STATEMENT OF
CAPTAIN STEPHEN M. CARMEL
MARITIME ADMINISTRATOR
MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON READINESS & SUBCOMMITTEE ON SEAPOWER AND PROJECTION FORCES
U.S. HOUSE OF REPRESENTATIVES

HEARING ON "POSTURE AND READINESS OF THE MOBILITY ENTERPRISE – TRANSCOM AND MARAD"

MARCH 18, 2026

Good afternoon, Chairman Bergman, Chairman Kelly, Ranking Member Garamendi, Ranking Member Courtney, and Members of the Subcommittees. Thank you for the opportunity to discuss the role of the Maritime Administration (MARAD) in supporting the strategic sea lift capabilities of the Department of War (DOW).

INTRODUCTION

There are five key facts that define the current state of the U.S. maritime enterprise:

First — the United States has not built a commercial ship for sale into the global market since October 1960. For nearly three-quarters of a century we have operated outside the international shipbuilding ecosystem. This is not a cyclical downturn; it is structural disengagement.

Second — our international U.S.-flag fleet has fallen to roughly eighty ships, none primarily carrying the foreign-bound commerce of the United States. The fleet survives largely through government stipends rather than commercial competitiveness. The U.S.-flag fleet carries less than two percent of international commerce and not one molecule of energy in international trade. That has all been outsourced, often to actors of unknown origin or allegiance. Maintaining the status quo puts at risk American maritime self-reliance and presents significant economic and national security vulnerabilities. MARAD is considering actions to promote the use of U.S.-built, flagged, and manned ships that participate in international trade.

Third — while recent investments by Congress and United States Transportation Command (USTRANSCOM) have preserved critical mobility capacity, we must evaluate whether the Ready Reserve Force (RRF), as presently structured, is sufficient to meet long-term strategic goals. We must continue to focus on developing a RRF that can reliably execute large-scale surge sealift under realistic operating conditions.

Fourth — more U.S. trade value now moves across the seafloor as data than moves aboard American ships, yet the United States lacks organic capability to maintain the subsea infrastructure that carries that commerce.

Fifth — despite one of the most complex regulatory environments in the world, the U.S.-flag ranks below China in multiple international port-state control regimes. Congress should examine existing laws to determine if there are overlapping domestic rules that create additional burdens and costs but do not enhance safety and security.

A PATH FORWARD

The United States did not arrive at this point because of a single failed program or insufficient subsidy. We arrived here because maritime capability — shipbuilding, repair, logistics, and undersea cable laying and repair — was outsourced piece by piece, placing the Nation's maritime system at risk. As the President noted in his Executive Order on Restoring America's Maritime Dominance, the commercial shipbuilding capacity and maritime workforce of the United States has been weakened by decades of Government neglect, leading to the decline of a once strong industrial base while simultaneously empowering our adversaries and eroding United States national security. This Administration recognizes the urgency to address risks in the Nation's maritime capabilities and has proposed in the Maritime Action Plan specific actions that should be taken to mitigate those risks. The Maritime Action Plan lays out a comprehensive, coordinated approach across multiple Federal agencies with maritime responsibilities, in conjunction with allied nations, private sector partners, and State and local governments to form a unified strategy to restore American maritime strength. I look forward to working with Congress and MARAD's Federal partners in executing the Maritime Action Plan. The Maritime Administration, using the Maritime Action Plan as a framework, provided expertise on proposals for legislative action to address these issues, and will take action directly where it can do so. MARAD looks forward to working with this committee to address our vulnerabilities and rebuild our maritime strength.

The choice before Congress is not incremental adjustment but discontinuous change: rebuilding a functioning maritime system capable of competing globally. Absent that, Congress may soon be having hearings not about how to gain maritime dominance, but how to live without it, forever beholden to peer competitors. As noted in the Maritime Action Plan, the status quo poses significant security and supply chain dependency issues. The United States is vulnerable when the current proportion of our trade to and from foreign markets is ferried on foreign built and manned ships that sail under the flags of our competitors. This vulnerability is exacerbated by the barriers faced by our maritime industrial base to build and maintain the vessels the United States needs to defend American interests in the maritime domain.

U.S. maritime is at the intersection of great opportunity and great peril. The United States has an opportunity for strategic change to ensure U.S. dominance. The choice is ours, and we make it through the policies we enact and investments we make, or don't make. Or in the words of my alma matter – our deeds, not words.

The Nation has, for a century-and-a-half, alternated between well-meaning efforts to reinvigorate the industry and the damaging effects of policies that did not work as intended compounding the effects of poor decisions in industry. We have thus far established a de facto policy of outsourcing a critical component of our national and economic security – our maritime enterprise writ large. This is no different than outsourcing any other critical national capability, like steel production, energy production, or semi-conductors. And we have outsourced our maritime capability to entities we do not know and cannot trust. All have equally serious consequences, and all should be addressed with the same level of national will, attention, and resources. As in all outsourced capabilities, it only works as long as those we outsourced to agree to continue to do the work, and the real vulnerability is often understood best by our adversaries, who will use the gaps and seams outsourcing necessarily produces to hurt us.

The result has been an overall downward trajectory to where the maritime industry is kept barely alive primarily through government support mechanisms focused on assets, not systems and thus does not generate organic commercial competitiveness. The domestic commercial shipbuilding business is all but nonexistent, being restricted to a handful of ships for the U.S. domestic trade. Often overlooked in policy but essential in practice, the ship repair business is the backbone of daily operations—yet it is barely clinging to life. While there are no doubt strong repair yards, they are the exception. Every day seems to bring news of yet another repair yard on the brink of collapse looking for more government support to stay afloat. We often say we do not build enough of our own ships, but we do not repair enough of them either and that needs to change.

Our Nation's shipbuilding capability is insufficient. We need to focus on building ships at scale, meaning at rates commensurate with Korean or Japanese builders. Any policy that targets building for the domestic trade as the end goal will not succeed as that is too narrow and the market too small. Only by building for the international trade and providing owners with options when choosing a U.S. yard can we normalize waterborne trade. At the turn of the 19th century, the domestic market of waterborne trade was so large that the United States had one of the largest merchant marine fleets in the world while carrying little in foreign commerce. We can return the domestic market to that dominance again.

We cannot build ships at scale if we cannot finance them at scale, which means we must greatly improve access to credit. For MARAD, that means considering improvements to, and potential reframing of, the Title XI ship financing program. When compared to the types of financing offered by the Korean export import bank for their shipbuilders and shipowners, the limits of the Title XI program are clear. The Maritime Action Plan calls for the creation and improvement of programs that will incentivize private investment in commercial shipbuilding, commercial shipyards, and repair facilities. The President's "Restoring America's Maritime Dominance" Executive Order and the Maritime Action Plan that followed do not constitute the end of a process, but the beginning of one. As Maritime Administrator I am committed to urging continuous improvement of all MARAD programs and operations, of which Title XI financing is key.

The Maritime Action Plan encourages the use of artificial intelligence (AI) to streamline, analyze, optimize and reduce administrative burdens related to Government programs. These tools show great promise for the Title XI program to enhance risk models and move toward electronic applications The Department of Transportation's development of an in-house AI capability and integration of AI into its deregulatory efforts show a path for MARAD to succeed.

MARAD's war risk insurance program is another program that could benefit greatly from the intelligent application of AI. It is hopelessly out of date, relying on rules developed in the 1950's for the threats we faced at that time. The program should be evaluated to determine if reforms are needed to account for new risks we face now, such as grey zone conflict or cyber-attacks.

Our international flag fleet has been reduced to roughly eighty ships, not one of which are primarily engaged in the carriage of the foreign commerce of the U.S., and all supported by either the Maritime Security Program or Tanker Security Program. There is not one molecule of energy in international trade carried on U.S.-flag ships, even though the U.S. is one of the largest importers and exporters of energy in the world, having a vigorous 2-way trade in oil, both crude and refined oil, in particular. The very idea that the purpose of a U.S.-flag merchant marine should be first and foremost carrying the Nation's commerce seems to have been lost on us. The Administration's Maritime Action Plan recognizes this shortcoming and provides a roadmap to address it.

While portions of the Ready Reserve Force (RRF) continue to meet contingency requirements today, the long-term reliability, readiness, and affordability of the current model are increasingly challenged by prolonged inactivity, aging hulls, and technological obsolescence. These pressures intensify as vessels remain in reduced-operating status for extended periods, original design assumptions are exceeded, and parts availability decline.

Nothing in this testimony suggests abandoning, degrading, or reducing the operational availability of the current Ready Reserve Force prior to the fielding of validated replacement capacity. The Nation requires surge sealift capability today, and the existing RRF continues to support United States Transportation Command requirements under current operational plans. The question before Congress is not whether surge sealift is required, but whether the current ownership and utilization model can be sustained indefinitely without unacceptable readiness risk and escalating lifecycle cost.

The long-standing approach of maintaining vessels in extended reduced-operating status creates systemic risks over time. Ships are complex mechanical systems designed to operate. Extended inactivity accelerates corrosion, degrades machinery reliability, complicates parts sourcing, and erodes operational predictability during rapid activation. These effects compound as ships remain in service well beyond their original design life. By contrast, vessels that remain in continuous commercial or rotational service tend to be more maintainable, more predictable in performance, and better positioned to transition between operational states when called upon.

A larger and healthier U.S.-flag commercial fleet would complement—not replace—government-owned surge sealift assets by expanding the pool of vessels, mariners, shipyards, and suppliers available to support national defense requirements in peace, crisis, and war. Not all military cargo requirements can be met by commercially optimized vessels, which is why purpose-built government-owned ships will remain necessary for specific mission sets. Commercial fleet vitality nevertheless directly affects the resilience and scalability of the sealift enterprise.

To this end, and in keeping with the President's April 9, 2025 Executive Order on Restoring America's Maritime Dominance and the Maritime Action Plan, the Maritime Administration, working with the Department of War, shall pursue the new-build construction of sealift ships based upon commercial standards and designs, that are both necessary for the Maritime Administration to fulfill its mission and to reenergize the nation's maritime industrial base. These vessels, along with other logistics ships and auxiliary craft, will assist the nation in its efforts to reindustrialize while also providing modern and effective platforms to support the war-fighter. Additionally, if these vessels are procured in sufficient numbers and in block-buys or multi-year procurements, they will serve as incentives to attract direct foreign investment from foreign shipbuilders who are eager to enter the American maritime economy, thus adding both capacity and competition to our marketplace.

In the interim of new build vessels being delivered, the buy-used program represents an effort to address near-term readiness gaps created by decades of deferred recapitalization. That program should be evaluated in parallel with alternative approaches to ensure immediate readiness is preserved while longer-term solutions mature. No transition to a new fleet architecture should compromise existing surge sealift capability. Any transition should be done based on data driven experimentation.

In the near term, sustaining and improving the readiness of the existing RRF remains imperative. Over the longer term, the Nation should consider transitioning toward a fleet architecture that avoids extended inactivity, reduces lifecycle risk, and remains adaptable to evolving operational requirements. These objectives are complementary, not competing.

STRATEGIC SHIFT

We have reached a critical intersection. If we continue with the same programs, we will not stop the decline of our industry; at best, we will only briefly delay it. The other option is to choose a new path, with new programs that put the industry on a solid path to long term sustainable health, reducing, or even eliminating the need for subsidies. This requires a clear-eyed view of our environment, the competitive landscape, and recognition of the fact that we are already on the spectrum of conflict, to the left of kinetics, but not far. One aspect of the part of the spectrum we are on now is commercial warfare – a fight for dominance over international systems, standards and trade. In that part of the conflict, there is no such thing as free and open trade. Our policies must take this into consideration every bit as much as our tactics account for evolutions in adversary missile technology.

David Ricardo, the father of the economics of comparative advantage in international trade, assumed capital stayed at home. Ricardo noted in his famous treatise published in April of 1817 titled the "Principles of Political Economy and Taxation" -- "Experience… shows that the fancied or real insecurity of capital… together with the natural disinclination which every man has to quit the country of his birth… check the emigration of capital." This was the basis for international trade.

In today's maritime system, capital, technology, and industrial know-how move abroad easily. In fact, capital can be considered stateless – concentrated in owners and financiers who, through flags of convenience and complex ownership structures, evade national regulation, minimize costs, and externalize environmental and labor risks. What we are witnessing is not comparative advantage at work, it is comparative advantage rewritten by the migration of the very factors of production that create it, and weaponized against us in the process. The disappearance of the U.S.-flag merchant marine reflects industrial relocation and policy choices, not economic inevitability.

The need for discontinuous, trajectory altering change is clear. The failure to undertake it will be disastrous for our industry, and harmful for our country. We are in an age of great power competition and a Hobbesian world where our allies are allies only as long as they think it is in their best interest to be so. Continuing our current path of outsourced maritime capability needs to change.

The Maritime Administration must lead that change and be a change agent for industry. To properly fulfill that role, MARAD itself must change. We must evolve into a forward leaning organization focused on the future rather than being bound up in bureaucratic inefficiency and institutional unresponsiveness. We will be the responsive, innovative organization the American people deserve, and the industry has a right to expect.

To address the dire conditions we face, MARAD will no longer follow courses laid out in ink on long out-of-date charts. Instead, we are undertaking the following course corrections, and in some cases breaking out entirely new charts. We also need to explore territory when no chart yet exists, always mindful that our competition is doing the same. If we let our competitors draw the charts, set the standards, and define the trajectory for the future of the maritime industry, we will suffer irreparable harm no less than if we let them take the lead in new information technology infrastructure like AI, new energy systems such as small modular reactors, or innovations in finance driven by AI, block chain, and crypto currency. Everyone one of these are applicable in our journey to the new age of U.S. maritime dominance.

Specific program initiatives we are considering include small modular reactor powered ships. MARAD is evaluating the development of a small modular reactor (SMR) program focused on a system development approach. The intent is to co-develop with industry the potential for a scalable, commercially viable class of SMR-powered merchant ships. China is well ahead of the U.S. in this regard and will leverage the advantages their maritime silk road affords them. If they succeed in beating the U.S., they will lock in design and operating standards, insurance models, and port acceptance criteria that will place the U.S. at serious disadvantage for decades, if not permanently. The SMR ecosystem has the potential to leap-frog the U.S. in many aspects of maritime development, including shipbuilding. The ultimate goal would be a U.S. merchant SMR powered fleet operating across global trade lanes at scale profitably, and without subsidy. Evaluating this concept needs to start now. The research streams include financing, insurance, workforce development, port standards, and inspection and certifications standards, and most importantly a stable, reliable, and practical regulatory regime.

Other initiatives MARAD is considering are detailed below.

- The foundation of any effort to rebuild our maritime power must rest on access to cargo. Every conversation, whether it is shipbuilding, ship repair, or fleet renewal must start and end with cargo. Expanding government cargo preference programs cannot be the sole means to ensure sufficient amounts of cargo are available to U.S.-flag vessels. While they are critical, especially right now, they cannot be the foundation of our future fleet. There is simply not enough of it. And there never will be. The U.S. is the greatest trading nation on earth and that trade is what needs to be focused on. We must design programs that ensure the U.S. has an equitable share of carrying our nations commerce as a foundation for our fleet every bit as much as we insist on U.S. made steel or semi-conductors. They are all elements of national power and should all be treated equally as such.

- That said, the U.S.-flag international maritime trade industry as it currently exists is sustained by the Maritime Security Program (MSP) and Tanker Security Program (TSP). As previously noted, both programs suffer from insufficient government cargo. Not only is there not enough to build an increased fleet on, but there is also not enough to sustain the fleet we have now. This is critically important for the Tanker Security Program. Despite authorization to increase the fleet to 20 tankers, I am concerned about expanding the program unless there is sufficient cargo to support that number. The ironic thing is there is sufficient commercial cargo that could be made available to support a tanker fleet of that size, or larger, and at no cost to the taxpayer. Solutions are all around us with the proper programmatic support. We just need to act.

- A forward-looking view of cargo recognizes data as the cargo of importance in the current third industrial revolution. The old saying that 90 percent of trade happens by water is wrong as roughly 20 percent of U.S. trade is in services, and in which the U.S. has a dominate international position and a trade surplus. Roughly 60 to 70 percent of U.S. services exports are data deliverable. Data flows dependent on global communications infrastructure including subsea cables. Given that over 90 percent of international data travels via subsea cables, nearly all U.S. services trade is impacted – as is trade in physical goods, which is underwritten by finance and insurance sectors dependent on international data flows. In terms of dollars, in 2023 $655.5 billion dollars in U.S. services were digitally delivered across the floor of the ocean. About one third of all U.S. international trade (goods and services) has a major digital/data component when measured across the value chain. The makes the seafloor and subsea cables one of the largest, yet invisible trade lanes in the U.S. economy. It is also one of the most vulnerable to disruption. Our Nation's ability to call upon U.S.-flag capability to lay and repair the backbone our international trade depends on is limited. This is akin to outsourcing U.S. trucking or U.S. railroad to foreign drivers or train companies. The U.S. has no organic cable ships, with the USNS ZEUS now being deactivated. A replacement via the normal Naval Sea Systems Command construction process will take not years but decades. There is one company in the Cable Fleet Security Program who does a great job, but they are alone and have just a couple U.S. ships available. The two U.S.-flag ships in the cable security program are consumed by military work. Recognizing data as cargo and treating it as such in programmatic approach is critical to avoid a catastrophe when the undersea infrastructure that moves our global commerce is attacked or otherwise compromised, which can be expected in this modern age of warfare. The Administration will evaluate our approach to this critical market.

- American shipbuilding capacity has withered while strategic competitors have rapidly, and often unfairly, expanded and solidified their market share. The United States has not produced a U.S.-flag ship for international trade in nearly three-quarters of a century. You can forget a lot in that span of inactivity. The last time the U.S. produced a ship for sale on the international market (a foreign owner for sale under foreign flag) is generally considered to be October 1960. If we want to revitalize our shipbuilding industry that is the market we need to target. Building ships for the domestic market will not get us to the scale we need to be competitive internationally – it is simply too small. There is a lot more to revitalizing our shipbuilding industry than simply throwing money at shipyards, it is the development of a full ecosystem, including the commercial aspect with which no U.S. builder has familiarity. I would also stress the critical importance of the Great Lakes shipbuilding industry. We are down to a single yard in Wisconsin capable of building lake size bulkers, representing a single point of failure. In the entire great lake system, there are only two yards: the Fincantieri Bay Shipbuilding yard in Wisconsin and one yard in Ontario, Canada. In the meantime, the critical importance of this segment to the U.S. economy is often underappreciated, considering that upwards of 50 percent of total U.S. steel production relies directly on that fleet. For steel mills on the Great Lakes, the dependency is near total. We must not be reminded of the critical importance of this fleet by losing it. This is again a policy choice, not an inevitability.

- Getting shipbuilding to the point that it is producing ships at scale, meaning for both U.S. and international customers intended for international trade, will significantly induce investment in a modernized and robust shipbuilding enterprise. It should be noted that wages are not the problem and U.S. labor unfairly shoulders much of the blame. The problem is productivity which is a function of technology and scale. Given the proper equipment, yard layout, and learning curve efficiencies, which comes from building not 1 or 10 but 100 ships, U.S. labor is as competitive as any in the world. The U.S. has done it before, and we are capable of doing it again given the right industrial structure supported by the proper U.S. industrial stance.

- The U.S. ship repair industry likewise suffers from underinvestment in technology, antiquated yard layout and lack of scale. This is the segment that the Navy most often utilizes, and because few if any international trading ships utilize U.S. repair yards. The Navy, including the Military Sealift Command, and MARAD – the government in other words, is their only customer. There are no yards in the U.S. capable of undertaking a routine docking of the types of ships that engage in international trade and certainly not on the schedule and reliability terms such markets demand. That needs to change. This segment, not the shipbuilding segment, that will be most stressed during any conflict in the Pacific, or any conflict anywhere. Capital can fail, and when appropriate, should be reallocated to more efficient uses, including stronger and better performing repair yards that are investing in the right technology and their workforce. Labor on the other hand, which is the backbone of the industry, should never be allowed to fail and efforts to shore up this critical industry should take that approach. Helping capital and labor move to where it can be best used, not with bailouts or handouts.

- We cannot rebuild the critical elements of our industry without addressing the inadequate nature of ship financing in the country. The Title XI program is too narrow in scope, too shallow in capability, and too inefficient in execution. As recommended in the Maritime Action Plan, the Title XI program needs to be reformed to align with modern program management and business practices. Unnecessary, outdated, and overly burdensome requirements need to be changed to make participation in the program less costly. The program needs to incentivize sustained shipbuilding activity to provide shipyards access to long-term financing for large-scale capital projects.

Regulatory reform is another urgent issue. The U.S. maritime industry is heavily regulated with overlapping sets of rules unlike our international competitors who have one set of rules – IMO without flag state overlap. It should be noted that the U.S. overlapping regulatory regime does not produce results commensurate with their costs, noting the Paris MOU ranking, an industry recognized risk profile, where the U.S. is 22nd and China ranks 14th. The Tokyo MOU, a similar risk ranking has China solidly on the whitelist and the U.S. solidly on the grey list. No one is asking why we subject our ships to so much extra regulation yet produce results, as measured by the international, global port state control system, so much worse than China. But we should be. MARAD intends to work with its Federal partners to evaluate a "regulatory sandbox" approach to evidence based regulatory reform to address this inconsistency.

MARAD is also evaluating its grant programs to determine if the programs can be improved and made more efficient.

And of course, workforce development must be a central aspect of any effort to rebuild our maritime dominance. This spans all segments of our industry, from mariners to dockworkers to shipyard people. Investment in our workforce is crucial. We must ensure our labor force is the most well educated, productive and engaged in the global industry.

Another saying in our industry is that no matter what fancy technology you put on a ship, the ship will not run unless her crew wants her to. That saying applies across all segments of our industry. American maritime labor led the world once before, and our task is to make sure they do so again.

While there are many other initiatives MARAD is considering, the foregoing are all programs or initiatives that MARAD is evaluating right now. The organizing principal to it all is systems over assets – the Cunard-Kaiser rule. Assets fail; systems endure. We need to stop treating our maritime enterprise as individual stovepipes to be solved in isolation from each other. All these issues must be solved together. This akin to a system of simultaneous equations that can only be solved as a system. Taking individual equations and assigning them to different actors to solve individually will result in failure when we try to put not all together again. MARAD is committed to taking a system approach.

CONCLUSION

Thank you for the opportunity to testify today on behalf of MARAD. Under the leadership and vision of the current Administration, we look forward to working with these Subcommittees and our interagency partners to solve the myriad of challenges we face, solve them in time to make a difference, and ensure we produce lasting results so those that follow us can focus on solving the problems of their tomorrow vice the problems they inherit from us. I appreciate the Subcommittee's continuing support for maritime programs, and I look forward to any questions you may have.