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

**HEARING ON “REVIEW OF FISCAL YEAR 2020 BUDGET FOR THE COAST
GUARD AND MARITIME TRANSPORTATION PROGRAMS”**

May 21, 2019

Good morning, Chairman Maloney, Ranking Member Gibbs and members of the Subcommittee. I appreciate the opportunity to testify this morning on the President’s Fiscal Year (FY) 2020 budget priorities for the Maritime Administration (MARAD). MARAD’s statutory mission is to foster, promote, and develop the United States merchant marine and maritime transportation industry to meet the economic and security needs of the Nation. This budget request furthers that mission by investing in U.S. mariner training, supporting programs that help U.S.-flag commercial vessels compete globally, and maintaining sealift readiness to meet national security requirements.

FY 2020 BUDGET REQUEST

The United States is – and must remain – a maritime nation. A strong, resilient, reliable and efficient marine transportation system is required to keep the United States competitive in the global economy and to maintain our military strength. MARAD’s programs strengthen and promote the U.S. merchant marine industry to ensure sealift capacity is available to support our defense and economic security needs.

The number of U.S.-flag vessels operating in international trade has been at historic lows over the past several years. Of approximately 50,000 large, oceangoing commercial vessels operating around the world today, only 181 fly the U.S. flag. Of those, 81 vessels operate exclusively in international trade. The remaining 100 operate almost exclusively in domestic (“Jones Act”) trade. These U.S.-flag vessels are critical to the employment base for mariners with the unrestricted credentials and training required to crew Government ships used to deploy and sustain our armed forces around the world. As the fleet dwindles, so does the employment base for U.S. merchant mariners and the U.S. shipbuilding and repair industry, which are all essential components of national security. In addition, ensuring our capability to participate as a nation in international maritime commerce is a critical component to remaining globally and economically

competitive. Without U.S.-flag vessels operating in international trade, the U.S. would become completely reliant on foreign-flag shipping services.

The Budget requests a total of \$682.5 million to support MARAD's programs in FY 2020. These resources will focus on maintaining the competitiveness of the U.S.-flag internationally trading commercial fleet and training the next generation of well-qualified merchant mariners. MARAD remains committed to marine transportation policies that improve security, address our Nation's critical maritime infrastructure gaps, and leverage technology to meet the needs and challenges of the marine transportation industry. MARAD works in a variety of areas involving shipyards, ports, waterways, ships and shipping, vessel operations, national security and strategic mobility, ship disposal, and maritime education. A summary of the FY 2020 request is provided below.

NATIONAL SECURITY

The U.S. merchant marine is a fundamental component of our national defense strategy. Our strategic sealift relies on a Government-owned fleet and assured access to commercially operated U.S.-flag vessels, as well as the intermodal networks maintained by these vessel operators, to transport equipment and supplies to deploy and sustain our military forces anywhere in the world. Critical to the operation of both Government-owned and commercial U.S.-flag vessels is an adequate supply of qualified U.S. mariners to crew them. Currently, we face significant readiness challenges due to aging Government-owned vessels, historically low numbers of U.S.-flag vessels operating in international trade, and ensuring we have a sufficient number of qualified U.S. mariners that would be needed in the event of a long-term national emergency. I am concerned that the current fleet size could impact our ability to quickly assemble an adequate number of qualified mariners with the proficiency to operate large ships (unlimited horsepower and unlimited tonnage) needed for surge and sustainment sealift operations during a mobilization that lasts more than six months. We may be short of the number of mariners needed to meet crewing requirements beyond those first six months.

Maritime Security Program (MSP)

For FY 2020, \$300 million is requested for the MSP, providing the full authorized stipend level of \$5 million for each of the 60 ships enrolled in the program. The Maritime Security Act of 1996 established the MSP, which ensures access to 60 active, commercially viable, militarily useful, privately owned U.S.-flag vessels and crews operating in the international trade, and the necessary global intermodal logistics networks to move military equipment and supplies during armed conflict or national emergency. This program also facilitates critical employment for up to 2,400 U.S. merchant mariners qualified to sail on oceangoing vessels, some of whom would be called upon to crew the Government-owned fleet when those vessels are activated, and approximately 5,000 shore side maritime professionals each year. Participating MSP operators

commit to making their ships and multibillion-dollar global networks of intermodal facilities and commercial transportation resources for service to the Department of Defense (DOD) during times of war or national emergency.

Overall, the MSP fleet's military capacity is at the highest level in the program's history. Being at full capacity bolsters the ability of MARAD and the U.S. merchant marine to meet DOD mission requirements. The ships and crews receiving MSP stipends have supported every U.S. conflict since its inception in 1996, including Operations Enduring Freedom and Iraqi Freedom, by providing cargo preference-contracted DOD transportation services. These vessels stand ready to play a vital role in support of U.S. military operations worldwide.

National Defense Reserve Fleet (NDRF) and Ready Reserve Force (RRF)

MARAD maintains a fleet of Government-owned vessels in the NDRF, which include training ships on loan to the six state maritime academies (SMAs) and the U.S. Merchant Marine Academy (USMMA or Academy). The fleet includes 46 RRF vessels that are maintained and ready for operation within five or ten days for transport of military cargo to critical areas of operation. In addition to providing strategic sealift support for DOD, these RRF vessels are relied upon to provide support services to emergency response personnel, such as meals and berthing, and deliver relief supplies, equipment, vehicles and emergency personnel to impacted disaster areas during national emergencies, including severe weather events. Our Nation has called upon RRF and NDRF vessels to respond to several recent disasters providing support for thousands of emergency responders.

The FY 2020 Budget for the DOD requests \$352 million for MARAD to maintain the RRF. Funds will allow MARAD to continue to provide ready surge sealift support and special mission vessels from the RRF fleet, and also maintain MARAD's NDRF fleet mooring sites. This request includes an increase from FY 2019 that is necessary for maintaining the aging RRF fleet of ships, which have an average age of more than 44 years and significantly increased maintenance, repair, and regulatory compliance costs due to more stringent vessel inspections.

For the past year, we have struggled to maintain readiness levels across the fleet. Older, increasingly obsolete equipment and systems require more time and money to repair or replace, if replacement parts, equipment and systems are even available. Thus, the escalating cost of service life extensions is an ongoing concern. Requested funding is needed to complete necessary repairs to comply with new regulatory requirements, such as upgrading and installing enclosed lifeboats, addressing exhaust emissions, and treating ballast water. MARAD is working with the U.S. Transportation Command (USTRANSCOM) and the U.S. Navy to address the urgent need for recapitalization of the RRF to ensure the readiness of these 46 ships. Long-term, MARAD supports the Navy's surge sealift recapitalization strategy, which includes a

combination of targeted service life extensions, acquiring and converting used vessels, and building new sealift vessels in U.S. shipyards.

MARITIME EDUCATION AND TRAINING

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. It takes many years of training to develop the necessary mariner competencies for deck and engineering officer positions on large vessels in international trade. An adequate pool of U.S. merchant mariners is vital to both the peacetime commercial success of the U.S.-flag fleet and to crew Government-owned surge sealift vessels to deploy and sustain U.S. forces overseas in times of national emergency.

The USMMA and SMAs support our Nation with well-educated and trained merchant mariners entering the maritime industry who can serve in support of military operations, national emergencies, and humanitarian missions. The USMMA graduates an average of 225 USCG-credentialed merchant marine officers annually who hold an unlimited license available to crew U.S.-flag ocean-going ships. Additionally, the combined six State Maritime Academies (SMAs) graduate approximately 900 USCG-credentialed merchant marine officers annually.

United States Merchant Marine Academy

The President's FY 2020 Budget requests \$82 million for the USMMA. Of this amount, \$78 million will support Academy operations, and \$4 million will fund priority maintenance and repairs to the Academy's facilities, grounds, and equipment. These resources will enable the Academy to effectively achieve its core responsibility to educate and train the next generation of outstanding leaders as shipboard officers at sea and commissioned officers in our active and reserve armed forces. This funding will also support an approximately seven percent increase in the size of the regiment as the Academy gets back to the full student capacity following the completion of renovation of the barracks.

The USMMA is an accredited institution of higher education operating under the DOT and managed by MARAD. The USMMA offers a four-year maritime-focused program, centered on rigorous academic and practical STEM-based technical training that leads to a Bachelor of Science degree, a USCG merchant mariner credential (MCC) with an unlimited tonnage or horsepower officer endorsement, and a commission (if offered) as an officer in the reserve or active Armed Forces. Distinctly, 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. If serving in the reserves, they must remain as a commissioned officer for eight years.

The Academy, MARAD, and DOT are committed to ensuring the safety of Midshipmen both on campus and during their sea year. We have significantly improved Academy programs and procedures related to sexual harassment and sexual assault, and are making progress to instill a culture that does not tolerate such behavior. I am pleased with the direction and momentum of change at the Academy, but am also cognizant that eliminating sexual assault and sexual harassment is an issue that requires consistent attention. As such, addressing sexual harassment and sexual assault at the Academy and during sea year training remains a top priority for myself, our new Superintendent, RADM Jack Buono, and DOT leadership. MARAD will work with USMMA and DOT leadership to not only continue to establish effective procedural safeguards to respond to sexual assault and harassment, but to also ensure USMMA adopts a proactive mindset to respond immediately to conduct that enables assault and harassment. Proactive prevention measures are also critical to creating a learning environment that will enable the Academy to support MARAD's strategic goal of a maritime workforce that draws from all communities across the Nation.

State Maritime Academies

In addition to providing oversight of the USMMA, MARAD provides funding assistance to six SMAs¹, which collectively graduate more than three-fourths of the entry-level merchant marine officers annually. The President's FY 2020 Budget includes \$242.3 million for SMA program support. This request includes \$205 million for the construction of a third training ship. Unlike the USMMA, SMA cadets receive most of their sea time while sailing on board MARAD-provided training ships under instruction by their academy, with some training on commercial or military vessels. The current SMA training ships are very old and must be replaced. We appreciate the support Congress has provided for the School Ship recapitalization program, by appropriating funding for one vessel each in FY 2018 and FY 2019. Since that first appropriation in March 2018, MARAD has developed and implemented an acquisition strategy, incorporated industry feedback into the ship design, and is well along in evaluating proposals to select a Vessel Construction Manager who will contract for the construction of the vessels.

Additionally, the request provides \$30.1 million to maintain the six existing SMA training ships in accordance with the USCG and American Bureau of Shipping requirements, and training ship capacity-sharing measures to allow uninterrupted availability of mandatory at-sea training opportunities for SMA cadets. Ensuring the continued availability of SMA training vessels is a critical need and high priority for MARAD. Training ship maintenance work is increasingly critical and costly as the ships age and approach or exceed their designed service life. MARAD will use the funds to sequence and address priority maintenance needs across all the training

¹ The six SMAs are: California Maritime Academy; Great Lakes Maritime Academy; Texas A&M Maritime Academy; Maine Maritime Academy; Massachusetts Maritime Academy; and State University of New York Maritime College.

vessels, and to ensure that cost effective viable alternatives are available for SMAs that require additional training capacity.

Additionally, the request provides \$2.4 million to fund the Student Incentive Program (SIP), which provides educational financial assistance to 75 new cadets each year (across all SMAs) who participate in this service obligation program. SIP students must maintain an unlimited USCG credential for six years, fulfill a three-year service obligation to serve as a merchant marine officer aboard U.S. documented vessels, and serve in a reserve unit of an Armed Forces or uniformed service for eight years if a commission is offered. The Budget also includes \$3 million for direct payments to provide for operational support to each of the six SMAs, and \$1.8 million for training ship fuel payments. The SMAs regard the SIP program and support for their training ships as among the most important recruiting tools to encourage potential cadets to pursue a merchant marine career. These programs and resources will also help ensure MARAD can fulfill its commitments to National security and supporting the growth of the Nation's maritime workforce, by creating opportunities for individuals from all backgrounds to serve as mariners.

OTHER MARITIME PROGRAMS

Ship Disposal Program

The President's FY 2020 Budget requests \$5 million for the ship disposal program, including \$3 million to maintain the Nuclear Ship SAVANNAH (NSS) in protective storage, according to Nuclear Regulatory Commission (NRC) requirements, while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress. The ship disposal funding request also includes \$2 million for staff and administrative program costs.

MARAD is the ship disposal agent for Federal government-owned merchant-type vessels of 1,500 gross tons or greater and has custody of non-retention ships in the NDRF. When ships are determined to be no longer of sufficient value to merit the cost of further preservation, MARAD arranges for their responsible disposal, with priority emphasis on the disposal of vessels in the worst condition. Currently, MARAD has seven obsolete NDRF vessels not yet under contract for disposal, which is a historic low.

As a Federal licensee, MARAD is responsible for continuing the required protective storage activities for the NSS until decommissioning and license termination are complete. Protective storage activities include radiological protection, vessel maintenance, lay berthing, and custodial care. The program received funding for decommissioning in FY 2017 to initiate and complete Phase I, and additional funding in FY 2018 for Phase II and Phase III, fully funding the three-phased and seven-year decommissioning project. Phase I is comprised of administrative and industrial activities that complete the prerequisites for commencement of the heavy engineering and industrial activities in Phase II. Phase III is the final license termination period before

release of the vessel to MARAD for final disposition. All decommissioning and license termination activities are on track for completion ahead of the December 2031 required NRC deadline.

CONCLUSION

These programs represent MARAD's priorities supported by the President's Budget. We will continue to keep this Subcommittee apprised of the progress of our program activities and initiatives in these areas in the coming year.

Mr. Chairman, thank you for the opportunity to present and discuss the President's Budget for MARAD. 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.