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**BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION**

**Maritime Transportation Regulations:
Impacts on Safety, Security, Jobs and the Environment, Part I**

September 10, 2013

Good morning, Chairman Hunter, Ranking Member Garamendi and members of the Subcommittee. Thank you for the opportunity to present testimony to the Subcommittee regarding maritime transportation regulations and their impact on safety, security, jobs and the environment.

The statutory mission of the Maritime Administration (MarAd) is to foster, promote and develop the merchant maritime industry of the United States. The purpose of this mission is to meet the Nation's economic and security needs. To achieve this mission, MarAd is focused not only on how to sustain the U.S. merchant marine as it exists today, but also how to improve and grow the industry to ensure its viability into the future.

Executive Order (E.O.) 13563, "Improving Regulation and Regulatory Review," requires that MarAd regulations protect public health, welfare, safety, and our environment while promoting economic growth, innovation, competitiveness, and job creation. Regulations must be based on the best available science, and they must identify and use the best, most innovative and least burdensome tools for achieving regulatory ends. Re-affirming the principles of Executive Order 12866, E.O. 13563 requires, among other provisions, that MarAd select regulatory approaches that maximize net benefits. It requires public participation and the open exchange of ideas. MarAd is working to implement the principles and requirements of E.O. 13563 throughout its regulations. MarAd's regulatory program is aimed at supporting this goal.

Cargo Preference

As Congress has recognized, carriage of cargo and sealift capacity are central to the Marine Transportation System. The U.S.-flag fleet engaged in international trade contributes to national security through the employment of skilled U.S. citizen mariners with unlimited all-ocean credentials to operate Government-owned ships in times of national emergency and commercial ships to provide sustainment sealift capacity for the Department of Defense (DOD). The coastwise U.S.-flag domestic fleet supports the movement of commercial cargo within the

Nation. It also contributes to strategic objectives principally through mariner career progression, professional development and availability and adds valuable sealift capacity. Together these components of the Marine Transportation System provide reliable movement of cargo for U.S. businesses and DOD and support substantial economic activity and employment in shipbuilding and repair, port operations and related businesses.

One of MarAd's immediate goals is to increase cargo carried on U.S.-flag vessels by identifying additional federal programs with international transportation opportunities. MarAd currently is engaged in an intensive rule-development process to update its cargo preference regulations and to implement the statutory changes to cargo preference law contained in the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (FY 2009 NDAA). I acknowledge the frustration that has been expressed about the delay in implementing this rule. However, significant efforts have been put into a proposed rulemaking by the Department of Transportation (DOT) and MarAd over the past several years. These efforts will inform and guide the proposed rule MarAd currently is drafting.

Maritime Security Program

The Maritime Security Program (MSP) complements the Ready Reserve Force and the Military Sealift Command's reserve sealift vessels with a fleet of 60 commercial U.S.-flag, U.S.-citizen-crewed ships with sealift sustainment capabilities that support the Nation's security and competitiveness. Last year, Congress included language in the National Defense Authorization Act for Fiscal Year 2013 to extend existing MSP contractor agreements through 2025. As a result, the existing MSP regulations would update to reflect the statutory extension and include other technical changes.

Safety and Security: Cruise Vessel Security and Safety Act

The Cruise Vessel Security and Safety Act of 2010 (CVSSA) required new security and safety measures on cruise ships that carry 250 or more passengers. The CVSSA provided MarAd with discretionary authority to certify training providers administering the U.S. Coast Guard (USCG) model safety and security course. Following joint development of a model course, MarAd is preparing to implement a voluntary training-provider certification program to assist the cruise industry in locating qualified trainers and to help assure the general public that passenger vessel security and safety personnel have received proper training consistent with the model standards developed by the USCG, MarAd (including the U.S. Merchant Marine Academy), and the Federal Bureau of Investigation. Training providers seeking to be certified by MarAd would voluntarily submit training plans and supporting documentation for review. If the training provider's plans meet the model course criteria, the agency will offer certification, subject to the

training provider entering into an agreement which, in addition to other terms, would subject the organization to periodic program audits.

Jobs and Maritime Infrastructure: America's Marine Highways

MarAd's future regulations plan to include efforts to improve Marine Transportation System infrastructure and increase the carriage of cargo. MarAd is drafting a Notice of Proposed Rulemaking (NPRM) relating to the America's Marine Highways (AMH) Program. While the original AMH Program made eligible only those corridors and projects that would reduce landside congestion, recent statutory changes authorized the inclusion of projects that "promote short sea transportation" generally. MarAd plans to incorporate the statutory change into its regulations and to follow the requirements of E.O. 13563 in drafting the NPRM. Interested parties would be provided the opportunity to review and comment upon the proposed regulation.

Security: National Defense Reserve Fleet/Ready Reserve Force Ship-Manager Citizenship & Maritime Security Program

A second immediate goal of MarAd is ensuring the readiness and availability of a capable U.S. merchant marine fleet with modern U.S.-flag vessels, skilled labor and global logistics support to meet national maritime transportation requirements in peacetime emergencies and armed conflicts. The National Defense Reserve Fleet (NDRF) and its Ready Reserve Force (RRF) component provide valuable support to the DOD in time of war or national emergency. As part of its continuing effort to best manage these assets, MarAd plans to issue an Advance Notice of Proposed Rulemaking (ANPRM), inviting comments on whether the agency's existing U.S. citizenship criteria for its Vessel Operators (ship managers and agents) benefit the Nation's maritime commercial and national security interests and provide the most current, effective and best approach for supporting NDRF operations.

The agency last examined this regulation after seeking public comment over 20 years ago. Despite significant changes in the maritime industry, no change has been made to the citizenship requirements. Comments received in response to the ANPRM will help MarAd to determine whether to propose any changes to the existing regulation.

Future Opportunities to Strengthen the Marine Transportation System

The Marine Transportation System is a core component interwoven into the economic and security fabric of the Nation. Overall, it is strong and resilient, but there are opportunities for improvement and growth to ensure the availability of U.S.-flag vessels to carry cargo and its sustainability in the future. The strength of the U.S. as a maritime nation throughout history has resided individually and collectively in the separate but integral segments of the maritime

industry. Specifically, the discrete segments include the industry's global, coastal and inland commercial fleet, the ports and intermodal facilities that support global commerce, the U.S. Armed Forces and national security establishment, and most importantly the men and women who bring their expertise, energy and innovation to the Nation's maritime enterprise.

The challenges facing the Marine Transportation System offer opportunities for improvement and the ability to develop a strategy that can produce broad, long-lasting positive results. Not only are there economic opportunities, but achievement of those objectives can support attainment of other key national goals including job creation and employment, enhancing economic competitiveness through energy efficiency and innovation, pollution reduction and improved transportation capacity through modal interoperability. A new strategy, likely consisting of numerous interrelated actions and initiatives could lay the groundwork to capitalize on those opportunities and to enable the Nation to sustain leadership in the international maritime community.

To focus on a long-term strategy, MarAd is working to organize a public meeting to concentrate on U.S.-flag maritime cargo and sealift capacity. The public meeting would be designed to elicit an unconstrained set of ideas for improvement, expansion and strengthening key aspects of the Marine Transportation System, to vet those ideas in a public forum, and to derive an actionable list of items for further study, action or voluntary adoption.

Key areas, among others, to be addressed would include transportation speed, efficiency, reliability, availability and cost-effectiveness; the Maritime Transportation System's contribution to overall U.S. economic competitiveness; reduction of pollution and adverse environmental impacts; interoperability between modes; the number of qualified U.S.-citizen mariners; the number and quality of U.S.-flag ships engaged in commerce internationally and domestically; and the volume, value and innovation of U.S. shipbuilding and repair.

As part of its strategy, MarAd also plans to analyze the costs of operating under the U.S. flag compared to foreign flags and to determine if the agency can take actions to make the U.S. flag more competitive. In addition, MarAd will be looking at challenges facing the U.S. shipbuilding industry and options to promote this industry which has proven to be beneficial to the Nation from both an economic and defense perspective. MarAd expects to do extensive public outreach on these issues, and others, to identify changes that could strengthen the U.S. Merchant Marine.

Thank you for this opportunity to discuss maritime transportation regulations. I look forward to the subcommittee's questions.