

**STATEMENT OF
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**BEFORE THE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN
DEVELOPMENT, AND RELATED AGENCIES
U.S. HOUSE OF REPRESENTATIVES**

HEARING ON “THE FISCAL YEAR 2019 BUDGET REQUEST”

April 26, 2018

Good morning Chairman Diaz-Balart, Ranking Member Price and members of the Subcommittee. I would like to begin by thanking you for the funding provided in FY 2018 of \$980 million, and appreciate the opportunity to discuss the President’s Fiscal Year (FY) 2019 budget priorities for the Maritime Administration (MARAD). MARAD’s statutory mission is to foster, promote, and develop the merchant maritime industry of the United States. The critical funding provided by this Subcommittee for FY 2018 as well as the funding in this budget request furthers that mission by investing in U.S. mariner training, supporting programs that help U.S.-flag commercial vessels compete globally, and maintaining sealift readiness to meet national security requirements.

FY 2019 BUDGET REQUEST

The United States is a maritime Nation, with our country’s economy highly dependent on viable coastal and ocean resources, and inland waterways. In 2014, U.S. maritime freight activity helped to support \$4.6 trillion of economic activity among the many non-maritime industries that depend on it for access to world markets and within the maritime industry itself, equivalent to approximately 26 percent of our GDP¹. MARAD’s programs seek to support both the maritime industry’s commercial health and national security objectives.

The U.S.-flag fleet operating in international trade currently carries less than 2 percent of our annual foreign trade by tonnage². The U.S. commercial presence in the international maritime domain has been at historic lows over the past several years with only 81 ships remaining in those trades. While our national economy relies on foreign trade, we need U.S. flag ships engaged in foreign trade to ensure sufficient capabilities to support Department of Defense

¹ Martin Associates, “The 2014 National Economic Impact of the U.S. Coastal Port System,” prepared for the American Association of Port Authorities, March 2015, p.6.

² MARAD calculation of tonnage based on business confidential data from CBP and Census combined with commercially available registry data for the 2016 calendar year.

sealift requirements in times of war Without U.S. flag ships engaged in foreign trade, we may not be able to support the Nation’s sealift requirements in times of extended conflict. During Operation Desert Shield in 1991, DOD found it necessary to employ 177 foreign vessels to meet sealift needs in addition to approximately 170 U.S.-flagged vessels. However, 13 of the foreign vessels carrying essential supplies hesitated or refused to enter the area of operations, resulting in a loss of 34 transit days for ships carrying cargo for U.S. troops.³ Additionally, General McDew, the Commander of the United States Transportation Command (TRANSCOM), recently testified regarding the critical importance of the availability of U.S.-flag vessels using this example and stated, “foreign-flagged vessels declined to enter the area of operations, while U.S.-flagged vessels provided steadfast support, delivering the bulk of the Joint Force to the Middle East.”⁴ While we have taken steps to address this by establishing the Maritime Security Program, as the fleet dwindles, so does the base of U.S. Merchant Mariners and the and repair industry, which are all essential components of national security.

To ensure a strong domestic maritime industry and U.S. Merchant Marine into the future, the President’s FY 2019 Budget Request for MARAD of \$696.4 million is focused on increasing the competitiveness of the U.S.-flag fleet, and investing in the education and training of the next generation of merchant mariners. MARAD remains committed to marine transportation policies that improve security, address our Nation’s critical maritime infrastructure gaps, and leverage technology to meet the needs and challenges of the marine transportation industry. This request supports a variety of MARAD initiatives involving ships and shipping, vessel operations, national security and strategic mobility, ship disposal, and maritime education. A summary of the FY 2019 request is provided below.

NATIONAL SECURITY

By law, and pursuant to Presidential National Security Directive 28, DOD must rely on U.S.-flag ships, which are crewed by volunteer, civilian U.S. mariners, to provide the sealift capacity to support military deployments and respond to national emergencies. MARAD is charged with ensuring that U.S.-flag ships and merchant mariners are available to meet DOD sealift requirements. The U.S.-flag fleet of privately owned, commercially operated vessels, along with government-owned vessels, provide a critical public-private sealift surge and sustainment capacity to move equipment and materials for the Armed Forces. Additionally, Federal agencies can access the government-owned vessels as needed, during times of conflict, humanitarian crises, and natural disasters such as those we witnessed last summer in the wake of Hurricanes Harvey, Irma, and Maria.

³ So Many, So Much, So Far, So Fast: United States Transportation Command and Strategic Deployment for Operation Desert Shield/Desert Storm/ James K. Matthews, Cora J. Holt, p. 136.

⁴ Statement of General Darren W. McDew, United States Air Force, Commander, United States Transportation Command before the Senate Armed Services Committee on the State of the Command, February 13, 2018. p. 11.

Maritime Security Program (MSP)

For FY 2019, \$214 million is requested for the MSP, providing \$3.6 million for each of the 60 ships currently enrolled in the program. The Maritime Security Act of 1996 established the MSP, which ensures access to U.S.-flag ships in ocean-borne foreign commerce and the intermodal logistics networks necessary to move military equipment and supplies during armed conflict or national emergency. This program also supports critical employment for up to 2,400 highly-qualified U.S. merchant mariners and approximately 5,000 shore side maritime professionals each year. The MSP provides direct annual stipends for 60 active, commercially viable, militarily useful, privately owned U.S.-flag vessels and their crews operating in international commerce. Participating operators commit their ships, crews, and global network of intermodal facilities and commercial transportation resources upon request by the Secretary of Defense during times of war or national emergency.

During FY 2018, the MSP fleet has increased its overall utility to DOD and provided the greatest sealift volume in its history, with over 3.4 million square feet and over 114,000 twenty-foot equivalent units (TEUs) of militarily-useful sealift capacity. This significantly improved DOD's ability to move and sustain the heaviest U.S. armored units. The MSP remains the heart of U.S. sustainment. While MSP was created to guarantee DOD access to ships to support a full-scale military mobilization, the ships and mariners of the MSP have voluntarily supported every U.S. conflict since the program was established in 1996, including Operations Enduring Freedom and Iraqi Freedom. The ships and mariners of the MSP stand ready to play a vital role in support of U.S. military operations worldwide.

National Defense Reserve Fleet (NDRF) and Ready Reserve Force (RRF)

MARAD maintains a fleet of government-owned merchant ships in the NDRF. This includes 46 RRF vessels that are maintained and ready for operation within five or ten days for transport of military cargo to critical areas of operation. Our Nation has called upon RRF and NDRF vessels, which include training ships on loan to the six state maritime academies (SMAs) and the U.S. Merchant Marine Academy (USMMA or Academy), to respond to several disasters. RRF and NDRF ships were activated to provide support to other government agencies for recent relief efforts following Hurricanes Harvey, Irma, and Maria. During these deployments, these vessels supplied first responders with housing, meals, logistical support, and relief supplies, including critical replacement of Federal Aviation Administration air navigation equipment that was delivered by one of the activated vessels to the U.S. Virgin Islands. Additionally, these vessels were previously activated for disaster response efforts following Hurricanes Katrina, Rita, and Sandy and the 2010 earthquake relief effort in Haiti.

In addition to hurricane response, this past year MARAD supported DOD with the largest round of ammunition cargo sealift operations in decades, as well as a 57-day mission for an Army unit movement to Kuwait where five vessels were utilized to accomplish six distinct sealift missions.

Along with cargo sealift activities, DOD's Missile Defense agency used two MARAD vessels to track multiple missile test launches.

While not under the jurisdiction of this Subcommittee, the FY 2019 President's Budget requests nearly \$311 million in DOD's budget for MARAD to maintain the NDRF and RRF. Funding provided from DOD will allow MARAD to continue to provide ready surge sealift support and special mission vessels from the RRF fleet, while maintaining MARAD's NDRF fleet mooring sites. This request within DOD includes an additional increase in funding that will support readiness related maintenance and repair initiatives for service life extension work supporting the special mission vessels. MARAD is working with the U.S. Transportation Command and the U.S. Navy to address the urgent need for recapitalization of the RRF to ensure the readiness of these 46 ships, the average age of which is 43 years.

MARITIME 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. Therefore, maintaining an adequate pool of U.S. merchant mariners is vital to both the peacetime commercial success of the U.S.-flag fleet and to maintain the capacity needed to crew Government-owned surge sealift assets to deploy and sustain U.S. forces overseas in times of national emergency. The USMMA and SMAs graduate most of the USCG-credentialed officers who hold an unlimited tonnage or horsepower endorsement available to crew these U.S.-flag ocean-going ships. This cadre of well-educated and trained merchant mariners stand ready to serve and support our military operations, national emergencies, and humanitarian missions.

United States Merchant Marine Academy

The President's FY 2019 Budget Request includes \$74.6 million for USMMA. Of this, \$70.6 million will support Academy operations, and \$4 million will fund priority capital repairs and improvements to the Academy's buildings and infrastructure. This request will enable the Academy to effectively achieve its core responsibility to educate and train the next generation of outstanding leaders who will serve as officers aboard commercial ships and commissioned officers in our active and reserve Armed Forces. The USMMA is an accredited institution of higher education operating under DOT authority and managed by MARAD. The USMMA offers a four-year maritime-focused program, centered on rigorous academic and hands-on technical training that leads to a Bachelor of Science degree, a USCG merchant mariner credential (MCC) with an unlimited tonnage or horsepower officer endorsement, and an active or reserve commission as an officer in a branch of the Armed Forces. Distinctly, USMMA graduates incur an obligation to serve five years as a merchant marine officer aboard U.S. documented vessels or on active duty with the U.S. Armed Forces or uniformed services. If

serving as a reservist, graduates must maintain her or his commission for eight years. In June 2019, approximately 195 midshipmen are expected to graduate from the Academy.

DOT, MARAD, and the USMMA take sexual assault and sexual harassment at the Academy and at sea very seriously, and we have worked collaboratively with industry stakeholders to facilitate a cultural change by disseminating a strong message against sexual assault and sexual harassment in the maritime sector. The Academy is implementing provisions included in both the Fiscal Year 2017 and Fiscal Year 2018 National Defense Authorization Acts aimed at improving the Academy's sexual assault and sexual harassment prevention and response efforts. Such actions include enhancing prevention training, increasing campus security, initiating a Midshipman-driven culture change program on campus, and expanding the Sexual Assault Prevention and Response Office. The FY 2019 funding will allow the USMMA to continue providing satellite communication devices to Midshipmen during Sea Year training and upgrade the 24/7 sexual assault hotline.

Progress is being made, but more work needs to be done as noted in the recently released DOT Office of Inspector General report on the USMMA's Sexual Assault Prevention and Response Program. We appreciate the insight from this report and will address the report's recommendations to continue improving the Academy's prevention and response efforts.

State Maritime Academies

In addition to providing oversight of the USMMA, MARAD provides funding assistance to six SMAs⁵, which collectively graduate more than three-fourths of the entry-level merchant marine officers annually. The President's FY 2019 Budget Request includes \$24.4 million for the SMA program. This request includes \$22 million to fund maintenance and repair costs for Federally owned school ships on loan from MARAD to the SMAs. Ensuring the continued availability of SMA training vessels is a critical need and high level MARAD priority. Training ship maintenance work is increasingly critical and costly as the ships age, and approach or exceed their designed service life. MARAD will use the funds to address priority maintenance needs across all the training vessels.

Additionally, the request provides \$2.4 million to fund the Student Incentive Program (SIP), which provides financial assistance to 75 new cadets each year (across all SMAs) that participate in the program for a period of four years. The SIP program provides cadets with funds for uniforms, tuition, books, and subsistence. Upon graduation, SIP students must maintain an unlimited USCG credential for six years, fulfill a three-year service obligation in the maritime

⁵ The six SMAs are: California Maritime Academy in Vallejo, CA; Great Lakes Maritime Academy in Traverse City, MI; Texas A&M Maritime Academy in Galveston, TX; Maine Maritime Academy in Castine, ME; Massachusetts Maritime Academy in Buzzards Bay, MA; and State University of New York (SUNY) Maritime College in the Bronx, NY.

industry, and serve in a reserve unit of an armed or uniformed service for eight years. The SMAs regard the SIP program and support for their training ships as among their most important recruiting tools to encourage potential cadets to pursue careers as merchant marine officers. Approximately 991 Cadets are expected to graduate from the SMAs in May 2019.

School Ship Replacement

The President's FY 2019 Budget Request includes \$300 million to continue supporting the replacement of outdated training ships on loan from MARAD to the SMAs. DOT and MARAD are grateful to Congress for providing an initial \$300 million in the FY 2018 Omnibus appropriation for new construction of a school ship utilizing the National Security Multi-Mission Vessel (NSMV) design. While the FY 2019 request was developed prior to the enactment of the FY 2018 Omnibus, it is complementary with the overall effort to find solutions to the aging training ship fleet at the SMAs. Investment in school ship replacement is essential to foster the growth of the Nation's maritime transportation workforce needs, while addressing emerging workforce challenges facing a critical shortage of U.S. merchant mariners needed to crew the commercial and government-owned sealift ships to meet national security needs.

OTHER MARITIME TRANSPORTATION PROGRAMS

Ship Disposal Program

The President's FY 2019 Budget requests \$30 million for the ship disposal program. MARAD is the ship disposal agent for Government-owned merchant-type vessels of 1,500 gross tons or greater and has custody of a fleet of non-retention ships. When ships no longer have sufficient value to merit the cost of further preservation, MARAD arranges for their responsible disposal, with priority emphasis on the disposal of non-retention vessels in the worst condition. Currently, MARAD has 11 obsolete NDRF vessels not yet under contract for disposal, which is a historic low. In July 2017, MARAD removed the remaining last two non-retention vessels from the Suisun Bay Reserve Fleet, in compliance with an April 2010 U.S. District Court consent decree requiring the removal of all 57 vessels from the fleet site by September 2017. On January 2, 2018, the District Court terminated the Consent Decree.

Within this FY 2019 Budget request, \$25 million is requested to continue the radiological decontamination, dismantlement, and disposal of the defueled nuclear power plant on board the Nuclear Ship SAVANNAH (NSS). The Department is grateful to Congress for providing the full funding in the FY 2018 Omnibus appropriation to allow MARAD to complete the decommissioning and license termination activities of the NSS. Also within this request, \$3 million will provide the continuation of the NSS protective storage activities, as required by the Nuclear Regulatory Commission. Protective storage is an ongoing requirement, even during the decommissioning process to ensure radiological protection and public safety.

CONCLUSION

These programs represent MARAD priorities supported by the President's FY 2019 Budget request. 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 FY 2019 Budget Request for MARAD. I appreciate the Subcommittee's continuing support for maritime programs and I look forward to working with you on advancing maritime transportation in the United States. I will be happy to respond to any questions you and the members of the Subcommittee may have.