

**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

March 22, 2016

Good afternoon Chairman Forbes, Ranking Member Courtney, and Members of the Subcommittee. I want to thank you for the opportunity to discuss the U.S. Merchant Marine's support of our Nation's logistics and sealift force requirements.

To defend American interests and carry out national policy overseas, the United States must be capable of deploying military forces and providing humanitarian assistance anywhere in the world on short notice to meet emergent contingency requirements. Sealift is critical to meeting those requirements. The U.S.-flag fleet of privately owned, commercially operated vessels, along with government-owned vessels, provide sealift surge and sustainment capacity to move equipment and materiel for the Armed Forces and Federal agencies when needed, and where needed, during times of conflict, humanitarian crises and natural disasters. Supporting these capabilities are the Maritime Administration's (MARAD) National Defense Reserve Fleet (NDRF), Ready Reserve Force (RRF) and Maritime Security Program (MSP).

Ready Reserve Force

The RRF fleet of Government-owned merchant-type vessels was established in 1976 as a subset of MARAD's NDRF. The mission of the RRF is to ensure the capability to rapidly deploy military forces and equipment or emergency humanitarian assistance/disaster response supplies to events that require intervention by the U.S. Government. The program began with six modernized NDRF ships left over from World War II and peaked in 1994 at 102 ships. Since then, requirements have changed and the RRF currently consists of 46 ships selected on the basis

of their capabilities, readiness condition, and location to meet Department of Defense (DOD) expected surge sealift needs. This includes 45 RRF vessels that are maintained ready for operation within five days to transport defense related cargo to the area of operations and one RRF off-shore petroleum discharge vessel maintained ready for operation within 10 days. The size and readiness of the RRF is directed by DOD to meet their sealift requirements. While the RRF has not been fully activated, during the 1991 Operations DESERT SHIELD AND DESERT STORM—which predate the Maritime Security Program—78 vessels were activated. Currently there are 46 ships in the RRF. Over the history of the RRF program, there have been more than 600 vessel activations, over half of which were for missions other than to test readiness. The average number of annual activations, including readiness testing, has been nearly 27 since 1990.

The RRF has contributed to the success of numerous U.S. military and humanitarian operations. These include 118 ship activations in support of Operations ENDURING FREEDOM and IRAQI FREEDOM and support for humanitarian and emergency response following Hurricanes Sandy, Katrina and Rita, the earthquake in Haiti, the Ebola crisis in West Africa, and the international effort to destroy the Syrian Government's declared chemical weapons. While the RRF has provided reliable and safe sealift to support military and humanitarian missions, the fleet is aging. The average age of the fleet is 39 years—well above the normal service life of commercial vessels. MARAD is working closely with DOD to monitor the material condition of the RRF, as well as determining future recapitalization requirements of the fleet.

Maritime Security Program

The Maritime Security Act of 1996 established the MSP which provides direct annual stipends for up to 60 active, commercially viable, militarily useful, privately-owned U.S.-flag vessels and crews operating in international trades. The MSP fleet ensures DOD access to U.S.-flag ships in ocean-borne international commerce with the necessary intermodal logistics capability to move military equipment and supplies during armed conflict or national emergency. The fleet also provides critical employment for up to 2,400 highly qualified U.S. merchant mariners. Under this program, participating operators are required to commit their ships and global commercial transportation resources upon request by the Secretary of Defense during times of war or national

emergency. Of the 78 U.S.-flag vessels that trade internationally today, 57 currently participate in the MSP program. MARAD recently approved one vessel to enter the program as a replacement and is in the process of filling the remaining two vacancies in the program.

U.S.-Flag Merchant Fleet

The total number of vessels in the internationally trading U.S.-flag fleet has varied considerably over the years, rising from 92 in 2001 to 106 in 2011 and declining to 78 vessels today. The decline in this segment of the fleet is coincident with the decline of Government-impelled preference cargoes. Government-impelled cargoes are those which move as a result of direct Federal Government involvement, financial sponsorship of a Federal program, or in connection with a guarantee provided by the Federal Government. In addition to the movement of DOD-owned equipment, Government-impelled cargoes include items supported by, or associated with civilian agencies such as Export-Import Bank, the U.S. Department of Agriculture and U.S. Agency for International Development (USAID) programs. The overall volume of preference cargo transported on U.S.-flag vessels has substantially decreased since 2005, when preference cargoes peaked due to military operations in Afghanistan and Iraq.

The number of U.S.-flag vessels has been trending lower for decades for a number of reasons, and a substantial portion of trend over the past 25 years cannot be statistically explained, although carriers who have reflagged or retired ships out of the U.S.-flag fleet from 2011 through 2013 have stated that the predominate driver in their decision to remove vessels has been the loss of preference cargoes. Vessel owners take into account a variety of factors before making a decision to leave the fleet including government-impelled cargo as well as foreign-flag trading options for their vessels. In individual circumstances, particularly for operators that do not have the benefits of participating in the MSP, loss of government-impelled cargo could influence a vessel owner's decision to retire vessels from the fleet or reflag. Unfortunately, detailed data that would allow the exact calculation of when a vessel owner would make that decision are not available and are difficult to obtain.

What we do know is that the reason that privately owned and operated ships remain in international trade under the U.S. flag is to move cargo. We also know that a reduction to our fleet of U.S.-flag vessels trading internationally means a reduction in mariner jobs in international trade. While this does not preclude these mariners from seeking jobs in the growing Jones Act trade, the number of ocean-going, self-propelled vessels trading in the domestic coastwise trade has stayed roughly the same.

The causes of the falling volumes of preference cargo do not appear to be transient. Continued reductions in the number of garrisoned or permanently stationed U.S. Armed Forces personnel overseas as well as the number of U.S. military bases in foreign countries, coupled with decline in the number of troops deployed for global operations, suggest that DOD preference cargoes are unlikely to increase in the future.

Mariner Availability

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. MARAD’s assessment of the civilian U.S. Merchant Mariner pool shows that the number of civilian mariners available to crew government sealift ships when activated has declined over the past decade, and the current number of qualified and experienced mariners available may not be adequate in the near future. U.S. mariners serve on all types and sizes of vessels, and their qualifications are not interchangeable. For example, mariners employed aboard vessels in international trades, must meet international standards for training, certification and fitness. Their credentials must carry the appropriate internationally recognized endorsements. These same qualifications are required for employment aboard commercial or government reserve sealift ships. However, only ocean going mariners must meet all of these additional requirements.

The primary source of mariners available to crew government reserve sealift ships is the pool of U.S. mariners actively sailing on board U.S.-flag ships in both the domestic coastwise and international trades. While the domestic trade has grown, the number of mariners with

appropriate credentials serving on large self-propelled ships has not increased proportionately. In addition, the number of U.S.-flag ships trading internationally has declined, further depleting the number of appropriately credentialed active U.S. mariners. The decline in the number of afloat jobs supported by the U.S.-flag international fleet comes at the same time that training requirements for mariners are increasing due to updated Standards of Training, Certification and Watchkeeping (STCW) requirements adopted at the International Maritime Organization that take effect in January 2017. An offsetting factor is that the USMMA and the six State Maritime Academies (SMAs) are graduating nearly 900 cadets per year with the necessary credentials.

Current estimates show that only about 11,280 mariners have the necessary U.S. Coast Guard credentials and recent sea service (i.e., within the last 18 months) to operate large oceangoing ships. This number is sufficient to activate the Federal government-owned surge sealift fleet of 63 ships for a period of four to six months, but it is not enough for sustained operations. Further losses in the number of commercial U.S.-flag ships, and the corresponding loss of mariner jobs in international trade, will significantly impact our ability to crew this sealift fleet. While mariner jobs in coastwise domestic trade are growing in some sectors, they usually do not require mariners to maintain ocean-going credentials. We also anticipate shortfalls in specific skills that require higher levels of experience such as steam engineers and electricians. Given this assessment, I am working closely with the U.S. Transportation Command, the U.S. Navy (Military Sealift Command) and the commercial maritime industry to address the mariner availability issue.

The Department of Transportation's National Maritime Strategy

MARAD is taking action to aid the Department of Transportation's efforts in safe and efficient freight transportation, and to address the issues that challenge the U.S. maritime industry through the development of a draft National Maritime Strategy. We expect to publish the draft strategy in the coming months, which will be available for public comment before MARAD finalizes it. As required in Section 603 of the Howard Coble Coast Guard and Maritime Transportation Act of 2014, the strategy will identify Federal regulations and policies that reduce the competitiveness of U.S.-flag vessels operating in foreign trade; and the impact of reduced cargo

flow due to reductions in military deployment overseas. It will also include recommendations to make U.S.-flag vessels more competitive and increase the use of U.S.-flag vessels in international trade, ensure compliance by Federal agencies with cargo preference laws, increase the use of third-party inspection and certification authorities to inspect and certify vessels; increase the use of short sea transportation routes; and enhance United States shipbuilding capability. Following publication of the draft strategy for public comment, I look forward to providing the strategy to the Committee.

Thank you for your interest our Nation's maritime transportation capacity and capability, the opportunity to provide a status update for our program and to discuss what may be a critical juncture point for the long-term health of the international trading U.S. Merchant Marine. I look forward to any questions you may have.