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**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 2023 BUDGET REQUEST FOR THE
COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS”**

April 27, 2022

Good morning, Chairman Carbajal, Vice Chair Auchincloss, Ranking Member Gibbs, and distinguished members of the Subcommittee. Thank you for your tremendous support for the Maritime Administration (MARAD), the U.S. Merchant Marine Academy (USMMA), and the U.S. maritime industry. We greatly appreciate the opportunity to testify today on the President’s Fiscal Year (FY) 2023 budget, and how this request will continue to advance MARAD’s key priorities.

FY 2023 BUDGET REQUEST

MARAD’s statutory mission is to foster, promote, and develop a strong and resilient United States merchant marine and maritime transportation industry to provide essential sealift capacity support for our military and to support the competitiveness of the U.S. economy.

The President’s FY 2023 Budget request of \$906.7 million for MARAD will continue to strengthen resiliency in the maritime transportation system by advancing recapitalization of our sealift capacity, supporting investments in our ports and waterways, and expanding our efforts to address climate change. Funding would also continue critical investments to address the many urgent and long-standing challenges at USMMA.

The Bipartisan Infrastructure Law (BIL) also provides \$450 million in advance appropriations which, when coupled with the FY 2023 President’s Budget, would represent nearly a \$1.4 billion investment. The BIL funding will be invested through our Port Infrastructure Development Program (PIDP), which enables us to support the construction of new capacity at ports around the United States to improve cargo throughput, eliminate bottlenecks, and reduce the time and cost of shipping goods.

NATIONAL SECURITY

Providing the sealift that the Nation needs is a critical part of MARAD’s mission, and we are proud to be in our 76th year of managing the National Defense Reserve Fleet (NDRF). America’s strategic sealift provides the Nation with the capability to project power globally by deploying Department of Defense (DOD) forces and moving cargoes worldwide during

peacetime, wartime-and through contested environment. Our Nation's sealift requires assured access to a combination of commercial and Federal resources to succeed.

Our Government-owned sealift fleet is supported and leveraged by a fleet of privately owned, commercially operated U.S.-flag vessels in the Maritime Security Program (MSP). The new Cable Ship Security Program (CSP) also supports U.S.-flagged ships, and the Tanker Security Program (TSP) funded in the Consolidated Appropriations Act, 2022, will soon add U.S.-flag capability to transport fuel to enable DOD to meet its operational needs.

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. Access to a pool of qualified mariners from a robust, commercial maritime fleet is essential to maintaining sufficient sealift readiness capacity for contingencies. Due to the declining number of ships in the U.S.-flag oceangoing fleet, MARAD is concerned about our ability to quickly assemble an adequate number of qualified mariners to operate large ships for surge and sustainment sealift operations if an extended mobilization were to occur.

As they always have during times of crisis in our nation's history, U.S. merchant mariners and other critical transportation infrastructure workers—including longshore workers, truckers, rail workers, and warehouse workers—have gone above and beyond during the COVID-19 pandemic to ensure the effective operation of our maritime transportation system and our intermodal supply chains. These essential workers have moved record volumes of cargo often at great personal risk, and we remember their heroic efforts and sacrifices during the COVID-19 pandemic.

Our nation's strategic sealift is hindered by a number of challenges, including: an aging fleet, the threat of operations in increasingly contested environments, the shortage of available mariners, and unprecedented readiness challenges brought on by the COVID-19 pandemic. Funding requested in the FY 2023 Budget will support efforts to address these challenges.

The FY 2023 Budget requests the fully authorized level of \$318 million for the MSP, which is the heart of sustainment sealift. The MSP is composed 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 DOD with 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 sustainment of the merchant mariner base, providing employment for approximately 2,400 highly trained, skilled U.S. merchant mariners who may also crew the U.S. Government-owned surge sealift fleet when activated, as well as support for more than 5,000 additional shore-side maritime industry jobs. MSP encourages newer vessels to enter the U.S.-Flag fleet. In FY 2021, there were six new vessels that flagged into the U.S.-Flag fleet to participate in MSP.

In addition, the newly funded and authorized TSP will begin to address the need for more U.S.-flag product tankers capable of loading, transporting, and storing on-station bulk petroleum

refined products to meet both national economic needs and DOD contingency requirements. Thank you for your support for the TSP. The FY 2023 Budget for MARAD continues funding to maintain this critical program, and we look forward to the enrollment of ten U.S.-flag tankers in the TSP, and anticipate this would create and sustain more than 500 critical U.S. mariner jobs.

MARAD maintains a fleet of Government-owned vessels in the NDRF, including the Ready Reserve Force (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 ships, 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 consists of 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 ships are relied upon to provide support services to emergency response personnel at impacted disaster areas during national emergencies, including severe weather events such as major hurricanes.

The President's FY 2023 Budget requests \$730 million from DOD budgetary authority for MARAD to maintain vessels in the NDRF and RRF. Funds will ensure MARAD's ability to maintain the fleet in a ready, reliable, and responsive condition to meet strategic sealift for the U.S. Armed Forces, and humanitarian support when called upon during national emergencies, as well as maintain MARAD's NDRF fleet mooring sites.

Our primary concern for the RRF is the recapitalization of the aging current fleet. The budget request includes funding to support the acquisition of two used vessels. The RRF fleet has an average age of more than 46 years—some well past their expected duration of use—which makes recapitalization critical. The COVID-19 pandemic has exacerbated difficulties in maintaining ship and even mariner readiness. The challenges have included widely varied local public health control measures, shipyard and local marine repair delays due to COVID-19 effects on the workforce, training shortfalls, and delays in the receipt of replacement equipment and even raw materials like copper windings for motors. While these challenges have contributed to longer out-of-readiness periods, our overall readiness actually increased over the last year thanks to modest increases in resources.

MARAD has been actively working on recapitalization. As authorized in the FY 2018 National Defense Authorization Act (NDAA) and following an acquisition protest upheld by the Government Accountability Office, MARAD re-solicited and awarded the Vessel Acquisition Manager (VAM) contract to manage our recapitalization efforts. After a global vessel search, screening, and onboard inspections, two vessels were selected for procurement in 2021. The first vessel was delivered to MARAD in March, for rapid enhancement as an RRF sealift vessel and delivery of the second vessel is imminent. We continue to work closely with DOD, U.S. Transportation Command , and the Navy to support the procurement actions necessary for these vessels to meet the Initial Operational Capability as RRF ships.

Wherever possible, the RRF program will advance recapitalization and seek opportunities to increase the rate of vessel replacement. As vessels are reassigned to MARAD from DOD

components for maintenance in the RRF program, our recapitalization requirements will increase. The rate of recapitalization is limited by the number of ships we are currently authorized to purchase.

U.S. MERCHANT MARINE EDUCATION AND TRAINING

MARAD supports mariner training programs to produce highly skilled U.S. Coast Guard (USCG) credentialed officers for the U.S. merchant marine. MARAD continues to support mariner education and training through the USMMA, and facilitates mariner education through the support we provide to the six SMAs.

USMMA is a major recruitment source of U.S. Navy Reserve (USNR) Officers and also 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 at times of national need. The skilled maritime leaders and military officers that graduate from USMMA help keep the nation’s maritime industry competitive in the global marketplace and also answer the call to duty when the nation needs their service.

The President’s FY 2023 Budget for MARAD requests \$99.7 million for the USMMA. Funding will support academic operating expenses for an estimated 1,010 midshipmen and 296 faculty and support staff, including continued support for measures to help prevent sexual assault and sexual harassment, and provides for routine and unplanned facility maintenance and repair needs of the Academy’s aging physical plant.

The Academy, MARAD, and DOT are committed to ensuring the safety of midshipmen both on campus and during their training at sea. As the Committee is aware, late last year, we made the difficult decision to pause the Merchant Marine Academy’s Sea Year training aboard commercial vessels that midshipmen undertake to earn sea time. We did this so we could strengthen both the measures we require of the commercial operators carrying cadets and our own institutional policies, procedures, and training instructions to prevent sexual assault and sexual harassment (SASH), improve maritime safety, and support a culture of respect in the merchant marine.

In response to a request from Members of Congress—including leaders of the Transportation and Infrastructure Committee—for a public plan to prevent SASH and improve safety, we implemented a new Superintendent’s Instruction to govern Sea Year at the Merchant Marine Academy. We also revised the Sea Year guide to include new policies and procedures to improve the support we provide to midshipmen, including a new amnesty policy for SASH survivors, witnesses, and bystanders. We also provided cadets with satellite phones they can use at sea to contact the Academy as well as their wider support network, including family and friends.

In addition, we developed a program called “Every Mariner Builds a Respectful Culture,” (EMBARC). This program enumerates policies intended to help prevent sexual assault and sexual harassment, to support survivors, and to support a culture of accountability. Commercial carriers must adopt these policies before cadets can embark.

Critically, we intend for these policies not only to strengthen cadet safety, but to be the first steps in what must be an ongoing effort to strengthen safety for every mariner. That is why we have required these practices be implemented as part of vessels' Safety Management System. Doing so will reinforce a long overdue change in shipboard culture that will promote fair and equitable treatment of all mariners on board and thereby contribute to a safe working environment in which employers do not tolerate sexual assault and sexual harassment. We appreciate this Subcommittee's leadership on these issues and its support for our ongoing efforts to spur urgently needed culture change in the maritime industry.

As of April 19, 2022, five carriers are enrolled in the EMBARC program. We continue to meet with carriers to answer their questions about EMBARC standards and have published and updated a compilation of "Frequently Asked Questions" to provide additional clarity.

We are also committed to complementing these foundational efforts with a comprehensive review of sexual harassment and sexual assault incidents experienced by cadets, both on campus, and aboard commercial vessels during Sea Year.

Cadet embarkations resumed in December 2021, initially on training vessels and vessels operated by Military Sealift Command (MSC), the Navy, and the Coast Guard. We greatly appreciate the support provided by the MSC, the Navy, and the U.S. Coast Guard to our cadets. Thanks to their assistance, we currently expect that the midshipmen in the USMMA Class of 2023 will accrue the sea time needed to qualify for their licensing exams. We also appreciate the concessions that the Coast Guard has provided to support our midshipmen. We note that thanks to these concessions, should any midshipman have a sea time deficit, they will still be able to take their licensing exams on time and any remaining sea time will be provided by USMMA working in coordination with our partners. No student will leave USMMA without all of the sea time they need to graduate with their licenses.

As the Committee knows, we have been providing Congressional staff with weekly updates on these issues since January 5, 2022. We continue to meet with carriers to answer their questions about EMBARC, and have published and updated a "Frequently Asked Questions" page to address issues of concern. We urge every U.S.-flagged carrier to enroll as quickly as possible so that we can continue to expand cadets' commercial embarkations.

The FY 2023 Budget for USMMA includes \$11.9 million for essential and recurring maintenance and repair activities, and unplanned emergencies on campus. An increase in funding will support the realignment of certain routine maintenance and repair activities and expenses of environmental and energy management control systems, and safety functions as we transition to a Campus-wide Maintenance Contract to more effectively and efficiently manage these annual requirements. Additional funding will also facilitate requisite replacement and rehabilitation of major operating systems (chillers, boiler plants, sewage plants, water mains, etc.) that have been operating beyond their useful lives.

We greatly appreciate the support from Congress to ensure that the Academy has the resources necessary to modernize its facilities, and most recently approving the reprogramming of certain

Academy prior-year balances to among other things: will support the hiring of additional infrastructure staffing; provides MARAD with additional oversight resources for the Academy's capital improvement program; and funding for maintenance and repair needs. MARAD and DOT will continue to work to identify and evaluate the long-term infrastructure needs of the Academy, and ensure that facilities are maintained to provide a safe and healthy environment for Midshipmen, faculty and staff while enhancing the quality of education at all times. We are also working to strengthen USMMA's institutional capacity to manage capital and maintenance programs according to professional project management principles.

The FY 2023 Budget request also includes \$77.7 million to provide support to the six SMAs in educating and training mariners to become future leaders in the maritime industry. This request includes funding for vessel management, logistics, and maintenance oversight to prepare the schools to receive and operate the National Security Multi-Mission Vessels (NSMV). The budget request would address unanticipated increases in steel costs for the NSMVs, support for pier improvements necessary for heavy weather mooring of the NSMVs, maintenance and repair costs to maintain the legacy school ships, and continue our direct support to the SMAs.

The new NSMVs will provide a state-of-the-art platform to support mariner education, and also provide significant new capabilities to engage in national humanitarian and disaster relief missions. The training ships are the most important assets provided by the Federal Government to enable the SMAs to maintain their mariner education programs that prepare cadets to obtain unlimited USCG licenses.

Congress has recognized the need to replace these training ships, and we thank you for supporting and appropriating funds for the construction of five NSMVs. MARAD has implemented the Congressional acquisition strategy utilizing commercial best practices through a contracted Vessel Construction Manager (VCM) to negotiate for, manage, build, deliver, and warrant these new ships. Construction is fully underway at Philly Shipyard on the first two ships—the EMPIRE STATE and the PATRIOT STATE—as designed and at a fixed price. The first NSMV is expected to be delivered to MARAD in early 2023, and we will continue to keep the Committee informed as the NSMV program progresses.

Until the final delivery of the fifth NSMV, MARAD anticipates the continued need for the SMAs to share vessels in the training fleet to mitigate shortfalls in the current availability of berths so cadets can gain the requisite number of sea days to meet their licensing requirements. Funding requested in FY 2023 will continue to support this effort. The challenge of providing sea days to cadets has been exacerbated by the COVID-19 pandemic, which caused nearly all SMA training cruises to be cancelled. Utilizing funds appropriated by Congress to support SMA training vessel sharing, MARAD has sponsored training cruises to help make-up opportunities for creditable sea days.

OTHER ECONOMIC AND CLIMATE SUSTAINABILITY INVESTMENTS

The strong rebound in U.S. consumer demand that reached its peak in 2021 has spurred unprecedented growth in cargo volumes and 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 2022.

The MARAD Port Infrastructure Development Program request of \$230 million for FY 2023 will provide grants to improve port infrastructure and facilities, and to stimulate economic growth in and around ports, while also improving safety, addressing climate change and equity, and strengthening our supply chain. In addition to the FY 2023 Budget, the BIL provides \$450 million in advance appropriations for this program in FY 2023. Together, this funding would provide a \$680 million investment for port infrastructure projects. Investing in the 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 to strengthen our supply chains.

The FY 2023 Budget requests \$10.8 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, as well as damage to the roadways. There are currently 54 Projects and 29 Routes. The routes encompass 41 states, the District of Columbia, and all five U.S. territories. They serve as extensions of the supply chains within the surface transportation system, and enable more cost-effective transportation options for U.S. shippers and manufacturers. Funding for grants will seek to focus on projects that mitigate and minimize the environmental impacts of our ports and along the waterways to reduce negative impacts on neighboring communities and port workers.

The FY 2023 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. These grants may also support the acquisition of equipment that reduces climate impacts and adapts technologies that reduce shipyard power consumption

Within MARAD's FY 2023 Budget request, \$10 million will support the Maritime Environmental and Technical Assistance (META) program to advance low carbon alternative energies and technologies, while also supporting job growth in clean energy and maritime transportation fields. This is the only Federal government program that 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 2023 Budget request for MARAD includes \$3 million for the Maritime Guaranteed Loan Program to provide the salaries and overhead support to manage the loan portfolio, currently at \$1.5 billion in outstanding loan guarantees. 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.

The President's FY 2023 Budget also requests \$6 million for MARAD's Ship Disposal Program for support staff and overhead costs 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. Since 2007, MARAD has removed a total of 174 non-retention vessels from the various fleet sites. 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.

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.

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.