

**STATEMENT OF  
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**BEFORE THE  
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION  
SUBCOMMITTEE ON SURFACE TRANSPORTATION AND  
MERCHANT MARINE INFRASTRUCTURE, SAFETY AND SECURITY  
UNITED STATES SENATE**

**HEARING ON  
MARITIME TRANSPORTATION: OPPORTUNITIES AND CHALLENGES**

**April 24, 2018**

Good afternoon Chairwoman Fischer, Ranking Member Peters, and members of the Subcommittee. Thank you for this opportunity to testify about the challenges facing the U.S. maritime sector and opportunities to ensure the long-term viability of this important industry.

The Maritime Administration's (MARAD) mission is to foster, promote and develop the U.S. maritime industry to meet the Nation's economic and security needs. A key challenge MARAD faces in carrying out this mission, is meeting Department of Defense (DOD) sealift requirements. The United States relies on strategic sealift capabilities, which include ships and the necessary mariners to crew those ships to efficiently and effectively deploy military forces around the world. Strategic sealift consists of Government-owned vessels, privately-owned vessels engaged in commerce under the U.S.-flag and the mariners who operate them, and intermodal systems upon which the Government relies. These vessels, mariners, and supporting infrastructure transport 90 percent of equipment and supplies that move and sustain our military forces around the globe.

Government Fleet Readiness

Vessels in MARAD's 46-ship Ready Reserve Force (RRF), along with 15 Military Sealift Command (MSC) vessels, form the 61-ship surge sealift fleet to rapidly deliver equipment and supplies during major contingencies. Readiness of the RRF is a constant challenge given that the average age of the vessels is 43 years. Repairs to older equipment and aging systems require shipyard periods lasting longer and costing more each year. In addition, MARAD and DOD must make investments to meet new regulatory requirements, such as installing modern enclosed lifeboats on RRF vessels. MARAD and the U.S. Transportation Command (USTRANSCOM) are working with the U.S. Navy to address the challenges of recapitalizing the sealift fleet to ensure mission readiness.

## U.S.-Flag Commercial Fleet Viability

Our Nation relies on privately-owned commercial vessels operating under the U.S. flag to augment the capabilities of the Government's fleet. The U.S.-flag commercial fleet delivers supplies and equipment to deployed forces and to service members and their families stationed overseas during steady-state operations and essential sustainment during long military deployments. Unfortunately, the U.S. commercial presence in the international maritime domain has declined and is currently at the lowest level in its history. Of some 41,000 deep-draft self-propelled oceangoing commercial vessels in the world today, just 181 sail under the U.S. flag, including 81 vessels operating exclusively in international trade, while the total capacity of U.S.-flag containership and roll-on/roll-off vessels is roughly the same as 25 years ago. The other 100 consist of the oceangoing ships in our Jones Act fleet. Further decline of the actively-trading U.S.-flag fleet reduces our Nation's ability to unilaterally project and sustain our forces during war..<sup>1</sup>

The Maritime Security Program (MSP), cargo preference laws, and the Jones Act are used to maintain a baseline U.S.-flag fleet. The MSP helps maintain an active, privately-owned, U.S.-flag and U.S.-crewed fleet of 60 militarily useful commercial ships operating in international trade. MARAD provides MSP participants an annual stipend, and their ships and logistics networks are available "on-call" to support DOD's global transportation needs. The MSP facilitates employment for 2,400 U.S. merchant mariners qualified to sail on oceangoing vessels who we can rely upon to crew RRF vessels when activated, and assures DOD access to the critical multibillion-dollar global network of intermodal facilities and transport systems maintained by MSP participants.

Cargo is essential to sustain the vessels and jobs in the U.S.-flag fleet. Cargo preference laws require shippers to use U.S.-flag vessels for the ocean-borne transport of a significant portion of certain cargoes purchased or guaranteed with Federal funds. Specifically, 100 percent of military cargo, and at least 50 percent of most non-military Government owned or impelled cargo transported by ocean, must be carried on U.S.-flag vessels subject to vessel availability. Absent other measures, a strong cargo preference mandate supports the sustainment of a U.S.-flagged, privately-owned commercial fleet and to the continued availability of the associated American merchant mariners.

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<sup>1</sup> See February 13, 2018 Statement of General Darren W. McDew, Commander, U.S. Transportation command, before the Senate Armed Services Committee: *"If the fleet continues to lose ships, when the Nation goes to war, the DoD risks protracted deployment timelines or a scenario in which it must deploy U.S. Forces on foreign-flag ships. Moreover, further reduction in the fleet mean waning access to the global commons, contracting our competitive space and threatening the U.S. strategic advantage in this domain."*

In addition to cargo preference laws, U.S. coastwise trade laws, commonly referred to as the Jones Act, contribute to a baseline of sealift capability and capacity help sustain the U.S.-flag fleet and supports the U.S. shipping industry.<sup>2</sup> Jones Act requirements support U.S. shipyards and repair facilities. They also keep current the supply chains moving that produce and repair American-built ships (including Navy and Coast Guard vessels). Finally, the Jones Act ensures that vessels navigating daily among and between U.S. coastal ports and inland waterways operate with U.S. documentation and a majority American crew, rather than under a foreign flag with foreign crew, as is the case for 98.5% of our nation's waterborne international trade. The American mariners of the Jones Act fleet are our "eyes and ears" in domestic ports and waters and add an important layer of security to our Nation.

### Availability of Mariners

Another challenge to meeting DOD sealift requirements is ensuring enough qualified U.S. merchant mariners are available to operate the surge fleet of 61 Government-owned cargo ships in times of need. The mariners required to operate these vessels are civilians regularly employed on board U.S.-flag, oceangoing commercial ships. I am concerned about the availability of a sufficient number of qualified mariners with the necessary endorsements to operate large ships (unlimited horsepower and unlimited tonnage) and to sustain a prolonged sealift mobilization beyond the first four to six months. While the entire RRF has not been fully activated at one time, there have been more than 600 activations since 1990, over half of which were for reasons other than readiness testing. We seek to ensure there are enough qualified U.S. mariners to safely crew our Government vessels when the need arise.

The FY 2017 National Defense Authorization Act (FY 2017 NDAA) directed MARAD to convene a working group consisting of agency and maritime industry representatives to assess the size of the pool of qualified U.S.-citizen mariners necessary to crew the U.S.-flag fleet in times of national emergency, and recommend actions to enhance the availability and quality of mariner data. MARAD provided the working group's conclusions to Congress in January 2018. In it, the working group estimated a shortfall of 1,800 qualified mariners in the event of a full, prolonged mobilization, but this estimate assumed a "best case" that all qualified mariners would voluntarily report when called upon, and that there will be no ship losses or personnel casualties. Given this assessment, I am working closely with USTRANSCOM, MSC, the USCG, and the commercial maritime industry to develop actions to identify and maintain an adequate number of trained mariners, and ensure they receive training unique to operating in contested waters. Additionally, we are working to better track credentialed mariners who are not sailing, but could serve if needed, and to develop tools to count and understand the characteristics of fully qualified mariners available to meet the Nation's commercial and sealift requirements at any given time.

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<sup>2</sup> The Jones Act requires the use of qualified U.S.-flag vessels to carry goods in domestic commerce, which includes transportation between and among the U.S. mainland, Hawaii, Alaska, and Puerto Rico.

One opportunity to ensure qualified U.S. mariners are available is continued support for the United States Merchant Marine Academy (USMMA), and the state maritime academies (SMAs). MARAD provides funding and oversight to Kings Point and the SMAs to produce highly skilled and licensed officers for the U.S. Merchant Marine. These institutions graduate most of the USCG-credentialed officers who hold an unlimited tonnage or horsepower endorsement qualified to crew these U.S.-flag ocean-going ships.

I will leave it to Rear Admiral Helis to discuss the Academy's accomplishments and challenges, but I must say that I am proud of what they have done. I have been particularly encouraged during my visits to the Academy by the Midshipmen-driven, on-campus culture change program, "Be KP (Kings Point)." The Midshipmen have taken ownership of efforts to change the climate at the Academy and are now leading this effort. Progress is being made, but more work needs to be done as noted in the recent DOT Office of Inspector General report on the USMMA's Sexual Assault Prevention and Response Program. We appreciate the insight from this report and are addressing the recommendations to continue improving the Academy as a whole.

In addition to providing oversight of the USMMA, MARAD provides funding to six SMAs<sup>3</sup>, which collectively graduate more than three-fourths of the entry-level merchant marine officers annually. As part of this support, MARAD loans training ships to SMAs and covers a portion of those ships' maintenance and repair costs. In addition to being used to train mariners, these vessels, which are part of the National Defense Reserve Fleet (NDRF), are used to respond to national disasters when requested by other Federal agencies. Most recently, MARAD activated RRF and NDRF ships to support Federal relief activities following Hurricanes Harvey, Irma, and Maria. During these deployments MARAD vessels supplied citizens and first responders with housing, meals, logistical support, and relief supplies, including delivering critical Federal Aviation Administration replacement air navigation equipment to the Virgin Islands. These vessels are aging and nearing the end of their life cycles, with two of the vessels more than 50 years old. Ensuring the continued availability of these ships is a high priority for MARAD. Congress recognized this need and provided \$300 million in the FY 2018 Appropriations Act to fund the design and construction of a new common school ship—the National Security Multi-Mission Vessel.

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<sup>3</sup> 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.

## Port Infrastructure

Another challenge we face is the state of Our Nation's port infrastructure. The ability of our ports to increase capacity and handle cargo more efficiently is vital to the health of many domestic industries. Freight volumes are projected to increase by 31 percent and U.S. foreign trade will more than double between 2015 and 2045.<sup>[1]</sup> Without major improvements to multimodal transportation infrastructure and technologies, congestion resulting from greater volumes of freight could lead to growing delays and failures in the supply chain that would reduce our quality of life. There is great potential to improve the efficiency of this system by increasing the efficiency of our ports, which are the interfaces between water and land-based

MARAD is engaged with port communities to leverage existing DOT financing programs such as TIFIA and RRIF, and grant programs such as BUILD and INFRA, to increase Federal and non-Federal investment in port infrastructure and first/last mile intermodal connectivity. MARAD is also exploring ways to use our existing authorities to attract more non-federal investment in port infrastructure. We are also leading the way in identifying the critical challenges in port operations that could be met by increased use of intelligent transportation system technologies to interface more seamlessly between global and domestic transportation systems. We do this work in partnerships with the Federal Highways Administration's Intelligent Transportation System Joint Program Office and the American Association of Port Authorities. Finally, we are working to attract new investment in technologies to more efficiently and safely integrate maritime cargo movement into the overall transportation system.

## Other MARAD Programs

In addition to meeting DOD sealift requirements, MARAD programs support the environmentally sound disposal of obsolete Government-owned vessels, innovation to address maritime energy and environmental issues, activities to address infrastructure challenges at our ports and on our inland rivers and waterways, and ship repair. Funding in the FY 2018 Appropriations Act allows MARAD to capitalize on opportunities in each of these areas as highlighted below.

MARAD is the ship disposal agent for Federal government-owned merchant-type vessels of 1,500 gross tons or greater. Currently, MARAD has 11 obsolete vessels not yet under contract for disposal, which is a historic low. The FY 2018 Appropriations Act provides \$6 million for the disposal of these vessels. MARAD is also responsible for continuing the required protective storage activities for the Nuclear Ship (NS) SAVANNAH until decommissioning and license termination are complete. The FY 2018 Appropriations Act provides \$110 million for the storage, maintenance, and final decommissioning of the NS SAVANNAH.

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<sup>[1]</sup>DOT Bureau of Transportation Statistics, Freight Facts and Figures 2017, Table 2-1.

The FY 2018 Appropriations Act provides \$3 million for MARAD's Maritime Environmental and Technical Assistance (META) program. This program supports applied research and development to facilitate environmental compliance and enhance sustainability in the marine industry. Leveraging resources with the private sector and other government agencies, META's goal is to identify economically sustainable solutions to emerging maritime environmental challenges.

MARAD received \$5 million in funding in FY 2017 for the America's Marine Highway Program. The goal of this program is to develop and expand services to move freight along our waterways and coastlines and to relieve land-side congestion. Given the immense economic and environmental benefits of increased waterborne transportation, serious implementation of this program represents an opportunity to significantly enhance American supply-chain competitiveness. MARAD is currently reviewing project applications and expects to announce the FY 2017 grant awards later this Spring. In addition, the FY 2018 Appropriations Act included \$7 million in grant funding for the program. We expect to issue a Notice of Funding Opportunity for those grant funds soon.

The Small Shipyard Grant program provides funds to support capital improvements and training at small U.S. shipyards. Small shipyards play a significant role in our shipbuilding and repair activity. The grants support modernization that allow U.S. shipyards to compete more effectively in the global market place. The FY 2018 Appropriations Act provides \$20 million in funding for the grant program. MARAD published a Notice of Funding Opportunity on April 14, 2018, and DOT will award grants by July 23, 2018.

Lastly, the Maritime Administration is an active member of the U.S. Committee on the Marine Transportation System (CMTS). In August 2017, I was appointed by the Secretary to Chair the subcabinet Coordinating Board for one year. The CMTS is an interagency forum through which 25-plus federal agencies and offices collectively address challenges of the marine transportation system. In October 2017, Secretary Chao approved the National Strategy on the Marine Transportation System: Channeling the Maritime Advantage. The interagency members, which also includes the Saint Lawrence Seaway Development Corporation, U.S. Coast Guard, U.S. Army Corps of Engineers, the National Oceanic and Atmospheric Administration, and Federal Maritime Commission, to name a few, is addressing five areas of focus in the Strategy for system performance, navigation safety, maritime security, energy innovation, and infrastructure investment.

In addition to managing the programs discussed above, MARAD is reviewing recommendations made in a November 2017 National Academy of Public Administration (NAPA) report on the agency. MARAD requested this assessment from NAPA to provide a review of the agency's programs and offer recommendations for improving the alignment of activities to enhance performance and meet MARAD's mission to foster, promote, and develop the maritime industry of the United States. In response to recommendations, MARAD is conducting an internal business process review to ensure MARAD's mission is clear and supports the Administration's policy goals.

I appreciate this Subcommittee's continued support for the U.S. Merchant Marine and look forward to working with you to address the challenges facing the U.S. maritime industry and take advantage of opportunities to enhance and improve the U.S. maritime transportation system. I am happy to respond to any questions you may have.