STATEMENT OF PAUL N. JAENICHEN
MARITIME ADMINISTRATOR
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
HOUSE COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES

LOGISTICS AND SEALIFT FORCE REQUIREMENTS
AND FORCE STRUCTURE ASSESSMENT

JULY 30, 2014

Good afternoon Chairman Forbes, Ranking Member McIntyre, and Members of the Subcommittee. I want to thank you for the opportunity to discuss the United States Merchant Marine that supports our Nation's government-owned and commercial fleet sealift requirements.

While our Nation is continuing to recover from the economic downturn of the past several years, more cargo is being moved by merchant ships globally. However, there are challenges to maintaining the number of commercial U.S. flag vessels actively involved in international trade, which impacts the availability of sealift capacity that the Department of Defense (DOD) relies upon to move equipment and supplies to support global projection and sustainment of our Armed Forces. The U.S.-flag commercial fleet operating in international trade provides a substantial portion of the infrastructure for this sealift capability with commercial maritime companies, their vessels, and mariners available in wartime or crisis, as needed. While the number of liners – including containerships, roll-on/roll-off, and general cargo vessels has remained relatively constant in recent years and the size of the vessels continues to increase, the overall number of vessels in the U.S. flag fleet today declined by 18.6 percent as of July 2014 compared to the running 5-year average. The largest component is a declining number of non-militarily-useful bulk carriers, with declines in other service types as well. This causes me to be concerned about the overall health of our international trading fleet. Government-owned sealift force requirements have a significant nexus to the commercial U.S.-flag maritime industry that provides the ready pool of proficient and qualified merchant mariners. Given that the two are

linked, DOD and the Maritime Administration must assess the impact of the loss of these vessels on sealift to support national security.

The Ready Reserve Force (RRF) fleet of government-owned merchant-type vessels was established in 1976 as a subset of the Maritime Administration's (MARAD) National Defense Reserve Fleet (NDRF). The mission of the RRF is to ensure the capability to rapidly deploy military forces and equipment, and emergency humanitarian aid to events that require intervention by the U.S. Government. The program began with the modernization of six of the NDRF program ships in the best condition left over from World War II. By 1994, the RRF had grown to 102 ships. Today, there are 46 vessels in the RRF that meet DOD's specified requirements for vessel type, readiness condition, and location. The average age of these 46 ships is 40 years with the oldest being 47.

The RRF has evolved into a very effective and proven national asset for providing "assured access" to sealift capacity that is ready on time, at reasonable cost, and operated by U.S. companies and U.S. mariners. All of the ships are maintained in a reduced operating status (ROS) with a partial crew sourced from maritime labor unions. These crews are employed to maintain the ships so that they can be underway for use within four days of receiving an activation order from DOD. These contracts for ship management services are established with U.S. companies that operate commercial U.S.-flag ships. RRF ships provide significant support to U.S. shipyards through an average of nine major (multi-million dollar) shipyard repair periods each year. In FY2013 alone, RRF ships contributed over $172 million dollars to forty (40) state economies, $120 million of that going to businesses in California, New Jersey, Oregon, Pennsylvania, Texas, and Virginia.[1]

Readiness of RRF vessels is monitored while in ROS in order to ensure that 85 percent of the ships are ready to be under way in 96 hours, followed by 24 hours at sea heading to the load port, as set forth in DOD guidance. In order to ensure that the fleet can meet this DOD guidance, 90 to 95 percent of the ships are maintained in this high level ready status. This allows MARAD to meet its performance target of 100 percent success on RRF vessel "no-notice" activations,

[1] Based on MARAD's Resource Management System accounting of RFF ship maintenance contracts.

notwithstanding, the challenges in getting a 40-year-old ship underway in 96 hours, after not having operated at sea for as long as two years. Over the history of the RRF program, there have been more than 600 vessel activations including those for validation of readiness, with an average of nearly 27 activations per year since 1990.

The RRF provided major contributions to the success of numerous U.S. military and humanitarian operations. From 2002 through June 2008, 118 ship activations were necessary to support Operations ENDURING FREEDOM and IRAQI FREEDOM. During that period, there were 13,575 ship operating days with a reliability rate of 99.0 percent. Roughly 25 percent of the initial equipment needed to support U.S. Armed Forces operations in Iraq was transported by the RRF. In response to the devastating earthquake that struck Haiti in January 2010, three MARAD vessels took part in relief efforts. The first vessel carried supplies and equipment for the U.S. Navy's Construction Battalions (Seabees). The second vessel provided logistical support for the relief efforts from Port au Prince's harbor, while the third vessel operated as a high speed freight and passenger shuttle between the continental U.S. and Port au Prince.

The RRF has also been called upon to provide humanitarian assistance to the U.S. Gulf Coast following Hurricanes Katrina and Rita in 2005 with 866 ship-days of support. The Federal Emergency Management Agency (FEMA) used nine MARAD vessels to support these relief efforts. Five of those vessels were from the RRF and the remaining four were training vessels with additional berthing capacity from the NDRF. Messing and berthing were provided for refinery workers, emergency response teams, and longshoremen and totaled more than 83,000 berths and 270,000 meals during their activation.

MARAD also activated one RRF vessel and two NDRF training vessels in response to Hurricane Sandy in late 2012. These vessels not only provided berthing and meal service to relief workers from the Department of Homeland Security and private organizations such as the Red Cross, but also saved the U.S. Government millions of dollars in per diem costs had those workers been housed in New York City or nearby cities.

Clearly, maintaining a standby fleet of former commercial vessels in the RRF has served our Nation well. While commercial ships are normally retired after 25 years of operation, MARAD intends to maintain the RRF program ships in service for 50 years. Given the 40 year average age of the RRF, MARAD is coordinating with DOD to examine the need for recapitalization. The RRF maintenance program has compensated for age by effectively managing maintenance through auxiliary equipment upgrades to provide more modern shipboard systems.

MARAD is currently preparing, in coordination with DOD, an RRF recapitalization study to assess the full range of options that will balance the DOD's requirements with funding realities. Several recapitalization options that could be examined include: (1) acquiring commercial vessels when they age-out of economic usefulness, (2) acquiring new U.S.-built vessels (which MARAD estimates would cost approximately $225 million) (3) supporting construction and operation of American Marine Highway vessels to be available for worldwide deployment on short notice, and (4) exploring the possibility of joint Navy-MARAD national security multi-mission vessels that use a school ship recapitalization model to encourage building commercial vessels with military utility.

The overall volume of non-bulk dry and dry bulk preference cargo transported on U.S. flag vessels has substantially decreased since 2005, which was during the Afghanistan and Iraq wars. The reductions are most significant in non-militarily-useful bulk carriers along with reductions in other service types. Ships require cargo to be economically viable. So without ready access to either commercial or government impelled (cargo preference) cargos, the survival of some vessels in the U.S. flag fleet operating in international trade is in question. The causes of the falling volumes of non-bulk dry cargo and dry bulk preference cargo do not appear to be transient. Continued reductions in the number of U.S. Armed Forces and overseas military bases, coupled with decline in the number of troops involved in global operations, suggest that military cargoes will continue to decrease through 2016, leveling off at less than one million metric tons per year. This is less than half of the volume transported as recently as 2011.

The size of the U.S.-flag international trading fleet of privately-owned, self-propelled vessels decreased from the five-year average between 2008 and 2013 of 101 to 84 vessels as of July

2014, and is expected to decrease further in the years to come. Adverse impacts on the 58 liner-service-type vessels in the Maritime Security Program Fleet are already occurring with one vessel leaving the program and reflagging and reflagging foreign and two more expected before the end of the year. They state that their basis for leaving the program is a lack of cargo and it appears unlikely that commercial or preference cargo opportunities will recover significantly in the future.

MARAD is responsible for determining whether adequate manpower is available to support the operation of sealift ships during a crisis, as set forth in the National Security Sealift Policy – National Security Directive (NSD) No. 28 dated October 5, 1989. We have determined that the pool of civilian U.S. Merchant Mariners available to crew government sealift ships when activated has declined over the last decade, and the current number of qualified and experienced mariners available may not be adequate in the very near future without requiring the U.S. Coast Guard to waiver domestic and international requirements for the mariners. This assessment of the status of the civilian Merchant Mariner pool included close coordination with the U.S. Maritime Labor Unions and consultation with other maritime industry stakeholders. Given this assessment, I intend to work closely with the U.S Transportation Command, the U.S. Navy, and the commercial maritime industry to address this issue.

The Merchant Marine Act of 1936 declared that establishing an American merchant marine is a national priority and stated that it is U.S. policy that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States." The primary source of mariners to crew government reserve sealift ships is the pool of U.S. contract mariners actively sailing in the U.S.-flag shipping industry, including the Jones Act trades, which are reserved entirely for the U.S. flag. The sufficiency (availability, commitment, and skills) of this mariner pool to support a large-scale activation of the government reserve sealift fleet (60 ships) directly depends upon the number of commercial U.S.-flag merchant fleet vessels actively sailing. A fleet that is sufficiently sized provides an adequate pool of qualified merchant mariners to meet the crewing requirements of both the commercial and government sealift fleets during national emergencies and during normal peacetime operations.

I am concerned that the number of available mariners is no longer adequate to meet both the initial surge and sustained operation of the government sealift fleet. While Jones Act trade has been growing, the reductions in the number of afloat jobs have decreased the size of the blue water mariner pool to a historic low. The size of vessels has increased considerably, allowing more cargo to be carried on a given vessel and requiring the same or fewer mariners. This sharp decline in U.S.-flag afloat jobs over the past four years comes at the same time that domestic and international training requirements for mariners in Jones Act and international trade are increasing due to Standards of Training Certification and Watchstanding passed by the International Maritime Organization that take effect in January 2017.

MARAD estimates that vessels average about 20 billets (or 40 mariners on an annualized basis), and that within current international trade there are approximately 4,100 licensed officers and 7,600 unlicensed readily available mariners to sail on either commercial or government reserve sealift ships. This revised analysis of the contract mariner pool, including both union and non-union mariners has been shared with DOD. While this number of contract mariners is sufficient to meet the initial sealift surge when government reserve sealift ships are activated, it will severely challenge our ability to sustain crewing requirements over an extended period that requires the rotation of crew members on both government and commercial vessels. The initial activation of the 60 MARAD and Military Sealift Command surge vessels will require 1,225 mariners with an additional 2,450 mariners needed for sustained operation. Any further loss of ships with the corresponding mariner jobs will significantly impact the ability to crew the sealift fleet to meet national security requirements, given that seagoing career and progression opportunities for U.S. Merchant Mariners are now increasingly more difficult to sustain. MARAD is currently working with DOD to address the mariner issue and will assess the impact on the availability and capacity of sealift assets to support national security.

The U.S. Maritime Labor Unions, which have collective bargaining agreements to crew the sealift fleet, cannot retain members when afloat employment is not available. Additionally, the significant loss of afloat jobs affects the ability to assess, train and develop new mariners and grow the available mariner pool given that sea time serving aboard operational ships is critical to obtaining the experience necessary for mariners to upgrade their U.. Coast Guard credentials. A

shortage of senior unlicensed engineers, specifically electricians, already exists and a shortage of senior management level officers will occur within the next five years. Due to extensive training and licensing requirements, it is difficult to recruit and retain seafarers if there are insufficient jobs. Similarly, the unions have determined that mariners who remain out of work or are not actively sailing for a period of more than 18 months are unlikely to keep their license or training current. Of note, it takes an average of 10 years to produce a Master or a Chief Engineer and current attrition rates are projected to overtake the advancement rate of new management level blue water mariners within the next five years.

MARAD is currently working on developing a National Maritime Strategy with stakeholders aimed at preserving and growing all aspects of the U.S. merchant marine, including the U.S.-flag international trading fleet.

Thank you for the opportunity to share our program successes and to discuss what may be a critical juncture point for the long-term health of the international trading U.S. Merchant Marine, which can have significant impacts on our Nation's economic and national security as it relates to sea power. I look forward to any questions you may have.

##