlled.

Mr. PATRONIS. And I am assuming, one, they probably want that type of influence in order to continue their goods getting out to market. That also gets me super concerned of what type of dependence we have got when they have got that much control over the products that we depend upon.

Ms. DYE. Well, there are plenty of carriers.

Mr. PATRONIS. Okay.

Ms. DYE. And we watch each of them. We don't have authority over actual mergers. We watch other combinations among the carriers. And unlike a merger, we watch them all the time. Continuous.

Mr. PATRONIS. Okay.

Ms. DYE. Continuous.

Mr. PATRONIS. Of other countries having an influence over ownership, over carriers of this nature, who is number two, who is number three? Which other countries?

Ms. DYE. Really, really we have one, one other one that is Korean.

Mr. PATRONIS. Okay.

Ms. DYE. And those are the only ones to date.

It has been different in the past.

Mr. PATRONIS. Sure. Sure. And, so, with no control over the mergers, are any of the carriers that China has influence over, were those acquired through acquisitions?

Ms. DYE. OOCL was the Hong Kong company, was acquired.

Mr. PATRONIS. Sure. Sure. Well, again, thank you for your service. I appreciate your answers and your time being here today.

Ms. DYE. Thank you very much.

Mr. PATRONIS. Mr. Chairman, I yield.

Mr. EZELL. The gentleman yields.

The Chair recognizes Ms. Scholten for 5 minutes.

Ms. SCHOLTEN. Thank you so much, Chair Ezell, and Ranking Member Carbajal.

And welcome, Commissioner Dye. I appreciate you being here.

So, the FMC's responsibility of protecting the U.S. shipping industry from foreign governments' unfair practices is particularly important to the Great Lakes region where I hail from, from Michigan.

Ms. DYE. Yes.

Ms. SCHOLTEN. A \$36 billion a year industry that creates good-paying jobs and keeps our Nation's supply chains moving.

When visiting the ports of Muskegon and Grand Haven in my district, the constituents frequently stress the need for strong but navigable ballast water regulations has had a huge impact on our waterways.

So, Commissioner Dye, I understand that the FMC has investigated how Canada's ballast water regulations have impacted U.S. lakers. FMC's actions have resulted in the Canadian Government providing limited relief for American shippers.

Can you talk us through specifically how you plan to stay on top of that issue, especially as we are continuing to see some pretty significant rollbacks on regulations around water protection across the board?

Ms. DYE. Of course. And we will be following the Canadian response to ensure that it is effective, as we expect it to be. But no, this is not over if that approach is not effective.

Ms. SCHOLTEN. Yes.

Ms. DYE. But we have been very pleased.

Ms. SCHOLTEN. Okay. Well, I appreciate continued engagement on what you and your administration will continue to do going forward. We think this is an important issue to stay on top of, not just simply a one-and-done response.

I have a couple questions, so I want to keep moving on.

But while I don't always see eye to eye with the current administration, I am very pleased to see the President focus on bolstering our maritime industry. That is one area we do agree on. I am will-

ing to collaborate with the FMC to actualize this goal. Again, the industry is very important to the Great Lakes.

This starts with appropriately reviewing and responding to complaints through the FMC's formal process.

However, I am concerned with two FMC Commissioner vacancies, recent staff cuts to the tune of 20 percent, and flat funding requests. I am concerned that we aren't doing everything we can to make good under obligations under the Ocean Shipping Reform Act of 2022, something you, of course, had a big hand in getting through initially.

Can you speak to how the FMC has internally reorganized, if at all, to ensure that flat funding and reduced staff will not hinder its ability to appropriately respond to and review the complaints that are filed?

Ms. DYE. I appreciate it. Thank you.

You can be sure that the FMC is functioning. We have under existing law, we still have a quorum, my general counsel tells me. And so, I don't think anyone should be concerned that the FMC is not on the job.

Ms. SCHOLTEN. I think what this committee is looking for, though, is more than just a functioning FMC, one that can make sure of a robust response to these complaints when they are received. Once we have an invasive species entering our waterways, it is very hard to turn back the clock.

So, simply showing up for quorum, respectfully, may not be enough at this point. And the concern with significantly reduced staffing does raise alarms about whether or not you are able to respond in an appropriate fashion. And I will say simply showing up for quorum doesn't seem to get to the heart of having enough people there.

I have one more question I will go to. And if you have a more robust response, we would love to take one for the record, because it is of concern.

So, continuing on there, the President's budget request of \$40 million for the FMC is the same enacted amount as fiscal year 2025, and 20 percent less than the previous budget request. It reduces the workload significantly.

Assuming Congress flat funds the FMC, as the President has requested, how else can this committee continue to support the FMC's efforts to reduce port congestion, boost transparency in the ocean shipping industry beyond annual appropriations?

Ms. DYE. I think that we showed there was no diminution last year. And there will be no diminution next year. We were, we will continue to enforce the law and use our authorities to the fullest, but no more.

And I am confident that you will be satisfied.

Ms. SCHOLTEN. Well, thank you. We would love to have you back perhaps towards the end of the year or next year to continue to check in on that progress.

I see that my time has expired but will yield back.

Ms. DYE. Thank you.

Mr. EZELL. The gentlelady yields.

The Chair recognizes Mr. Van Drew for 5 minutes.

Dr. VAN DREW. Thank you, Mr. Chairman.

Commissioner, thank you for being here. We appreciate your time.

Ms. DYE. Thank you.

Dr. VAN DREW. The Coast Guard, as you know—and you know all this already—has recently accelerated the removal of navigational aids under the ATON modernization plan. Three hundred fifty buoys are currently slated for removal, as you also know, across the Northeast, with plans to expand this effort as we move along.

I support the innovation. I support the Coast Guard. I support all of you. But I am concerned that we might be moving too quickly and that we at least should have some more local input on this issue. And I am going to tell you why.

We already are seeing some consequences. I have—my district is a coastal district in the State of New Jersey. I have seen some grounding on shoals, near-misses involving commercial and recreational vessels, and increasing uncertainty in waterways that were once considered safe. And now there are some concerns among real people that I talk to that are out on the water.

They are not isolated. They really exist. They are happening now. And I think we can prevent them.

I think the work you are doing is good. The focus is good. But we have to make sure that we are doing this in a careful and circumspect way.

In my district, many of the small mariners, including commercial operators, do not have advanced—believe it or not—electronic navigation systems that the modernization effort assumes. And I think that's something we have to keep in mind as well. And some of them will not have it even into the near future.

Even when the systems are available, you have got shifting tides, narrow passages, bad weather. You know the deal. It is no longer just a safety issue. It is also a commerce issue, a commercial issue. If commercial or fishing lanes become less predictable, we have more commercial problems.

And I guess the committee included a provision in the Coast Guard Authorization Act—I don't guess, I know we did—to study the effect of removing these buoys. And that is a good thing. And that is going to pass this week on House suspension.

Commissioner, until that point, have you been coordinating with the Coast Guard on this initiative? Could you fill us in a little bit on it?

Ms. DYE. We have not on those issues.

Dr. VAN DREW. Okay.

Ms. DYE. But I was 6 years on Active Duty with the Coast Guard. And I still have—at one point, some of my students were admirals in the highest level. You can be sure that on anything that involves them we will work with them.

Dr. VAN DREW. Good. And that is what I would hope. And I would say the same thing to the Coast Guard, too.

Ms. DYE. Absolutely.

Dr. VAN DREW. The intention is good. And I think the result will be good. But I think we just have to be a little bit careful as we go about it.

Ms. DYE. Of course.

Dr. VAN DREW. Make sure, like everything else we do in Government—

Ms. DYE [interposing]. Of course.

Dr. VAN DREW [continuing]. We have to make sure we get it right.

Thank you for your time.

Ms. DYE. Thank you.

Dr. VAN DREW. I yield back.

Mr. EZELL. The gentleman yields.

The Chair recognizes Mr. Garamendi for 5 minutes.

I am working on it.

Mr. GARAMENDI. I am having one of those mornings. I am not sure I can pronounce my own name. Garamendi.

I think what I would like to do, if I might, my colleague at the far end of the dais here, Mr. Johnson, is the lead on the Ocean Shipping Reform Act improvement.

So, if I might yield to Mr. Johnson my time, then I will follow up, since he is the lead on the new bill.

Mr. JOHNSON OF SOUTH DAKOTA. Well, that is unbelievably gracious. I think I am next in the queue, John. So, if you want to go, I am just going to spend at least 2 minutes talking about how great you and Commissioner Dye are, so.

Mr. GARAMENDI. I yield to you.

Mr. JOHNSON OF SOUTH DAKOTA. Very good.

Well, I'm going to note, I will echo what Mr. Patronis said, I mean, your service to our country, Commissioner, is incredible. I mentioned that when you were in the office the other day. To have the steady hand of somebody who understands this committee, understands these issues, who doesn't cycle out of Government because you get some shinier object somewhere, but you stay. President after President trusts you to do this work. It's incredible.

And then John Garamendi, I mean, everybody in this town likes to fight. Somehow, John, you and I have figured out how to get the Ocean Shipping Reform Act done, Ocean Shipping Reform Implementation Act. And we have gotten a lot of good things done.

So, with that I will, I will yield back to you, sir. Thank you.

Mr. GARAMENDI. Well, you didn't do what I hoped you would do, which is really go through the detail. But you are kind to mention all of the work that has been done.

We have actually come a very, very long way in providing the Commission with the tools it needs to deal with the reality of the international trade on the ocean. And the new piece of legislation, the reauthorization act, which Mr. Johnson is the lead on it this year, is going to further provide the necessary tools and strengthen the existing tools that the FMC needs to deal with a very rapidly changing environment.

When we started, the 2022 bill really came about in part because of the pandemic and all of the changes that occurred there. The situation—that is, the ocean shipping situation—remains very, very volatile. So, the new legislation will provide additional tools.

I want to commend the Commission for taking up the 2022 bill and using it to deal with practices that are simply not fair. It took a while to do it. We've had discussions about this in previous hearings. I remember one in California not so long ago that you were

in the process of trying to understand the new law and then implement it in the regulatory processes using the rather difficult, but necessary, process of putting in place regulations and rules. I want to commend you for having done that.

I see your colleague Commissioner back there who is interested in having done this piece of work.

So, we are going to carry forward. The new piece of legislation provides some additional clarity and additional strength to the work you do.

It also authorizes a higher level of funding, as has been talked about back and forth here, \$49,200,000. It looks like you are probably going, if we can hold it, \$40 million. In this environment, we ought to be quiet and take the money and run and go back to work.

But the future is out there. So, if we can put in place an authorization of \$49 million and then ramp it up ultimately in 4 years to \$57 million, you will be able to bring back on board the necessary staff and deal with the very rapidly changing.

The tariff issues are out there. They are going to have an effect. If you would like to speak to that, Ms. Dye, I would encourage you to do so. Be careful, you don't want to go jump into that snakepit.

Ms. DYE. Thank you.

Mr. GARAMENDI. But just the effect that it may have on this.

Ms. DYE. I talked and corresponded with several of our major ports recently. The reasons for port congestion are different.

I have done now four major fact findings during periods of extreme dislocations. The results are always the same.

Mr. GARAMENDI. Well—

Ms. DYE [interrupting]. And that's why I look to encouraging more port processes that are clear and predictable. But the volatility is—

Mr. GARAMENDI [continuing]. Well, we are going to be in a very volatile situation certainly for the remainder of this year, and perhaps on into the next year. It will have some significance.

Also, the continued consolidation, and as you said earlier, five of the six biggest are really Government-controlled carriers. So, the FMC, the original reform and then the new reauthorization act will provide you with additional tools to deal with that.

I know that Mr. Johnson will undoubtedly add to this and provide more clarity along the way.

Thank you for your service, and your colleague there in the front row—

Ms. DYE [interposing]. Thank you very much.

Mr. GARAMENDI [continuing]. That would be to the far right or the far left. Right down the middle.

I yield back.

Oh, one more, if I might.

Mr. EZELL. Yes, sir.

Mr. GARAMENDI. I want to thank the chairman of the committee and the ranking member of the committee. The reauthorization act is your work as well as Mr. Johnson's and mine. Thank you, both of you, for your support and for your insight in the development of the bill.

Thank you.

Mr. EZELL. Thank you very much.

The Chair recognizes Mr. Johnson for 5 minutes.

Mr. JOHNSON OF SOUTH DAKOTA. Thank you, Mr. Chairman. I will pick up where Mr. Garamendi left off, which is on the FMC reauthorization.

Commissioner, I am not—number one, thank you to your team for providing technical assistance. I am not really talking about the tweaks and the edits they suggested, but more big picture.

When you reviewed the FMC reauthorization bill, what were your general observations? Did you think we hit the center of the target?

Ms. DYE. I think so. I think so.

I think that we had suggestions. Be glad to sit down and talk with you about those and work anything out.

I don't think we had any extreme changes. And there were things that the FMC had recommended.

We appreciate it very much. Thank you.

Mr. JOHNSON OF SOUTH DAKOTA. And one of the things, and, listen, it's not an earth-shattering reauthorization, but all the more reason for Congress—and, again, I will echo what Mr. Garamendi said, thank you to the leadership of the committee for doing our regular blocking and tackling work.

Sometimes we wait so long, we are driven by crisis, that we don't take care of the day-to-day, year-to-year maintenance. Reauthorizing solid agencies like FMC in a timely manner is helpful.

It's not going to transform the nature of your work, but I would think it provides some additional stability, additional predictability for you, the other two Commissioners currently in place, as well as the staff.

But, okay, we have got Congress has once again given us an imprimatur. They want our work to continue. So, we get not earth shattering but, Commissioner, I think you would probably agree, helpful nonetheless?

Ms. DYE. Oh, I had a couple suggestions. The staff had seen some other things. I think in short order, we can discuss those. I don't see any major problems. I appreciate it. Thank you.

Mr. JOHNSON OF SOUTH DAKOTA. So, moving back to OSRA, you had mentioned in your testimony that, of course, that brought the number of complaints up. Your experience with that is causing the Commission to enter into a rule promulgation on a more permanent process.

Talk to us a little bit more about the lessons learned and how that may translate into a new process?

Ms. DYE. I think the thing that surprised me, pleased me, that with the FMC's involvement, people suddenly decided that they would refund money. And so, it went much more smoothly than I had anticipated.

So, I think the overall revenue doesn't really represent the effectiveness of the approach.

Mr. JOHNSON OF SOUTH DAKOTA. And I am reminded, Commissioner, when then-Chairman Maffei was in my office, before OSRA had passed, he had observed that just the specter of the bill—specter may be a more ominous definition than I intend—but clearly it was bipartisan, clearly Mr. Garamendi and I were engaged in a

real lawmaking exercise. We wanted to get done. And the writing was on the wall, we were going to get this done.

Chair Maffei had mentioned that behavior was already changing in the marketplace——

Ms. DYE [interposing]. Yes.

Mr. JOHNSON OF SOUTH DAKOTA [continuing]. In anticipation of that.

And I think it is one good reminder that when you all, of course you all are the day-to-day cops on the beat, and yet Congress, when we are doing good oversight, when we are engaged in making sure that you all had the tools needed to do your job, we do get a healthier, fairer, and more robust marketplace.

What am I getting wrong?

Ms. DYE. No. I think that you are right. And as we just discussed, enforcement is never over. Right? And we don't expect it to be. There are always different approaches to color outside the lines.

But I am very pleased with the way things are going. We have—I think I had recommended in fact finding 29 that all these companies have compliance officers, people that we could call up immediately. And that is working out well.

And I think that that has shown some paydirt, too.

Mr. JOHNSON OF SOUTH DAKOTA. So, I would close by saying this, Mr. Chairman. This might be the least sexy hearing going on on Capitol Hill today. No disrespect to Commissioner Dye.

But it is just responsible management of Government. And one of the reasons that I fought to get on this committee is because I knew it would be populated by people like Mr. Larsen and Mr. Graves who have worked together to get—even though they are different parties—and Mr. Ezell and Mr. Carbajal, and Mr. Maffei and Ms. Dye, Mr. Garamendi and Mr. Johnson, people who do not take the same perverse joy in fighting. Instead, they just want an America that works.

Thank you for being a part of that solution.

Mr. Chairman, I would yield.

Ms. DYE. Thank you.

Mr. EZELL. The gentleman yields.

That was pretty good there, Mr. Johnson, thank you.

All right. Thank you. The gentleman yields back.

Are there any further questions from any members of the subcommittee who have not been recognized?

Seeing none, that concludes our hearing today.

I would like to thank you, Ms. Dye, for being here today.

That concludes the subcommittee hearing, we stand adjourned.

[Whereupon, at 3:03 p.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS TO HON. REBECCA F. DYE, COMMISSIONER, FEDERAL MARITIME COMMISSION, FROM HON. JOHN GARAMENDI

Question 1. According to the McCown Container Volume Observer: “It is now most likely there will be a decline in overall annual inbound volume in 2025 ... I’m only aware of two periods of annual decline—during the financial crisis and the pandemic—and both proved to be short lived. ... The downturn in 2025 will be due to tariffs and unfortunately there is nothing at present that suggests it will be short-lived.” Volumes are also reduced at smaller points like the Port of Oakland in California. Drastic, unpredictable swings in tariff policies have the potential to seriously strain supply chains and maritime commerce.

Question 1.a. Commissioner Dye, given the Commission’s mission to ensure a competitive and reliable international ocean transportation system, how do significant fluctuations in port volumes complicate your work?

ANSWER. The U.S. international ocean shipping supply chain is a complex system, much like an ecosystem or the human brain. For this reason, the potential for negative consequences of government regulation in the interconnecting networks of the international ocean supply system is great. I have served as a Commission Fact Finding Officer for four major investigations, two of which specifically addressed international ocean supply chain bottlenecks. Those investigations serve as a reminder of the complexity of the ocean liner system and its inherent unpredictability. The causes for fluctuations in demand for ocean liner shipping, and thus port volumes, vary but the impacts are similar.

My approach to improving efficient seaport operations is to focus attention on the bottlenecks that occur in certain marine terminals and seaports during every cargo surge or peak season: particularly, container availability, container return, and export earliest return date. I do not support regulation of seaport or marine terminal processes, because I believe that marine terminals and seaports should compete on the best processes to serve the users of their services. The Commission assists marine terminals and seaports using the FMC Supply Chain Innovation Teams to produce effective improvements to reduce bottlenecks and improve smooth operation of the U.S. freight delivery system.

Through those four major Fact Finding investigations, I have recommended, and the Commission has approved, various approaches to address supply chain disruptions, including incentivizing practices of ocean carriers, ports, and marine terminal operators to change behavior in the marketplace.

Moreover, after an extensive Commission investigation of U.S. seaport and marine terminal practices on demurrage and detention charges, the Commission developed an interpretative rule to address unreasonable demurrage and detention charges. This rule is based on section 41102(c) of title 46, United States Code, that prohibits unreasonable practices of ocean carriers and marine terminals and seaports. The charge complaint provisions in the Ocean Shipping Reform Act 2022 provided a source of relief for U.S. importers and exporters from unreasonable demurrage and detention charges under the interpretative rule.

The Commission is charged with ensuring competition in international liner shipping in U.S. markets and among U.S. seaports and marine terminals. To carry out the mission, we follow international ocean shipping market conditions, including supply of and demand for ocean carrier service. In this regard, significant fluctuations of U.S. import volumes are not complications for the Commission, but a routine part of the supply and demand assessment we continuously conduct to ensure a competitive international ocean shipping service for the United States. If, and when, unreasonable practices under the Shipping Act come to the attention of the Commission, we take all appropriate action.

Question 1.b. What resources does the Commission need to ensure efficient operations at U.S. ports amid such volatility?

ANSWER. As I testified before the U.S. House Committee on Transportation and Infrastructure, Subcommittee on Coast Guard and Maritime Transportation, I support the President's Budget for the Commission for Fiscal Year 2026, and I believe it is sufficient for the Commission to carry out our responsibilities in these and other areas. We appreciate the support of the Subcommittee and look forward to working with you to ensure the benefits of a competitive ocean shipping industry and an efficient container freight delivery system for the United States.

