

**STATEMENT OF  
PAUL N. JAENICHEN  
ADMINISTRATOR  
MARITIME ADMINISTRATION  
U.S. DEPARTMENT OF TRANSPORTATION**

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

**THE MARITIME ADMINISTRATION'S  
FISCAL YEAR 2017 BUDGET REQUEST**

**March 15, 2016**

Good morning, Chairman Hunter, Ranking Member Garamendi and Members of the Subcommittee. I appreciate this opportunity to discuss the President's Fiscal Year (FY) 2017 budget priorities and initiatives for the Maritime Administration (MARAD). This budget request supports MARAD's mission to foster, promote and develop the U.S. Merchant Marine, and reflects MARAD's priorities of maintaining security and preparedness, investing in mariner training, and fostering environmental sustainability.

MARAD's FY 2017 Budget Request is \$428.1 million, which funds activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, environmental sustainability, safety, and mariner training and education. The FY 2017 request includes an increase for our mariner training programs to support the Nation's effort to continue to produce highly skilled U.S. Coast Guard (USCG) credentialed officers in the U.S. Merchant Marine to support America's defense and national security needs. The request also highlights an increase to begin dismantlement and decontamination of the defueled nuclear power plant on board the former Nuclear Ship SAVANNAH. A summary of the FY 2017 request is provided below.

**SECURITY AND PREPAREDNESS**

To defend American interests and carry out national policy overseas, the United States must be capable of deploying military forces anywhere in the world on short notice to meet contingency requirements. The U.S.-flag fleet of privately owned, commercially operated vessels, along with government-owned vessels, provide critical 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.

### Maritime Security Program (MSP)

For FY 2017, \$186 million is requested for the MSP to fund \$3.1 million for each of the 60 ships expected to be enrolled in the program. The Maritime Security Act of 1996 established the MSP, which provides direct annual stipends for up to 60 active, commercially viable, militarily useful, privately-owned U.S.-flag vessels and crews operating in U.S. international trades. The MSP fleet ensures access to U.S.-flag ships in ocean-borne foreign commerce with the necessary intermodal logistics capability to move military equipment and supplies during armed conflict or national emergency, and also provides critical employment for up to 2,400 highly qualified U.S. merchant mariners and approximately 5,000 shore side maritime professionals 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. Of the 78 U.S.-flag vessels that trade internationally, 57 currently participate in the MSP program. MARAD recently approved one vessel to enter the program and is in the process of filling the remaining two vacancies in the program.

### Food Aid Proposal

The President's FY 2017 Budget Request proposes to modify the current P.L 480 Title II Food Assistance Program to change the way food aid is delivered around the world, specifically to allow flexibility (25 percent of total budget) for interventions such as local and regional purchase to reduce the average cost per beneficiary, making it more efficient and reaching more people in crises. MARAD's request for \$25 million is included as a component of the food aid proposal to mitigate the impact these changes could have on sealift capacity and the availability of U.S. citizen mariners to support the Nation's sealift requirements. If enacted, this new initiative would provide funds to preserve mariner employment on commercial vessels of the United States and to identify other innovative means to encourage retention of U.S. mariners and vessels. Of this total, up to \$24 million will be used to provide direct support payments to operators of vessels in foreign trade, separate from MSP payments and at least \$1 million will be used to support training and credentialing of U.S. citizen mariners to retain them.

### National Defense Reserve Fleet (NDRF)/ Ready Reserve Force (RRF)

MARAD manages and maintains a fleet of government-owned merchant ships in the National Defense Reserve Fleet (NDRF). This includes 45 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 days to meet critical war fighting requirements. Vessels maintained in the RRF and NDRF, which include training ships on loan to the six State Maritime Academies (SMAs), in the past have been called upon for disaster response in an emergency, as was the case when one RRF ship and two training ships were activated in November 2012 to provide support for relief efforts following Hurricane Sandy, and more recently three RRF ships supported the medical mission to Liberia for the United States contribution to the international Ebola Virus response in late 2014. Additionally,

RRF and NDRF vessels can be configured to support other emergent situations as was the case in mobilizing the Motor Vessel (M/V) CAPE RAY for use in the international effort to destroy the Syrian Government's declared chemical weapon stockpile. That mission was successfully completed in August of 2014.

Funding provided by a reimbursable agreement from the Department of Defense (DOD) will allow MARAD to continue providing ready surge sealift support in FY 2017 in the areas of activating, operating, deactivating and special mission requirements for RRF vessels and maintaining MARAD's NDRF fleet sites.

### Maritime Training Programs

It takes many years of training to develop the necessary mariner competencies for officer and engineering positions on vessels; therefore, maintaining an adequate pool of American merchant mariners is vital to the commercial success of both the U.S.-flag fleet and the capacity to project American sea power. The average age of a USCG credentialed merchant mariner is 46, and the workforce is retiring faster than it is being replaced.<sup>1</sup> Since the maritime segment of transportation workers is relatively small, the effect of a large percentage of older workers is likely to be significant on the entire maritime transportation workforce. Given the high average age of the credentialed mariner workforce, the expected separation rate of workers from the industry (i.e., those leaving the industry, retirements and expected job growth) and time needed to gain shipboard experience, there could be a critical need for senior mariners to meet employment demand between now and 2022

The U.S. Merchant Marine Academy (USMMA) and the State Maritime Academies (SMAs) graduate the majority of USCG-credentialed officers with the highest entry-level merchant marine officers who hold an unlimited tonnage or horsepower endorsement available to support the U.S. Merchant Marine and national maritime industry infrastructure. These graduates support our Nation having a cadre of well-educated and trained merchant mariners in the event of a contingency or national emergency, as well as to meet national security needs in support of military emergency and humanitarian missions.

### *United States Merchant Marine Academy*

The President's FY 2017 Budget Request includes \$99.9 million for USMMA. Of this, \$74.9 million will support Academy operations and \$25.1 million will fund major capital improvements and repairs to the Academy's physical campus. The request will support mission-essential program requirements and priority areas of physical campus and technology security.

---

<sup>1</sup> *Strengthening Skills Training and Career Pathways Across the Transportation Industry: Data Report on Future Transportation Workforce Needs*, U.S. Departments of Education, Transportation and Labor, August 2015, [https://s3.amazonaws.com/PCRN/docs/Strengthening\\_Skills\\_Training\\_and\\_Career\\_Pathways\\_Across\\_Transportation\\_Industry\\_Data\\_Report.pdf](https://s3.amazonaws.com/PCRN/docs/Strengthening_Skills_Training_and_Career_Pathways_Across_Transportation_Industry_Data_Report.pdf)

Funding includes an increase to support necessary simulator program upgrades, physical and information technology security enhancements, and required Academy training ship dry docking costs. This request will enable the Academy to effectively achieve its core responsibility of providing the highest caliber academic study with state of the art learning facilities for the Nation's future merchant marine officers and maritime transportation professionals. The Academy's shipboard training program exposes Midshipmen to life at sea on board commercial and military vessels and enables commercial U.S. shipping companies and the U.S. Navy (Military Sealift Command) an opportunity to provide seamanship and engineering training. In 2017, 178 midshipmen are expected to graduate from the Academy. With rare exceptions, all Academy graduates are commissioned on active duty or into a reserve unit of the Armed Services or other uniformed services of the United States and provide a guaranteed source of mariners to crew government owned surge sealift vessels when activated.

The request seeks \$302 thousand in funding for the USMMA Sexual Assault Prevention and Response (SAPR) Program. Sexual assault and sexual harassment are unacceptable behaviors and have no place at any institution of higher education, especially one committed to developing our Nation's future leaders. MARAD is committed to eliminating sexual assault and sexual harassment on our campus and, until we reach that goal, improving the reporting rate and taking appropriate action in each reported case. The SAPR program has significantly improved training across the Academy aimed at the prevention of sexual assault and sexual harassment including online prevention training, case studies, videos, social media, professional speakers and small groups. While the Academy has implemented a wide variety of important training, education, reporting and security mechanisms we recognize this important on-going responsibility and will work towards continuous improvement.

#### *State Maritime Academies*

The President's FY 2017 Budget Request includes \$29.6 million for the SMA program. This request includes \$22 million to fund maintenance and repair costs for federally owned training ships on loan from MARAD to the SMAs. The Training Ship Maintenance and Repair funds are used for recurring or periodic capital preservation projects, and to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic equipment/machinery failure or loss. This work is particularly important as the training ships age and approach their designed service life. In the interim, MARAD is using the requested funds to address priority maintenance across all the aging training vessels, with priority emphasis on the TS EMPIRE STATE, to ensure that they all meet safety and functional requirements and can stay in service as long as possible.

Additionally, the request provides \$2.4 million to fund the Student Incentive Program (SIP), enabling enrollment of 300 students per year (75 graduates annually) who maintain a USCG Merchant Mariner Credential (MMC) and fulfill a service obligation through active or reserve duty in the U.S. Armed Forces or through employment in the maritime industry. Funding also

includes \$3 million for annual direct payments to provide for operational support to each of the six SMAs and \$1.8 million for fuel assistance payments.

The six SMAs collectively graduate more than two-thirds of the entry-level Merchant Marine officers annually.<sup>2</sup> More than 660 Cadets are expected to graduate from the SMAs in 2017. As part of its support to the SMAs, MARAD provides training ships<sup>3</sup> which are on loan to the SMAs to support at-sea training. Unlike the USMMA Midshipmen, the SMA Cadets receive most of their sea time to qualify for their MMC and International Maritime Organization Standards for Training, Certification and Watchkeeping (STCW) endorsements on these MARAD-provided training ships rather than on commercial or military vessels.

#### *National Security Multi-Mission Vessel/School Ship Replacement Program*

The FY 2017 Budget Request includes \$6 million to fund an independent requirements and alternatives analysis for Cadet training ship needs, specifically the training requirements of the State Maritime Academies (SMAs) that MARAD currently supports. It is prudent to undertake additional rigorous analysis prior to making this type of investment to ensure the most cost beneficial and effective solution is provided. The activities will build upon the previously completed efforts.

### **ENVIRONMENTAL SUSTAINABILITY**

MARAD environmental programs are aimed at reducing and mitigating maritime transportation-related impacts on ecosystems and communities; with a focus on obsolete vessel disposal, reducing port and vessel air emissions, testing and verification of ballast water treatment technology, underwater hull cleaning and inspection, improving and diversifying marine propulsion systems and fuels, and increased energy efficiency at sea.

#### **Ship Disposal**

In FY 2017, the Ship Disposal program requests \$20 million which includes \$9 million to support continued obsolete vessel disposal, \$8 million for the decommissioning of the Nuclear Ship (N.S.) Savannah, and \$3million for maintaining the N.S. Savannah in protective storage. The FY 2017 Budget Request for the Ship Disposal Program is \$9 million to support the continued priority emphasis on the disposal of non-retention NDRF vessels in the worst condition, with priority emphasis on the removal of the three remaining obsolete ships in the Suisan Bay Reserve Fleet (SBRF). This is required to comply with the April 2010 California Court Consent Decree requiring removal of all 57 SBRF non-retention vessels by the end of FY

---

<sup>2</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.

<sup>3</sup> 46 U.S.C. 51504

2017. Currently, MARAD has 16 obsolete vessels uncontracted for disposal services, which is a historic low. Funding will support ship disposal in an environmentally responsible manner that further reduces the risk of environmental contamination while contributing to the domestic recycling industrial base.

#### Nuclear Ship SAVANNAH

The President's FY 2017 Budget Request includes \$11 million for the inactive former *Nuclear Ship SAVANNAH (NSS)*. This includes \$8 million to begin the Nuclear Regulatory Commission (NRC) required decommissioning (DECON) process, including the dismantlement and decontamination of the defueled nuclear power plant on board the former *NSS*. The *NSS* decommissioning must be completed by December 2031 which coincides with the NRC license expiration date of the vessel.

Also within this request, \$3 million will provide for the continuation of the required *NSS* protective storage activities, including nuclear license compliance, radiological protection, ship maintenance and custodial care.

#### Maritime Environment and Technical Assistance (META)

The President's FY2017 Budget Request includes \$3 million for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. MARAD's META program continues to focus on reducing air pollution from vessels, port and harbor operations, and control of aquatic invasive species. In addition, META continues to explore ways to improve vessel energy efficiency and the use of alternative energy/technology such as biofuels, liquefied natural gas (LNG) and fuel cells. META activities are carried out primarily through cooperative agreements and partnerships with government agencies, industry, academia, regulatory and classification societies, and other maritime stakeholders. Projects typically include feasibility analyses, demonstrations, and technology testing and verification. Leveraging resources with the private sector and other government agencies, META's ultimate goal is to identify economically sustainable solutions to emerging maritime environmental challenges. These efforts will inform future regulatory agency efforts to craft effective and practicable environmental requirements for the marine industry, and will also inform industry decision making regarding capital investments necessary to meet current and future environmental requirements.

### **OTHER PROGRAMS**

#### Strong Ports

The President's FY 2017 Budget requests \$3 million for a pilot program of competitive port planning grants. These planning grants will be an important tool to help ports, states and regional planning bodies develop more investment grade strategies that are both practical and

that attract Federal, State, local and private financing. The requested amount would fund up to 15 grants at an estimated \$200 thousand each, while significantly raising port awareness of improved planning opportunities.

#### Maritime Guaranteed Loan Program (Title XI)

The President's FY 2017 Budget Request includes \$3 million for administration of the Maritime Guaranteed Loan Program, commonly referred to as "Title XI." The Title XI loan guarantees enable applicants to secure long-term financing at favorable interest rates for shipyard modernization projects and for building vessels in U.S. shipyards. The requested funds will be used to administer the Title XI loan portfolio to ensure agency compliance with the Federal Credit Reform Act requirements, and borrower compliance with loan terms. In FY 2014, the Title XI program approved financing for the construction of two new containerships, which were among the first in the world that are able to be powered by U.S.-produced LNG, making them one of the most environmentally friendly forms of freight transportation worldwide. Both vessels have been delivered and are in service in the Puerto Rican trade.

#### CONCLUSION

The programs above represent the core mission of MARAD as well as key policy proposals and initiatives highlighted in the President's FY 2017 Budget. We will continue to keep this Committee 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 FY 2017 Budget Request 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.