

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

**AUTHORIZATION OF COAST GUARD
AND MARITIME TRANSPORTATION PROGRAMS**

April 4, 2017

Good afternoon, Chairman Hunter, Ranking Member Garamendi and members of the Subcommittee. I appreciate the opportunity to discuss the Maritime Administration's (MARAD) programs and how they support the agency's statutory mission to foster, promote, and develop the merchant maritime industry of the United States.

The Maritime Administration (MARAD) implements programs that promote the economic competitiveness, efficiency, and productivity of the U.S. maritime transportation system and ensures sealift capability and capacity is available to support the national and economic security needs of the Nation.

NATIONAL SECURITY

MARAD traces its origins to the Shipping Act of 1916, which established the U.S. Shipping Board, the first Federal agency tasked with promoting a U.S. Merchant Marine and regulating U.S. commercial shipping. Later, the Reorganization Act of 1950, which codified President Truman's Reorganization Plan No. 21, formally established the MARAD to ensure the maintenance of an adequate Merchant Marine to support national security. By law and (10 U.S.C. Chapter 157) and Presidential National Security Directive No. 28 dated October 5, 1989, the Department of Defense (DOD) must rely on U.S.-flag ships crewed by volunteer, civilian American mariners, to provide the sealift to support military deployments and respond to emergencies. MARAD's responsibility is to ensure that U.S.-flag ships and merchant mariners are available to meet DOD 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 and Federal agencies when needed, and where needed, during times of conflict, humanitarian crises, and natural disasters.

Three programs ensure that there are enough U.S.-flag vessels available to provide this capacity: the Jones Act, which ensures a role for the U.S.-flag fleet in domestic trade; and Cargo Preference and the Maritime Security Program (MSP) which, together, support a militarily useful, U.S.-flag fleet sailing internationally.

MARAD and DOD also rely on the commercial fleet to employ enough qualified mariners to crew all the commercial ships tasked to support military operations, as well as 1,300 additional mariners to crew the “surge fleet” of Federally-owned cargo ships. As of today, the size and composition of the U.S.-flag commercial fleet is adequate to meet immediate military contingencies. However, due to the decline in size in recent years of both the domestic U.S.-flag fleet with unlimited horsepower and unlimited tonnage and the international U.S. flag commercial fleet, both the U.S. Transportation Command and MARAD are concerned that there are not enough qualified mariners to sustain an activation of the entire sealift fleet, though there has never been a full activation of the entire sealift fleet.

Maritime Security Program

The Maritime Security Act of 1996¹ established the MSP, which ensures access to U.S.-flag ships engaged in ocean-borne foreign commerce and the necessary intermodal logistics capability to move military equipment and supplies during an armed conflict or a national emergency, while currently providing employment for up to 2,400 U.S. merchant mariners each year. Under this program, participating operators are required to commit their ships, crews, and commercial transportation resources upon request by the Secretary of Defense during times of war or national emergency. The MSP provides direct annual stipends for 60 active, commercially viable, militarily useful, privately-owned U.S.-flag vessels and crews operating in international trade. The program is authorized up to \$299,997,000 for Fiscal Year (FY) 2017 at an annualized stipend level of approximately \$4.9 million per vessel². Of the 81 U.S.-flag vessels that currently trade internationally on a full-time basis, 60 participate in the MSP program.

National Defense Reserve Fleet / Ready Reserve Force³

MARAD manages and maintains a fleet of government-owned merchant ships in the National Defense Reserve Fleet (NDRF)⁴. This includes 45 Ready Reserve Force (RRF) vessels that are maintained ready for operation within five days for transport of cargo to the area of operation and one RRF off-shore petroleum discharge vessel maintained ready for operation within 10

¹ Section 2 of the Act created the MSP, but that authorization is now codified and appears at 46 U.S.C. Chapter 531. Authorized funding levels are at 46 U.S.C. § 53111.

² The most recent amounts appropriated are found in the Consolidated Appropriations Act of 2016 (P.L. 114-113)

³ See, 50 U.S.C. §4405 and 46 U.S.C. Chapter 571.

⁴ See, 50 U.S.C. § 4405.

days to meet critical military requirements. As required by law, 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), to respond to several disasters, including Hurricane Sandy in 2012 and Hurricane Matthew in 2016. Additionally, RRF and NDRF vessels can be configured to support other emergent situations as was the case in mobilizing the Motor Vessel CAPE RAY for use in the international effort to destroy the Syrian Government's declared chemical weapon stockpile. MARAD completed this mission in August of 2014.

MARITIME TRAINING⁵

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. Maintaining an adequate pool of American merchant mariners is vital to both the commercial success of the U.S.-flag fleet and to maintaining the capacity needed to project American sea power. The USMMA and SMAs graduate the majority of USCG-credentialed officers, consisting of the highest entry-level merchant marine officers who hold an unlimited tonnage or horsepower endorsement available to crew U.S.-flag ships. These graduates support our Nation as a cadre of well-educated and trained merchant mariners capable of serving in support of military emergency, national emergency, and humanitarian missions.

United States Merchant Marine Academy⁶

The USMMA is an accredited institution of higher education operated by the DOT and managed by MARAD. The USMMA offers a four-year maritime-focused program, centered on rigorous academic and practical technical training that leads to a Bachelor of Science degree, a USCG merchant mariner credential with an unlimited tonnage or horsepower officer endorsement, and, upon application and acceptance, a commission as an officer in the Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) Corps or the Public Health Service (PHS) Corps) of the United States. 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. In addition, they must serve as a commissioned officer in a reserve unit of the U.S. Armed Services for eight years. In 2017, 176 midshipmen are expected to graduate from the Academy.

⁵ The Secretary of Transportation is specifically authorized to provide education and training to U.S. citizens for the safe and efficient operation of the U.S. Merchant Marine in 46 U.S.C. § 51103(a). See also, 46 U.S.C. Subtitle V Part B. See Chapters 511, 513, 515 and 517.

⁶ See, 46 U.S.C. Chapter 513.

The USMMA's shipboard training program, or "Sea Year", exposes Midshipmen to life at sea on board commercial and military vessels and provides cost-effective hands-on seamanship and engineering sea time that is required to secure USCG mariner credentials. Midshipmen are required to have 360 days of sea service during their four-year program in order to obtain their USCG merchant mariner credentials. Shipping companies and the U.S. Navy are part of a cooperative effort to ensure that a Midshipman's shore based education is enhanced by the required on-the-job training at sea.

Sea Year is critical to the education and training of Midshipmen at the USMMA, and all training must be conducted in a safe and respectful environment. In the wake of a series of reports that indicated problems with sexual assault and sexual harassment (SASH) and other coercive misconduct, both on campus and at sea, DOT and MARAD leadership suspended commercial Sea Year until we developed a better understanding of the problem and could develop a strategy to ensure the safety of the Midshipmen. To address campus concerns, DOT commissioned a cultural audit of the USMMA and the Superintendent is implementing audit recommendations. In addition to the audit, MARAD brought together a consortium of fourteen leading maritime companies to find solutions. Just two weeks after the stand down, the consortium brought forth a proposal to address SASH. MARAD and DOT subsequently created a compliance team that established standards, and collaborated with the consortium and labor to lay out workable criteria for the companies to achieve those standards.

Working collaboratively to resume the program, MARAD, industry, and the unions have adopted comprehensive new policies to ensure that the highest standards for behavior, leadership, and integrity are met. Together we have worked to establish requirements for companies providing Sea Year training opportunities for Midshipmen. To meet these requirements, companies must now show that they have written policies, procedures, and robust training demonstrating zero tolerance for SASH; that they will provide qualified mentors for Midshipmen onboard vessels; and have taken other measures to ensure the safety of Midshipmen. Implementation of these requirements will assist in ensuring both the quality of the anti-SASH programs and each company's accountability when it takes on Midshipmen. At present, four companies have met compliance requirements and resumed hosting Midshipmen on their vessels.

MARAD is committed to doing everything it can to eliminate SASH at the USMMA, improving the reporting rate, taking appropriate action in each reported case, and ensuring Midshipmen subjected to assault or harassment receive the services they need. In addition to the efforts to improve the Sea Year training experience, the USMMA has developed a comprehensive plan to reduce SASH on campus. The USMMA Sexual Assault Prevention and Response (SAPR) Program has significantly improved training across the Academy aimed at the prevention SASH, including online prevention training, case studies, videos, social media, professional speakers and small groups. Actions taken by the USMMA have included installation of new emergency

call boxes and security cameras, improvement of the security guard force, implementation of a 24/7 hotline for reporting inappropriate behaviors, and victim assistance in obtaining medical or mental health treatment. Efforts will continue to improve upon the SAPR Program as the USMMA implements recommendations from the cultural audit and responds to feedback from Midshipmen.

State Maritime Academies⁷

In addition to providing oversight of the USMMA, MARAD provides funding assistance to six State Maritime Academies (SMAs), which collectively graduate more than two-thirds of the entry-level Merchant Marine officers annually.⁸ Approximately 972 Cadets are expected to graduate from the SMAs in 2017. MARAD provides annual direct payments to provide for operational support to each of the six SMAs as well as assistance to fund the enrollment of 75 new cadets in the Student Incentive Program (SIP) for a period of four years. The SIP program provides cadets with funds to be used 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, and serve in a reserve unit of an Armed Forces or uniformed service for eight years. Assistance provided to the SMAs also includes funding for maintenance and repair costs for training ships on loan from MARAD and funding to offset training vessel fuel costs. Unlike the USMMA Midshipmen, the SMA Cadets receive most of their sea time on these training ships, under the instruction of each school's faculty.

The SMAs use MARAD funds for maintenance and repair projects. This work is particularly important as the training ships age and approach or exceed their designed service life. Two training ships are over 50 years in service, which is twice the standard service life. Accordingly, MARAD is using the funds to address priority maintenance across all the training vessels, with emphasis on the Training Ship EMPIRE STATE, to ensure that they all meet safety and functional requirements and remain in service as long as necessary. As required by the Consolidated Appropriations Act, 2016, P.L. 114-113, MARAD has done a standard training ship design and is conducting an independent requirements and alternatives analysis of Cadet training ship needs as it explores options for replacing aging SMA training vessels; however, no decision has been made at this point regarding their replacement.

⁷ See, 46 U.S.C. Chapter 515.

⁸ 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.

ENVIRONMENT AND COMPLIANCE

Ship Disposal Program⁹

MARAD is the ship disposal agent for Federal Government-owned merchant-type vessels of 1,500 gross tons or greater and has custody of a fleet of non-retention ships. When ships are determined to be no longer of sufficient value to merit the cost of further preservation, MARAD arranges for their responsible disposal on a worst-first basis. Currently, MARAD has 18 obsolete vessels slated for eventual disposal. MARAD gives priority to expeditiously removing the vessels from the Suisan Bay Reserve Fleet (SBRF) as required by the April 2010 U.S. District Court Consent Decree. Of the 57 obsolete vessels once in the SBRF, two ships remain. The Consent Decree requires MARAD to remove all non-retention vessels by the end of FY 2017. The decline in domestic scrap steel prices makes it difficult for MARAD to sell vessels to recyclers and results in the need to pay to recycle ships. As a result, funds will be needed to pay to dry dock, hull clean, tow to the Gulf Coast, and dismantle these vessels if we are to meet the Consent Decree.

MARAD is also responsible for continuing the required protective storage activities for the inactive former Nuclear Ship SAVANNAH (NSS), including nuclear license compliance, radiological protection, ship maintenance and custodial care, and planning and preparation for decommissioning. The NSS decommissioning is to be completed by December 2031, which coincides with the current Nuclear Regulatory Commission license term.

INTERMODAL DEVELOPMENT

Port Infrastructure Development¹⁰

Ports and the U.S. marine transportation system are critical to our economy. To better support our ports MARAD developed a port infrastructure development program called StrongPorts¹¹. StrongPorts delivers tools and technical assistance to ports and integrate ports and maritime transportation into the larger U.S. surface transportation system. MARAD also oversees funding for port infrastructure projects provided through the Transportation Investment Generating Economic Recovery (TIGER) program authorized in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), and the Nationally Significant Freight and Highway Projects program which was authorized in section 1105 of the Fixing America's Surface

⁹ See, 46 U.S.C. § 57102 for NDRF vessels and § 57101(c) for authority for other agencies to transfer vessels into the NDRF for disposal.

¹⁰ See, 46 U.S.C. § 50302(c).

¹¹ StrongPorts is a collection of the Maritime Administration's programs and efforts aimed at improving ports. MARAD authority for intermodal development is based on several authorities including those you have noted. Additionally, MARAD has promotional authority for short sea shipping found generally in chapter 556 of title 46.

Transportation Act (FAST Act), (P.L. 114-94). Since 2009, DOT awarded \$578 million in TIGER funding for 48 port or marine highway projects in 27 states, and in FY 2016, awarded \$115 million for five FASTLANE grant projects.

Short Sea Transportation Program (America's Marine Highways)¹²

Projects designated under the America's Marine Highways program make use of our Nation's vast network of waterways and coastlines to provide new export-based supply chain alternatives for our Nation's manufacturers and shippers. The mission of the program is to lead the development and expansion of services that move freight along our waterways and coastlines and to facilitate their integration into the U.S. surface transportation system. The program encourages partnerships with a variety of stakeholders including shippers and manufacturers, truckers, ports and terminals, ocean carriers, and domestic vessel operators to create new supply chain options that utilize our waterways. America's Marine Highway projects also allow for the optimization of equipment relocation and help to reduce wasteful movement of empty shipping containers. In FY 2016, MARAD awarded \$4.85 million in Marine Highway Grants for six projects impacting nine states.

SHIPBUILDING AND FINANCING

Maritime Guaranteed Loan Program (Title XI)¹³

MARAD's Title XI Program provides loan guarantees to enable successful applicants to secure long-term financing for shipyard modernization projects and for building vessels in U.S. shipyards. The loan guarantees provide applicants with long-term financing at favorable interest rates, while sustaining facilities for shipbuilding and ship repair within the United States. In FY 2017, the Title XI program issued a Letter of Commitment for the construction of two new LNG powered combination container roll-on/roll-off vessels.

Assistance for Small Shipyards and Maritime Communities¹⁴

The Small Shipyard Grant program provides funding to support capital improvements and employee training at small U.S. shipyards. Small shipyards play a significant role in our Nation's shipbuilding and repair activity. The grants support efficiency improvements and modernizations that allow U.S. shipyards to compete more effectively in the global market place. Congress has provided approximately \$177 million between FY 2008 and FY 2016 for the Small

¹² See, 46 U.S.C. Chapter 556. The Consolidated Appropriations Ct of 2016 (P.L. 114-113), provided specific funding for the Short Sea Transportation Program.

¹³ See, Title XI of the Merchant Marine Act fo 1936, as amended, codified at 46 U.S.C. Chapter 537.

¹⁴ See, 46 U.S.C. § 54101.

Shipyards Grant program supporting 160 grants. In FY 2016, MARAD awarded \$4.9 million in funding to 9 small shipyard projects.

CONCLUSION

We will continue to keep this Subcommittee apprised of the progress of our program activities and initiatives in these areas in the coming year.

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.