

**WRITTEN STATEMENT OF
LUCINDA LESSLEY
ACTING ADMINISTRATOR
MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION**

**BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES**

**HEARING ON “REVIEW OF FISCAL YEAR 2022 BUDGET FOR THE COAST
GUARD AND MARITIME TRANSPORTATION PROGRAMS”**

July 21, 2021

Good morning, Chairman Carbajal, Vice Chair Auchincloss, Ranking Member Gibbs, and distinguished members of the Subcommittee, and thank you for the opportunity to testify on the President's Fiscal Year (FY) 2022 budget priorities for the Maritime Administration (MARAD).

FY 2022 BUDGET REQUEST

The United States is a maritime nation. MARAD's statutory mission is to foster, promote, and develop a resilient United States merchant marine and maritime transportation industry. A strong, resilient, reliable, and efficient marine transportation system is required to keep the United States competitive in the global economy and to provide sealift capacity support for our military. The President's FY 2022 Budget requests a total of \$1.2 billion for MARAD, and includes investments that focus on the implementation of policies that address critical infrastructure gaps while fostering and sustaining American job opportunities in the maritime industry, increasing our global competitiveness, and leveraging technology to meet the needs and challenges of the maritime transportation system while minimizing the environmental impacts of our ports on neighboring communities and port workers. Funds requested are especially critical to support the U.S. maritime industry as it continues to rebound from the coronavirus disease 2019 (COVID-19) pandemic. The Budget also requests funds to support MARAD's ongoing work to help mitigate climate change, strengthen environmental justice, promote transportation equity and inclusion, and support improvements in safety and security in the maritime domain, including across the U.S.-flagged fleet and in American ports.

On June 19, 2021, I visited the U.S. Merchant Marine Academy to attend its 2021 graduation ceremony and tour the Academy's facilities. Although I was pleased to tour several new

facilities built by the Academy in recent years, I was concerned by what I saw in some of the older facilities on the campus. I observed several instances of disrepair and what appeared to be either deferred maintenance or poorly performed attempts at maintenance. In light of the age of some of the buildings, a regular maintenance framework is essential for the health and safety of Academy staff and students. Therefore, in the wake of my visit, the Department and MARAD have acted immediately to begin to investigate these concerns, including dispatching teams consisting of building management professionals, contracting management professionals, and environmental health and safety professionals to conduct reviews of the campus. We are seeking professional assistance from the General Services Administration, and putting in place plans to undertake a comprehensive Building Evaluation Report. The Department has initiated a thorough, top-to-bottom review of the physical infrastructure and management practices, and will keep Congress informed of our findings in a timely manner. We are also developing 30-day, 60-day, and long-term work plans to address the most urgent issues.

NATIONAL SECURITY

America's strategic sealift provides the Nation with the capability to project power globally by deploying forces and moving cargoes worldwide during peacetime, wartime, and/or in any contested environment. Sealift requires a combination of commercial and Federal resources to succeed. The Government-owned sealift fleet, which includes the MARAD-maintained Ready Reserve Force (RRF) and the Department of Defense (DOD) Military Sealift Command's (MSC) surge sealift fleet, are supported by a fleet of privately owned, commercially operated U.S.-flag vessels in the Voluntary Intermodal Sealift Agreement, which includes vessels in the Maritime Security Program (MSP). The U.S. Merchant Marine is a fundamental component of our

national defense strategy. Our strategic sealift relies on a Government-owned fleet and assured access to commercially operated U.S.-flag vessels—as well as the intermodal networks maintained by these vessel operators—to transport equipment and supplies to deploy and sustain our military forces anywhere in the world. Critical to the operation of both Government-owned and commercial U.S.-flag vessels is an adequate supply of qualified U.S. mariners to crew them.

The FY 2022 Budget requests the fully authorized level of \$318 million for the MSP, which is the heart of sustainment sealift, comprised of a fleet of 60 commercially viable, militarily useful vessels, active in international trade and available on-call to meet the Nation’s need for sustained military sealift capacity. In return for a stipend, MSP operators provide the Department of Defense (DOD) assured access to their ships and their global network of critical capabilities, including intermodal facilities used to unload and transport military cargoes to final destinations. The MSP supports and contributes to the expansion of the merchant mariner base, providing employment for approximately 2,400 U.S. merchant mariners who may also crew the U.S. Government-owned surge sealift fleet in a contingency, as well as up to 5,000 additional shore-side maritime industry jobs.

The FY 2022 Budget for MARAD also includes \$60 million to support a new Tanker Security Program (TSP) that would provide \$6 million in stipend payments for up to 10 tanker vessels that will be enrolled in the program. Funding will help to address national security requirements for commercially viable U.S.-flag product tankers engaged in international trade to support our deployed Armed Forces in contingency operations and provide a global network of distribution capabilities. Additionally, the TSP will also create and sustain U.S. mariner jobs and support

economic security. In DOD's recent study on the US Flag tanker fleet¹ just recently provided to Congress on June 30, 2021, the report stated that there is insufficient US Flag tanker capacity to meet National Defense Strategy (NDS) requirements. The analysis from this study demonstrated the need for a TSP that, when working together with other solutions mentioned in the report, is an important step towards a comprehensive strategy to increase US Flag tanker capacity, to reduce the risk of reliance on foreign flag tankers for the most important fuel missions, and to ensure the DOD has sufficient tanker capabilities to meet NDS objectives.

MARAD maintains a fleet of Government-owned vessels in the National Defense Reserve Fleet (NDRF), including RRF ships and training ships on loan to the six state maritime academies (SMAs) and the U.S. Merchant Marine Academy (USMMA or Academy). The RRF vessels, along with a smaller number of Military Sealift Command vessels, provide sealift surge capability to deliver DOD equipment and supplies where needed during the initial stages of a response to a major contingency. The RRF fleet includes 41 vessels that are maintained and ready for operation within five days of activation to transport military cargo to critical areas of operation. In addition to providing strategic sealift support for DOD, these RRF vessels are relied upon to provide support services to emergency response personnel at impacted disaster areas during national emergencies, including severe weather events.

The President's FY 2022 Budget requests \$735 million from DOD budgetary authority for MARAD to maintain the NDRF and RRF. Funds will enable MARAD to continue to provide

¹ United States Transportation Command, FY20 NDAA Fuel Tanker Study Unclassified Executive Summary Report, June 30, 2021.

ready surge sealift support and special mission vessels from the RRF fleet, and also maintain MARAD's NDRF fleet mooring sites.

Our primary concern for the RRF is the recapitalization of the aging existing fleet. The budget request includes an increase of \$370 million from FY 2021 to support the acquisition of five used vessels and four used ship conversions. The RRF fleet has an average age of more than 46 years—some well past their expected use—which makes recapitalization critical. While the fleet is still capable, the budget request ensures MARAD will remain able to maintain the fleet's readiness at levels that provide confidence to operational commanders.

As authorized in the FY 2018 National Defense Authorization Act (NDAA), MARAD has advanced the acquisition of second-hand ships from the open market for service in the RRF. To assist in this effort, MARAD awarded a contract for Vessel Acquisition Manager (VAM) services in July 2021. The VAM will identify, modernize, and may operate these vessels after purchase. MARAD intends to rapidly seek suitable roll-on/roll-off (RO/RO) vessels that can be modified to meet DOD's needs for the organic sealift capability. We continue to work closely with the U.S. Navy and U.S. Transportation Command, to complete this procurement action.

U.S. MARITIME WORKFORCE EDUCATION AND TRAINING

MARAD provides funding and oversight for mariner training programs to produce highly skilled U.S. Coast Guard (USCG) credentialed officers for the U.S. merchant marine. It takes many years of training to develop the necessary mariner competencies for deck and engineering officer positions on large vessels in international trade. Access to an adequate pool of U.S. merchant

mariners is vital to both the peacetime commercial success of the U.S.-flag fleet and to crew Government-owned surge sealift vessels needed to sustain U.S. Armed Forces overseas.

The USMMA and SMAs support our Nation with well-educated and trained merchant mariners entering the maritime industry. Despite the tremendous challenges created by the COVID-19 pandemic, the USMMA graduated 220 USCG-credentialed merchant marine officers last month who hold unlimited licenses and are available to crew U.S.-flag ocean-going ships. Additionally, the combined six SMAs graduated 757 unlimited license merchant mariners in FY 2020.

The President's FY 2022 Budget for MARAD requests \$90.5 million for the USMMA. Funding will provide \$85 million for academic operating expenses, including continued support for health and safety protocols in response to COVID-19, and \$5.5 million for facility maintenance and repair needs of the Academy's aging buildings and infrastructure. These resources will enable the Academy to educate and train the next generation of seagoing officers and maritime leaders, while providing opportunities for a world-class education.

The Academy is a major source of U.S. Navy Reserve (USNR) Officers and a principal source of new officers for the U.S. Navy's Strategic Sealift Officer Program, which maintains a cadre of approximately 2,000 USNR Officers with the necessary training and credentials to operate strategic sealift resources during operations relating to national security matters. The skilled maritime leaders and military officers produced by the U.S. Academy will keep the Nation's maritime industry competitive in the global marketplace and ready to answer the call to duty in the event of national emergencies that demand renewed sealift capacity.

The FY 2022 Budget request also includes \$358.3 million to provide Federal assistance to support the six SMAs. Of that request, \$315.6 million would fund a transformational investment through the National Security Multi-Mission Vessel (NSMV) program.

The requested NSMV funding provides for the purchase of the fifth and final NSMV vessel to be assigned to the California State University Maritime Academy. In addition to providing a state-of-the-art platform to support mariner education, the NSMVs will also provide significant new capabilities to support National humanitarian and disaster relief missions. The training ships are the most important assets provided by the Federal Government to enable these schools to operate as maritime academies, and are essential to each school's ability to provide a training program that prepares students to pass the USCG licensing examination.

Congress has recognized the need to replace these training ships, and we thank you for supporting and appropriating funding for the construction of four NSMVs. MARAD has implemented the approved acquisition strategy utilizing a contracted Vessel Construction Manager responsible for contracting for, managing, building, and delivering the new ships. Construction is underway on the first two ships—the EMPIRE STATE and the PATRIOT STATE—both are on schedule, as designed, and at a fixed price. The first NSMV is expected to be delivered to MARAD in FY 2023.

OTHER TRANSFORMATIONAL INFRASTRUCTURE INVESTMENTS

After reductions in trade volumes in 2020, the strong rebound in U.S. consumer demand that's reached its peak in 2021 has spurred unprecedented growth in cargo volumes that have stressed

the maritime supply chains on which the U.S. economy relies. Many in the industry expect volumes to remain high throughout much of calendar year 2021, straining America's ports.

The MARAD Port Infrastructure Development Program request of \$230 million for FY 2022 will provide grants to improve port infrastructure and facilities, and to stimulate economic growth in and around ports, while also addressing climate change, improving safety and transportation equity, and strengthening port resiliency. Investing in the repair and modernization of ports creates well-paying union jobs for American workers, helps transform our deteriorating infrastructure, creates more opportunities in disadvantaged areas, and accelerates equitable long-term economic growth and resilience. This program also helps to increase our global competitiveness while leveraging technology to meet the needs and challenges of the maritime transportation system.

The FY 2022 Budget requests \$20 million for MARAD's Small Shipyards grants to support infrastructure improvements at qualified small U.S. shipyards to help improve their efficiency and ability to compete for domestic and international commercial ship construction and maintenance opportunities. Investing in shipbuilding supports job creation in a vital domestic industrial base, thereby advancing racial equity and supporting underserved communities. These grants may also support the acquisition of equipment that reduces climate impacts—including engines with lower emissions, and improved climate control technologies for buildings—and adapts technologies that reduce shipyard power consumption and its impact on the environment.

The FY 2022 Budget requests \$10.82 million for the America's Marine Highway program and will provide grants to support the increased use, development, and expansion of America's navigable waterways and landside infrastructure to enable the movement of freight by water, thereby reducing highway congestion and associated emissions. The program facilitates partnerships with a variety of stakeholders including shippers and manufacturers, truckers, ports and terminals, ocean carriers, and U.S.-flag vessel operators to utilize our waterways to move freight. These new supply chains enable more cost-effective transportation options for U.S. shippers and manufacturers.

Within MARAD's FY 2022 Budget request, \$10 million will support the Maritime Environmental and Technical Assistance (META) program to advance alternative energies and technologies, while also supporting job growth in clean energy and maritime transportation fields. The META seeks to augment and preserve the American maritime industry's competitive edge by making maritime transportation more technologically advanced, energy efficient, safe, affordable, and sustainable.

The FY 2022 Budget request for MARAD includes \$3 million for the Maritime Guaranteed Loan (Title XI) Program. This program is designed to manage loans that help to promote economic growth and modernization of the U.S. shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering, that may otherwise be unavailable to ship owners. Funding requested will enable MARAD to manage the current loan guarantee portfolio of \$1.59 billion in outstanding loan guarantees encompassing 18 contracts, as well as new loan agreements.

The President's FY 2022 Budget also requests \$10 million for MARAD's Ship Disposal Program. As the ship disposal agent for Federal government-owned merchant-type vessels of 1,500 gross tons or greater, funding will enable MARAD to continue to put primary emphasis on the disposal of the worst conditioned non-retention vessels to mitigate environmental risks. Funding will also help to sustain the unique infrastructure of the U.S. ship recycling industry base, including supporting American jobs in economically depressed areas. This funding also supports the continued maintenance of the Nuclear Ship SAVANNAH (NSS) in protective storage pursuant to Nuclear Regulatory Commission (NRC) license requirements while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress. NSS decommissioning and license termination must be completed by December 2031. MARAD is currently on track to meet this target date several years early.

The American Jobs Plan (AJP), while a separate proposal, complements the President's FY 2022 Budget by proposing a \$6 billion multi-year investment in a Healthy Ports Program. This program would provide competitive grants for projects that minimize or mitigate environmental impacts, such as shore power and electrification of port equipment and drayage trucks. Funds may also support related infrastructure for electric vehicle charging and hydrogen production and use, and development and execution of port climate action plans, as well as support for land-side rail and other projects that facilitate intermodal connections and relieve congestion in and around ports.

CONCLUSION

These programs represent MARAD's priorities supported by the President's Budget. We will continue to keep this Subcommittee apprised of the progress of our program activities and initiatives in these areas in the coming year.

Mr. Chairman, thank you for the opportunity to present and discuss the President's Budget for MARAD. I appreciate the Subcommittee's continuing support for maritime programs, and I look forward to any questions you and the members of the Subcommittee may have.