

**STATEMENT OF  
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**BEFORE THE  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
SUBCOMMITTEE ON COAST GUARD  
AND MARITIME TRANSPORTATION  
UNITED STATES HOUSE OF REPRESENTATIVES**

**HEARING ON  
REVIEW OF RECENT GAO REPORTS ON ICEBREAKER ACQUISITION  
AND THE NEED FOR A NATIONAL MARITIME STRATEGY**

**NOVEMBER 29, 2018**

Good morning, Chairman Mast, Ranking Member Garamendi, and members of the Subcommittee. Thank you for this opportunity to testify about the need for a National Maritime Strategy.

In August of this year, the United States Government Accountability Office (GAO) completed a report on maritime security, which examined the role U.S.-flag commercial vessels play in supporting Department of Defense (DOD) sealift needs.<sup>1</sup> GAO recommended that the Department of Transportation (DOT) should complete the national maritime strategy and establish and provide to Congress a timeline by which the strategy document will be issued as required in the Howard Coble Coast Guard and Maritime Transportation Act of 2014 (2014 Coast Guard Act), P.L. 113-281. DOT concurred with GAO's recommendation. Subsequent to the publication of this report, Congress passed and the President signed the John S. McCain

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<sup>1</sup> Maritime Security, DOT Needs to Expediently Finalize the Required National Maritime Strategy for Sustaining U.S.-Flag Fleet, GAO-18-478, August 2018.

National Defense Authorization Act for Fiscal Year (FY) 2019 (P.L. 115-232), which extended the deadline of this strategy to February 2020. This extension affords the Administration the opportunity to align the National Maritime Strategy with other Administration strategy documents.

The 2014 Coast Guard Act directed DOT, in consultation with the U.S. Coast Guard (USCG), to produce a strategy that identifies Federal regulations and policies that reduce the competitiveness of U.S.-flag vessels in international trade and the impact of reduced cargo flow due to reductions in United States Armed Forces stationed overseas. In addition, the strategy must include recommendations to make U.S.-flag vessels more competitive in international trade.

Developing a National Maritime Strategy will help the Maritime Administration (MARAD) accomplish its mission to foster, promote, and develop the U.S. maritime industry to meet the Nation's economic and security needs. MARAD had embarked on a strategy development effort prior to passage of the 2014 Coast Guard Act. While the 2014 Coast Guard Act requirements are included in the scope of the statute, because of the evolving nature of the industry, it is important to develop a strategy that can serve the government and industry over the long term. A critical part of this mission is ensuring the availability of U.S. ships, and qualified merchant mariners to crew those ships, to meet DOD sealift requirements. DOD relies on these strategic sealift capabilities to efficiently and effectively deploy military forces around the world. When the United States goes to war, DOD's U.S. Transportation Command moves 90 percent of its cargo requirements with the strategic sealift fleet, which consists of government-owned ships

augmented by the commercial U.S.-flagged fleet.<sup>2</sup> A key issue MARAD faces in carrying out its mission includes simultaneously coordinating access to shipping services to meet commercial demands, with potentially overlapping DOD sealift requirements, and other national emergency needs that involve this limited fleet of U.S.-flag vessels. In addition to this important work, the people of MARAD must work with the interagency and direct focus on improving the Nation's lagging competitiveness in port and intermodal freight infrastructure. The National Maritime Strategy is aimed at addressing all of these challenges.<sup>3</sup>

In its report, GAO reviewed: (1) The effect the U.S. government's support for the U.S.-flag fleet has had on national defense needs and other government programs; (2), the challenges identified by stakeholders in sustaining the U.S.-flag fleet for defense needs; and, (3) the status of the National Maritime Strategy. GAO concluded that although U.S. government support for commercial sealift helps meet national defense requirements, operating cost increases unique to the U.S.-flag and a decline in government impelled cargo volumes have challenged the ability of U.S.-flag commercial ships to remain economically viable in international trade. As demand for U.S.-flag ships in international trade has declined in recent years in response to these pressures, the number of ships and associated jobs available to U.S. citizen merchant mariners continues to decline. In turn, MARAD's ability to identify qualified volunteer mariners to crew Government-owned reserve ships in the event of a large-scale war or emergency is more challenging. GAO concluded that the continued lack of a National Maritime Strategy limits decision-makers' ability

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<sup>2</sup> General Darren W. McDew, United States Air Force Commander, U.S. Transportation Command, Statement before the Senate Armed Services Committee on the State of Command, April 10, 2018, page 8.

<sup>3</sup> The National Maritime Strategy will address requirements from the 2014 Coast Guard Authorization Act, as well as fulfill a directive from the FY 2014 Consolidated Appropriations Act, P.L. 113-76, requiring DOT, in collaboration with DOD, to develop a national sealift strategy that ensures the long-term viability of the U.S. Merchant Marine.

to make policy choices related to these challenges in a comprehensive way that considers the complex issues related to the government support that is currently required to retain the U.S.-flag fleet. In order to reverse the continued long-term decline of the American fleet, the National Maritime Strategy must also seek to enhance U.S. maritime competitiveness to a degree sufficient enough to generate and sustain growth in commercial demand for U.S.-flag shipping.

MARAD is conscious of the time it has taken to develop the strategy since Congress directed that it be done in 2014. In this time, MARAD has conducted extensive engagement with public and private stakeholders representing the full spectrum of maritime industry professions, sectors, and regions. As the U.S. Committee on the Marine Transportation System (CMTS) notes, there are 18 Federal Agencies and numerous public stakeholders with a role in maritime transportation issues. Each of these Agencies is an important stakeholder and their input is critical to address both the challenge involved in developing a strategy for the U.S. merchant marine that can garner wide-spread support and the importance of developing a long-term strategy to address future needs. As you may be aware, the draft strategy was placed into interagency review under the prior Administration. It was subsequently withdrawn by political leadership of the current Administration so that they could have an opportunity to review, revise, and align the strategy accordingly. We appreciate that Congress provided an extension on this requirement to allow us to best align this strategy with Administration's National Security Strategy and National Defense Strategy. MARAD has not stood idle during this interim period. We are using the extension afforded by Congress as an opportunity to further collaborate with stakeholders to refine goals of the strategy to produce an effective National Maritime Strategy.

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.