

U. S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2703 Martin Luther King Jr Ave SE
Washington, DC 20593-7103
Staff Symbol: CG-0921
Phone: (202) 372-3500
FAX: (202) 372-2311

**TESTIMONY OF
REAR ADMIRAL JOHN P. NADEAU
ASSISTANT COMMANDANT FOR PREVENTION POLICY**

**ON
STATE OF THE U.S. FLAG MARITIME INDUSTRY**

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

JANUARY 17, 2018

Good morning Chairman Hunter, Ranking Member Garamendi, and distinguished members of the Subcommittee. It is my pleasure to be here today to discuss the state of the U.S. maritime industry and the Coast Guard's role serving that industry.

The U.S. Coast Guard is the world's premier, multi-mission, maritime service responsible for the safety, security, and stewardship of the maritime domain. At all times a military service and branch of the U.S. Armed Forces, a federal law enforcement agency, a regulatory body, a first responder, and a member of the U.S. Intelligence Community, the Coast Guard operates on all seven continents and throughout the homeland, serving a Nation whose economic prosperity and national security are inextricably linked to broad maritime interests.

America's economic prosperity is reliant on the safe, secure, and efficient flow of cargo through the Marine Transportation System (MTS), which now includes 361 ports and more than 25,000 miles of river and coastal waterways. The Nation's waterways support \$4.5 trillion of economic activity each year, including over 250,000 American jobs.¹ Transportation of cargo on water by the maritime industry is the most economical, environmentally friendly, and efficient mode of transport. The maritime industry and MTS connect America's consumers, producers, manufacturers, and farmers to domestic and global markets. Similarly, our national security depends on a healthy maritime industry and reliable MTS. The majority of the military equipment used by the Nation's warfighters is loaded in U.S ports and delivered to theatre on Coast Guard-inspected merchant vessels that are manned by civilian merchant mariners.

¹ "Ports' Value to the U.S. Economy: Exports, Jobs & Economic Growth." American Association of Port Authorities, <http://www.aapa-ports.org/advocating/content.aspx?ItemNumber=21150>, Accessed April 17, 2017.

As the lead federal regulator for the maritime industry, the Coast Guard must be attentive to the industry's changing needs and dynamic challenges. Amidst emerging trends within the MTS and the maritime industry, the Coast Guard's underlying concept of operations and our approach to continuous improvement remains unchanged. We continue to conduct our work using a consistent and enduring concept of operations that has successfully guided us for decades: the Coast Guard develops standards for safe, secure, and environmentally sound operations in the MTS; the Coast Guard assesses and enforces compliance with those standards; and when failures occur, the Coast Guard aggressively investigates them and drives the lessons learned back into our compliance and standards activities. These three phases of operations rely on our ability to leverage our marine safety workforce, engage governmental, non-governmental, and industry partners, and properly manage information and risk.

The Coast Guard's marine safety program and regulatory process advance economic prosperity and national security by leveraging our unique capabilities to ensure that the maritime industry and MTS operate safely, predictably, and securely. We are mindful of the need to facilitate maritime commerce, not impede it. Our marine safety program does this by establishing a level playing field for industry through a framework of common-sense regulations that are enforced in a predictable and consistent manner. The Coast Guard's regulatory standards and compliance functions also promote investment and innovation throughout the maritime sector by providing the means for investors and operators to evaluate and manage risk. This regulatory framework enables U.S. shipping to compete internationally and U.S. ports to compete equally against each other, while protecting American interests from the risk of substandard shipping.

In recent years, the maritime industry has undergone a series of cyclical changes. Within the last ten years, dramatic increases in U.S. energy production led to new construction of U.S.-flag tank barges and tank ships, and sharp increases in shipments of petroleum and petro-chemicals throughout our Nation's ports and waterways. The expansion of oil exploration and production further offshore led to an increase in the size, complexity, and number of offshore support vessels. Though a recent prolonged downturn in the price of oil has eroded much of the oil and gas exploration and related support activity on the outer continental shelf, the volume of oil, petrochemicals, and liquefied natural gas shipments are still reaching new highs. At the same time, legislative and regulatory changes have led to increased oversight of fishing and towing vessels. The Coast Guard is now examining or inspecting as many as 6,000 additional commercial fishing vessels and 5,000 additional commercial towing vessels. Combined, these trends have shown that the maritime industry and Coast Guard are subject to rapid changes in demand and increasing volume, as technology accelerates commodity production and more vessels are brought under increased Coast Guard oversight.

Today, the maritime industry is an innovative and dynamic global industry that continually seeks new ways to efficiently meet stakeholder demands. To meet these growing demands and improve efficiency, the maritime industry is increasingly turning to new and emerging technologies, such as cyber systems, higher levels of automation, and new fuel sources. These technologies enable the maritime industry and MTS to operate with impressive reliability and capacity that drive efficiencies and economic benefits. The regulatory regime should not impede these developments. Our standards and compliance program must evolve to facilitate these changes safely and securely. As the pace and complexity of maritime commerce and operations have increased, third parties have enabled the regulatory regime to evolve and keep up with increasing demand.

Third party programs, such as the Alternate Compliance Program (ACP), have become a necessity upon which both the maritime industry and the Coast Guard rely. Like other flag states around the globe, the United States relies far more heavily on third parties today than ever before. However, as recently highlighted in the Coast Guard's investigation after tragic sinking of the *El Faro*, the Coast Guard must provide the final element of the safety framework with sustainable policy, oversight, and accountability. Now, more than ever, the system requires reform. The Coast Guard plans to establish a risk-based and enduring policy framework that is easily executable and enables more robust oversight of delegated functions. Further, recognizing that the ACP is only one program among many that rely on delegation of technical functions and services to third parties, it is imperative that changes we make to ACP be applied to all programs that rely on a similar structure.

A healthy maritime industry is vital to the nation's economic prosperity and national security. It is also dynamic and continually evolving to meet stakeholder demand. The Coast Guard's regulatory development and compliance programs evolve to keep pace with industry change and ensure the continued safety, security, and environmental compliance in the MTS. We are focused on ensuring every Coast Guard action sustains the smooth operation of the MTS, without imposing unnecessary costs on U.S. entities competing in a global industry.

Thank you for your continued support and the opportunity to testify before you today. I am happy to answer any questions you may have.