

**STATEMENT OF
JEFF R. VOGEL
VICE PRESIDENT – LEGAL
TOTE SERVICES, LLC**

**BEFORE THE
SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
SUBCOMMITTEE ON COAST GUARD, MARITIME, AND FISHERIES**

Sea Change: Reviving Commercial Shipbuilding

October 28, 2025

Good morning, Chairman Sullivan, Ranking Member Blunt Rochester, and distinguished members of the Subcommittee. Thank you for the opportunity to testify today on the challenges and opportunities in reviving the U.S. commercial shipbuilding industrial base. The United States is a maritime nation. Since our country's inception, we have relied upon our domestic maritime industry to support our national and economic security. The commercial shipbuilding industry is the backbone of our maritime strength, constructing innovative vessels to meet the demands of our domestic trade and employing a skilled workforce to support both commercial and government shipbuilding programs. However, for decades this critical industry has been undervalued, allowing foreign competitors to seize upon comparative economic advantages and distort the market with significant government subsidies. The U.S. commercial shipbuilding industry is not subsidized; it builds vessels to meet market demands. This unfair competition has been left American commercial yards in a challenging position, with only a handful of shipyards delivering less than one percent (1%) of the world's fleet. I am encouraged, however, by the recent bipartisan focus on addressing this critical national and economic security vulnerability. My testimony today will highlight some of the opportunities that this Committee and the Administration have in restoring our international shipbuilding dominance.

Current State of Commercial Shipbuilding

There is no denying that the U.S. commercial shipbuilding industry finds itself in a challenging position. According to statistics from the United Nations Trade and Development ("UNCTAD"), the U.S. produced 0.04% of the world's vessels delivered in 2024.¹ By contrast, China delivered 54.57% of the world's fleet last year. This grotesque market gap is the direct result of two forces: (1) the Chinese government's state-directed industrial planning and integration between

¹ UN Trade and Development, *Ships built by country of building, annual* (rev. June 10, 2025), available at: <https://unctadstat.unctad.org/datacentre/dataviewer/US.ShipBuilding>

commercial and military production, and (2) reductions in specific support and focus on the U.S. shipbuilding industry.

These challenges are not new. From the inception of our country, through the Civil War, the U.S. was a dominant force in international shipbuilding, with the cost of American-built vessels being 25% to 50% cheaper than international competitors due to our vast timber resources.² However, with the advent of steel vessel construction, this competitive advantage was lost and the U.S. precipitously began to lose market share to international competitors that enjoyed lower labor rates and government subsidies.

Notwithstanding these comparative economic challenges, our country has always recognized the critical importance of sustaining a robust commercial shipbuilding industry. This has led to focused legislative efforts, such as the Merchant Marine Act of 1936, which recognizes that “[i]t is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine... composed of the best-equipped, safest, and most suitable types of vessels constructed in the United States and manned with a trained and efficient citizen personnel.”³ In a similar manner, the Jones Act has been the lifeblood of the U.S. commercial shipbuilding industry, ensuring that we have maintained a shipbuilding industrial base despite the efforts of foreign competitors to pervert the economic framework.

As a result of these focused legislative efforts, we have sustained a viable commercial shipbuilding industry, which directly provides over 105,000 high-paying jobs, \$9.9 billion in labor income, and \$12.2 billion in gross domestic product.⁴ Currently there are 154 private shipyards in the United States, spread across 29 states and the U.S. Virgin Islands, that are classified as active shipbuilders. In addition, there are more than 300 shipyards engaged in ship repairs or capable of building ships but not actively engaged in shipbuilding.⁵ From this foundation, a strong shipbuilding industrial base can be reborn if the government provides the appropriate demand signal for commercial and government vessels.

However, as highlighted by recent U.S. Trade Representative (“USTR”) actions, the U.S. shipbuilding industry is facing an unprecedented challenge in the form of China’s focused efforts to distort international shipbuilding markets. As established by the USTR, “[c]onsistent with its policies to support and grow the Chinese shipbuilding industry into the dominant shipbuilder in

² William John Williams, *Shipbuilding and the Wilson Administration: The Development of Policy, 1914-1917*, available at: <https://apps.dtic.mil/sti/tr/pdf/ADA218028.pdf>.

³ 46 U.S.C. § 50101(a)(4) (emphasis added).

⁴ Maritime Administration, *The Economic Importance of the U.S. Private Shipbuilding and Repairing Industry* (March 30, 2021).

⁵ *Id.*

the world, the Government of China has poured hundreds of billions of dollars into its industry since 2000.”⁶ Through a mix of direct investment, favorable financing by government-owned banks, credit programs, tax benefits, equity infusions, and steel and supply chain distortions, the Chinese government has undertaken “acts, policies, or practices that are unreasonable and discriminatory and that burdens and restricts U.S. commerce.”⁷ The imposition of port fees on Chinese built and flagged vessels seeks to address this imbalance. Receipts from port fees imposed on Chinese built and flagged vessels into a specific Maritime Security Trust Fund (as envisioned by Section 201 of the SHIPS for America Act of 2025, S.1541) will support specific reinvestment into U.S. shipbuilding and have a multiplier effect towards restoring market balance.

Innovation and the Vessel Construction Manager Strategy

A constant criticism levied at the U.S. commercial shipbuilding industry is that it fails to innovate to keep pace with its heavily subsidized foreign competition. This criticism is not accurate. In 2015, TOTE Maritime Puerto Rico proudly accepted delivery of the world’s first liquefied natural gas (“LNG”) powered containership, the *Isla Bella*, from General Dynamic NASSCO. TOTE Services further oversaw the design and construction of the first North American LNG bunker barge, the *Clean Jacksonville*. Through these efforts, and additional investment to repower our existing vessels, TOTE’s entire fleet in both the Alaska and Puerto Rico trade lanes are fueled by LNG. As usual, where U.S. innovation leads the world follows, with LNG-fueled container ships now making up over 56% of the entire global orderbook.⁸

In a similar manner, TOTE Services has led government shipbuilding innovation in U.S. commercial shipyards. The National Defense Authorization Act for Fiscal Year 2017 directed the Maritime Administration (“MARAD”) to construct the next generation of mariner training vessels (the National Security Multi-Mission Vessel (“NSMV”)) “using commercial design standards and commercial construction practices that are consistent with the best interests of the Federal Government.”⁹ More importantly, Congress directed MARAD to “provide for an entity other than the Maritime Administration to contract for the construction of the [NSMVs].”¹⁰ This direction has led to a spectacular success in modern American shipbuilding - leveraging private enterprise and commercial best practices to construct government vessels more efficiently and effectively than traditional government-led approaches. TOTE Services, as the Government’s first Vessel

⁶ USW, *Petition for Relief, China’s Policies in the Maritime, Logistics, and Shipbuilding Sector* (March 12, 2024).

⁷ USTR, *Report on China’s Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance* (Jan. 16, 2025).

⁸ Global Maritime Hub, *LNG-fueled Container Ships make up over half of the entire orderbook* (May 16, 2025) (citing Alphaliner), available at: <https://globalmaritimehub.com/lng-fueled-container-ships-make-up-over-half-of-the-entire-orderbook.html>.

⁹ Pub. L. No. , 114-328, § 3505(d), 130 Stat. 2776.

¹⁰ *Id.* at § 3505(f).

Construction Manager (“VCM”), and in coordination with TOTE Services’ subcontractor Hanwha Philly Shipyard, Inc., (“HPSI”) has overcome the faults of the legacy Government shipbuilding model. By removing Government bureaucracy and overseeing construction based on a commercial shipyard subcontract, TOTE Services is preparing to deliver the third NSMV on a fixed-price and on-time basis, far exceeding the results of any other Government shipbuilding program, as illustrated by Table 1.

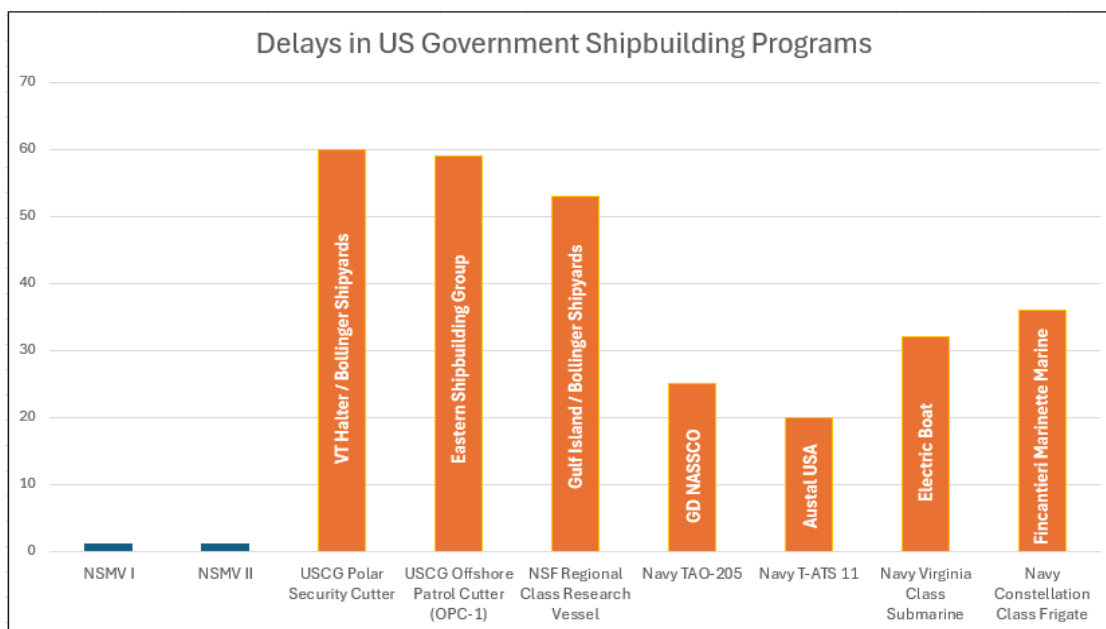


Table 1 – Delays in Government Shipbuilding Projects (by months)

The VCM was a catalyst for the revitalization of a struggling shipyard. At the time of subcontract award in April 2020, HPSI had approximately 80 employees, no order book, no government shipbuilding experience, and was on the brink of closure. By applying commercial principles, and placing non-construction responsibilities directly on the VCM, HPSI has been able to concentrate on its strength – shipbuilding. The result is that HPSI is once again a thriving commercial shipyard, with additional commercial orders from multiple customers on contract, a production workforce of over 2,000, and a promise of billions of dollars in investment from its new ownership.

Moreover, the VCM acquisition strategy has saved the U.S. taxpayer billions of dollars, proving that U.S. shipyards can be cost-competitive when bureaucratic barriers are removed and a proper demand signal is in place. Indeed, “during the design development period, Naval Sea Systems Command experts said using Navy shipbuilding requirements and Department of Defense contracting processes to build the [NSMV] likely would result in an estimated final cost of \$750 million to \$1.2 billion per ship.”¹¹ By using the VCM process, the actual delivered price per vessel

¹¹ Doug Burnett, *A Better Way to Build Ships*, U.S. Naval Institute Proceedings, Vol 148/1/1,427 (Jan. 2022). See also S. Rept. 119-39 (July 15, 2025) (“The VCM acquisition strategy, as demonstrated by the Maritime Administration’s

is approximately, \$314 million, saving taxpayers nearly \$4.5 billion from NAVSEA’s highest estimate. Moreover, TOTE Services has instilled discipline into the design and construction process to limit costly and disruptive design changes on the NSMV program. Post-contract changes by MARAD have increased the total program cost by only 0.38%, as shown in Table 2, which is unmatched in Government shipbuilding.

Vessel	Base Ship Price	Change Order Costs	Total Adjusted Ship Price	% Increase
Empire State	\$348,983,965	\$2,238,237	\$351,222,202	0.64%
Patriot State	\$309,078,096	\$913,460	\$309,991,556	0.30%
State of Maine	\$299,006,292	\$913,544	\$299,919,836	0.31%
Lone Star State	\$301,357,565	\$927,118	\$302,284,683	0.31%
Golden State	\$307,072,997	\$977,069	\$308,050,066	0.32%
TOTAL	\$1,565,498,913	\$5,969,428	\$1,571,468,343	0.38%

Table 2 – NSMV Post-Contract Cost Increases.

To rebuild not only the commercial shipbuilding industry, but also the aging Government non-combatant fleet, the VCM contract structure must be applied across Government shipbuilding programs for the Navy, Coast Guard, Missile Defense Agency (“MDA”), and others. TOTE Services greatly appreciates the Senate’s support of the VCM model (see *supra*, note 11) and the provisions of the National Defense Authorization Act for Fiscal Year 2026, S.2296, which would direct (a) the Navy to contract with a VCM to construct the medium landing ship (“LSM”) and light replenishment oiler (TAO-L), and (b) MARAD and MDA to contract with a VCM to construct two replacement missile instrumentation range safety vessels. By expanding the VCM model across agencies, Congress can ensure that non-combatant vessels will be delivered with budget and schedule stability, maximizing the output of commercial shipyards.

The Need for a Steady Demand Signal

Faulty economic analysis consistently plagues the assessment of the U.S. shipbuilding industry. False equivalences are used to compare the cost of building a single ship in the United States against the costs of building a series of dozens of ships in Korea or China. As in every industry,

National Security Multi-Mission Vessels (NSMV) program, has yielded significant cost savings and operational efficiencies. The NSMV, built using commercial design and contracting processes, has achieved a cost of approximately \$300.0 million per ship, compared to an estimated \$750.0 million to \$900.0 million per ship, if the Navy were to use traditional Navy shipbuilding requirements and Department of Defense contracting processes. By utilizing off-the-shelf commercial technology and streamlined contracting using a third-party entity, the VCM approach reduces bureaucratic overhead, accelerates delivery schedules, and ensures vessels meet mission requirements without the cost premiums associated with military-specific standards."

economies of scale result in significant price reductions and, in turn, lead to reinvestment and innovation. For decades, this demand signal has not existed in U.S. shipyards. The result is that U.S. owners of vessels engaged in international trade rely on (often heavily subsidized) foreign shipyards. The trend can change through the establishment of a steady demand for U.S.-constructed vessels.

I am encouraged by the actions of Congress under the One Big Beautiful Bill Act, Pub. L. No. 119-21, which appropriated funding for numerous shipbuilding programs, including \$3.5 billion for Arctic Security Cutters, \$1.8 billion for LSMs, \$816 million for light and medium icebreaking cutters, and \$530 million for MDA missile instrumentation range safety vessels. Each of these platforms can be constructed by U.S. commercial shipyards, using commercial designs and best practices that mitigate risk for the Government as the customer. Together with the proven VCM contracting structure, this funding will be a strong foundation for reinvigorating the industrial base. I urge the Administration to move swiftly in allocating these appropriated funds and awarding a contract to an experienced VCM that can quickly and effectively get U.S. commercial shipyards to work.

I also invite this Subcommittee, along with the Senate Armed Services Committee, to explore new ways to encourage private investment in the U.S. shipbuilding industrial base. Companies like TOTE, and its parent company Saltchuk, are ready to put private capital to work with the appropriate support from Congress. For example, MARAD's Ready Reserve Force ("RRF") is in desperate need of recapitalization, with an average age of over 45 years. This fleet is critical to our national security, transporting (in combination with the U.S.-flag commercial fleet) approximately 90% of combat unit equipment for the Army and Marine Corps during deployments. As evidenced by a recent Department of Defense Office of Inspector General report, efforts to recapitalize the fleet via the purchase of used vessels have failed, with only 5 of the 26 necessary ships being purchased, and efforts to build ships under the legacy (i.e., non-VCM) Government shipbuilding methods stalled due to high estimated costs.¹² The report encourages the Government to "revise the strategy based on known limiting factors, and develop viable milestones based on those factors to ensure the Navy is capable of meeting readiness requirements in the event of a contingency."¹³

To that end, I encourage this Committee to expand MARAD's authority to enter into build-charter and contractor owned-contractor operated ("COCO") agreements (e.g., by exempting the agency from the faulty capital lease scoring criteria under OMB Circular A-11, Appendix B). Revising the capital lease scoring criteria can accelerate the recapitalization of the RRF fleet, with an initial

¹² Department of Defense Office of Inspector General, *Evaluation of U.S. Navy Efforts to Recapitalize Surge Sealift Vessels* (Report No. DODIG-2025-116) (June 20, 2025).

¹³ *Id.*

series construction of at least ten (10) roll-on/roll-off vessels. Under such a model, private companies such as TOTE / Saltchuk can use private capital to construct the vessels under the commercial agreements in commercial shipyards, with security of long-term charter or operating agreements with the Government. These actions would drive down taxpayer costs, quickly deliver critical national security assets into operation, mitigate Government financial risk, and reinvigorate the U.S. commercial shipbuilding industry.

SHIPS for America Act and Maritime Action Plan

Building on this Committee's demonstrated commitment to restoring American maritime leadership, several complementary initiatives now stand poised to accelerate the revitalization of U.S. shipbuilding. The SHIPS for America Act, S.1541, together with the forthcoming release of the Maritime Action Plan ("MAP") in accordance with Executive Order 14629: *Restoring America's Maritime Dominance*, reflect the forward-thinking leadership that will revive U.S. shipbuilding and usher in a new era of industrial innovation, strengthening our national defense, driving economic growth, and reinforcing homeland security through a modern maritime industrial base. TOTE Services supports the proposed 25% tax credit for U.S. shipyard and component manufacturing investment and encourages this Committee to ensure that the provision includes investments in U.S. territories such as Puerto Rico and the U.S. Virgin Islands. These incentives could help accelerate much-needed reinvestment into our commercial shipyards, further aided by the envisioned Maritime Security Trust Fund, to enable receipts from the USTR's port fees to be used for shipyard investments. To further ensure that investments are made in support of innovative technologies, I further urge Congress to pass the *Maritime Fuel Tax Parity Act* (S.549/H.R.2925, also Section 709 of the SHIPS Act), which modernizes the tax code to by putting alternative petroleum-based fuels on the same footing as traditional fossil fuels as part of an all-of-the-above energy strategy to fuel domestic vessels.

Finally, as discussed above, the VCM acquisition strategy and build-charter / COCO model directly address many of the SHIPS Act and Executive Order stated goals, including reducing foreign shipbuilding dependency and improving procurement efficiency. By using commercial solutions, many of the inefficiencies that have plagued the U.S. shipbuilding industry can be quickly resolved, restoring American shipbuilding dominance.

Again, thank you for opportunity to testify today. I appreciate this Subcommittee's focused efforts on restoring our critical U.S. shipbuilding industry and I am happy answer any questions of the Subcommittee members.