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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 “FISCAL YEAR 2024 BUDGET AND IMPLEMENTATION OF THE
OCEAN SHIPPING REFORM ACT”**

March 23, 2023

Good afternoon, Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee. Thank you for your tremendous support for the Maritime Administration (MARAD), the U.S. Merchant Marine Academy (USMMA), and the U.S. maritime industry. We greatly appreciate the opportunity to testify today on the President’s Fiscal Year (FY) 2024 budget, and how this request will enable MARAD to continue to advance key priorities in support of our economic and national security.

FY 2024 BUDGET REQUEST

MARAD’s mission is to foster, promote, and develop the maritime industry of the United States to meet the nation’s economic and security needs. The President’s FY 2024 Budget request of \$980.2 million for MARAD will enable the agency to continue to strengthen our sealift enterprise by advancing recapitalization of the Ready Reserve Force (RRF) and the vital commercial sealift programs that support U.S.-flagged vessels operating in the foreign trade.

The President’s request will also support investments in our ports and waterways to improve supply chain resiliency and expand our efforts to address climate change. In FY 2024, the third tranche of funding—\$450 million—provided by the Bipartisan Infrastructure Law (BIL) to support the Port Infrastructure Development Program (PIDP) will be invested in new grants. The President’s budget requests an additional \$230 million to support PIDP, which would bring the total amount of funding available in FY 2024 to \$680 million and enable us to continue modernizing our ports to help reduce the costs of moving goods from ships to shelves and from American farmers and factories to destinations overseas.

In addition, the President’s request will enable MARAD to continue critical investments to address the urgent and long-standing challenges at the USMMA. Further, it will enable us to implement the many new authorities and responsibilities provided in the James M. Inhofe National Defense Authorization Act for Fiscal Year (FY 2023 NDAA).

ECONOMIC AND CLIMATE SUSTAINABILITY INVESTMENTS

The President’s FY 2024 budget requests \$230 million for the PIDP to provide grants to improve port infrastructure and facilities and to stimulate economic growth in and around ports while also improving safety, addressing climate change and equity, and strengthening our supply chains. In addition to the funding requested in the budget, the BIL provides \$450 million in advance appropriations for this program in FY 2024. Together, this funding would provide a \$680 million investment for port infrastructure projects.

Last year, MARAD awarded more than \$703 million in PIDP grants. This total included the first tranche of \$450 million in funding provided by the BIL, approximately \$234 million in FY 2022 appropriations, and unexpended funding from a prior PIDP round. The 2022 PIDP awards will fund 41 projects in 22 states and one territory. More than 60 percent of the PIDP awards made in 2022 benefit ports in historically disadvantaged communities. More than \$150 million in the funding awarded last year focuses on port electrification to improve air quality, while nearly \$100 million of the awarded funding supports projects that will advance offshore wind farm developments.

This year, thanks again to the BIL and the funding provided in the FY 2023 appropriations measure, more than \$662 million in funding is available for PIDP grants. The Notice of Funding Opportunity (NOFO) for this program is open and applications are due on April 28, 2023.

The FY 2024 Budget also requests \$11 million for the United States Marine Highway Program. Marine highways support our maritime supply chains and enable more cost-effective transportation options for U.S. shippers and manufacturers.

The FY 2023 NDAA made significant changes to this program, including renaming it from the “America’s Marine Highway Program” to the new “United States Marine Highway Program” and expanding the types of cargo that projects receiving funding under the program can support. The changes made by the FY 2023 NDAA are incorporated into this year’s NOFO for the United States Marine Highway Program, which is now open. There is \$12.4 million in funding available and applications are due on April 28, 2023. Importantly, thanks to another change made in the FY 2023 NDAA, any eligible project along any of the 29 designated Marine Highway Routes—which encompass 41 states—is eligible to apply for funding.

In 2022, MARAD awarded nearly \$39 million in marine highway projects. This unprecedented level of funding was made possible by the BIL, which provided a one-time infusion of \$25 million to support the expansion of marine highways. The funding awarded last year will support 12 projects across the nation—and nearly all the funding is supporting projects in Historically Disadvantaged Communities or Federally designated community development zones.

The FY 2024 Budget also requests \$20 million for MARAD’s Small Shipyards grants to support infrastructure improvements at qualified small U.S. shipyards to help improve their efficiency and ability to compete for domestic and international commercial ship construction and maintenance opportunities. Investing in shipbuilding supports job creation in a vital domestic

industrial base. These grants can also be used to support the acquisition of equipment that reduces climate impacts and adapts technologies that reduce shipyard power consumption.

Within MARAD's FY 2024 Budget request, \$8.5 million will support the Maritime Environmental and Technical Assistance (META) program. The META program fulfills a niche in the Federal government by being specifically designed to assist stakeholders with innovation that supports a safe and efficient U.S. maritime transportation sector. Approximately 75 percent of the FY 2024 funding will be focused on efforts related to decarbonization of the maritime transportation sector.

The FY 2024 Budget request for MARAD includes \$3 million for the Maritime Guaranteed Loan Program (Title XI) to provide the salaries and overhead support to manage the loan portfolio, currently at \$1.5 billion in outstanding loan guarantees. This program is designed to manage loans that help to promote the U.S. shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering, that may otherwise be unavailable to ship owners.

In June 2022, MARAD designated vessels constructed or reconstructed for use to support offshore wind facilities as Vessels of National Interest. This is the first time that this authority has been used since it was added to Title XI statute in 2019. With this designation, applications for projects qualifying as Vessels of National Interest have priority for review and funding. Since this designation, there has been a significant increase in interest in the Title XI Program to support offshore wind vessels. The program has applications for seven projects under credit trustworthiness review, including five projects for Jones Act-qualified windfarm vessels.

The President's FY 2024 Budget requests \$6 million for MARAD's Ship Disposal Program for support staff and overhead costs to continue to put primary emphasis on the disposal of the worst conditioned, non-retention vessels to mitigate environmental risks.

U.S. MERCHANT MARINE EDUCATION AND TRAINING

MARAD supports mariner training programs to produce highly skilled U.S. Coast Guard (USCG) credentialed officers for the U.S. merchant marine. Specifically, MARAD supports mariner education and training at USMMA, and it facilitates mariner education through the extensive support we provide to the six state maritime academies (SMA).

Graduates of USMMA are required to maintain their licenses for 6 years and to sail on commercial vessels or serve in other capacities—such as on active duty in U.S. uniformed services—for 5 years. USMMA is also the principal source of new officers for the U.S. Navy's Strategic Sealift Officer (SSO) Program, which maintains a cadre of approximately 2,000 U.S. Naval Reserve Officers with the training and credentials to operate strategic sealift resources at times of national need.

Funding will support academic operating expenses for approximately 975 midshipmen and 292 faculty and support staff, including expanded support for the extensive facility maintenance and

repair needs of the Academy's aging physical plant and for our work implementing the Every Mariner Builds A Respectful Culture (EMBARC) program.

MARAD established the EMBARC program in December 2021 to help prevent sexual assault and sexual harassment during the Sea Year program, to support survivors, strengthen a culture of accountability, and improve safety for all mariners. Vessel operators enroll in the EMBARC program before USMMA cadets can train on an operator's vessels.

Now, thanks to the FY 2023 NDAA, commercially operated vessels must comply with standards set by MARAD regarding the prevention of, and response to, sexual assault and harassment before they can train USMMA cadets. In addition, the FY 2023 NDAA authorized the Secretary of Transportation to establish a Sexual Assault Advisory Council to review existing policies and make recommendations for improvements to build on our efforts to strengthen prevention of sexual assault and sexual harassment on campus and during Sea Year and ensure appropriate responses when such incidents occur.

Further, the FY 2023 NDAA gave MARAD the authority to withhold payments from companies participating in the Maritime Security Program (MSP), Cable Ship Security Program (CSP), and Tanker Security Program (TSP) if they do not comply with the policies and requirements established by MARAD for the protection of cadets from sexual assault and sexual harassment. MARAD is working as quickly as possible to develop a proposed EMBARC rule pursuant to the authority provided by the FY 2023 NDAA.

In addition, the FY 2023 NDAA requires that ocean-going vessels include sexual assault and sexual harassment response policies in their Safety Management Systems (SMS)—which has been a central tenet of EMBARC. In short, the FY 2023 NDAA reinforces a long overdue change in shipboard culture that will promote fair and equitable treatment of all mariners and contribute to a safer working environment.

Today, there are 16 commercial operators enrolled in EMBARC; together, they operate more than 140 vessels. All vessel operators that are required to carry USMMA cadets under section 46 U.S.C. § 51307(b)—i.e., operators with vessels enrolled in the MSP and the CSP—have enrolled in EMBARC. Companies that enroll vessels in the new Tanker Security Fleet will be required to have completed enrollment in EMBARC as a condition of enrolling in the TSP.

Thanks to the incredible support provided by the Military Sealift Command, the Navy, and the USCG, the Midshipmen in the USMMA Class of 2023 have accrued the sea time needed to qualify to take their licensing exams on time and to graduate on time.

Of the funding requested in the FY 2024 Budget for USMMA, \$92 million would support emergency and recurring maintenance and repair activities on campus as well as major investments in aging facilities and infrastructure at USMMA.

The Biden-Harris Administration has long recognized the urgent need to rehabilitate and replace existing infrastructure and to significantly strengthen the ability of MARAD and USMMA to

plan and manage capital investments and major maintenance efforts. Working closely with leaders and experts from the Department of Transportation (DOT), MARAD has implemented numerous measures to improve our ability to manage capital projects. Consistent with a recommendation from the National Academy of Public Administration, MARAD/USMMA created a new director position that is staffed with a Senior Executive to oversee all capital and maintenance projects at USMMA. MARAD and the DOT have also created new oversight bodies to ensure that investments of taxpayer funds are properly managed and yield completed projects that address the Academy's most urgent needs.

Late last year, MARAD provided to the Committees on Appropriations and made public USMMA's Fiscal Year 2022 Capital Improvement Plan (CIP). The Fiscal Year 2022 CIP explains significant changes made to active and out-year projects since USMMA's last CIP report, which was provided in FY 2019. These changes are based on demonstrated need as well as the principles that guide our prioritization of capital and maintenance projects. Specifically, our highest priorities for capital and maintenance investments are supporting the safety, health, and well-being of Midshipmen and supporting the Academy's academic mission.

In December 2022, the USMMA awarded a campuswide maintenance contract, which fulfills another key recommendation from the National Academy of Public Administration. The contract has a \$42 million ceiling over the next 5 years and will help address the significant maintenance backlog. Part of the funding requested for FY 2024 will enable us to implement task orders under the campuswide maintenance contract to address routine maintenance on a scheduled basis and help reduce the incidence of emergency repairs.

Capital improvement funds requested in FY 2024 would enable us to replace USMMA's existing storm water management systems, which date back to the 1940s and are broken beyond repair. Funding would also enable us to replace the seawall, which can no longer meet projected storm surges and anticipated rises in sea level.

The FY 2024 Budget request also includes \$53.4 million to provide support to the six SMAs. This request includes funding for vessel management, logistics, and maintenance oversight to prepare the schools to receive and operate the National Security Multi-Mission Vessels (NSMV).

Funding would also be available to address unanticipated increases in steel costs for the NSMVs, and support pier improvements at SMAs necessary to enable heavy weather mooring of the NSMVs. MARAD has concluded a cooperative agreement with the State University of New York Maritime College under which MARAD will cover 80 percent of the costs of their eligible pier upgrades up to just over \$18 million.

Funding would also meet maintenance and repair costs to maintain the legacy school ships and continue our direct support to the SMAs.

There are now four NSMVs under construction. The first ship—the EMPIRE STATE—is already launched and we anticipate taking delivery of the ship in June of this year.

NATIONAL SECURITY

Providing sealift to meet the nation's needs is a critical part of MARAD's mission, and we have proudly met the challenges of managing the National Defense Reserve Fleet (NDRF) for 77 years. America's strategic sealift provides the Nation with the capability to rapidly project power globally by deploying Department of Defense (DOD) forces and moving cargoes worldwide during peacetime and wartime—including through contested environments—whenever activated by the U.S. Transportation Command (USTRANSCOM).

Our Government-owned sealift fleet is supported and leveraged by a fleet of privately owned, commercially operated U.S.-flag vessels in the MSP, CSP, and the new TSP.

The FY 2024 Budget requests the full authorization level of \$318 million for the MSP, which is the heart of sustainment sealift. In return for a stipend, MSP operators provide the DOD with assured access to their ships and their global networks of critical capabilities, including intermodal facilities used to unload and transport military cargoes to final destinations.

There are 60 commercially viable, militarily useful vessels enrolled in MSP. These vessels are active in international trade and are on-call to meet the nation's need for sustained military sealift capacity. The MSP supports and sustains the merchant mariner base by providing employment for 2,400 highly trained, skilled U.S. merchant mariners who may also crew the U.S. Government-owned surge sealift fleet when activated. The MSP also supports more than 5,000 additional shore-side maritime industry jobs.

In addition, the President's budget requests \$60 million for the TSP. A study required by the FY 2020 NDAA found a substantial risk to the nation associated with heavy reliance on foreign-flagged tankers, particularly in a contested environment. The TSP will be comprised of active, commercially viable, militarily useful, privately owned product tank vessels. I am pleased to report that at the end of last year, MARAD issued the updated Voluntary Tanker Agreement and an Interim Final Rule. The application period closed on February 17, 2023, and we anticipate announcing the first 10 ships selected for enrollment in the near term.

As you know, last year, I testified before this Subcommittee regarding our cargo preference programs. As I said then, put simply, without cargoes, ships will leave the U.S. flag, our modest fleet will continue to dwindle to the point that the number of American vessels is simply too small to meet government shipper agency requirements whether military or civilian. We are working with the Biden-Harris Administration's Made In America Office to help agencies understand cargo preference requirements. In addition, consistent with my testimony, I have written to all Federal departments and agencies explaining how MARAD can help them ensure they meet their obligations under cargo preference laws and regulations.

MARAD is working diligently on revisions to the cargo preference regulations as required by the Fiscal Year 2023 NDAA.

One of the current challenges with meeting cargo preference requirements is ensuring we have both enough vessels and the wide mix of vessel types to carry the many types of cargoes that the

government impels. To help attract additional vessels to our flag, the Biden-Harris Administration proposed that Congress eliminate the 3-year period that vessels entering the U.S. flag must currently wait before they are eligible to carry civilian agency preference cargoes. This would ensure that vessels that choose to sail under the U.S.-flag can carry preference cargoes as soon as they enter the flag, as well as provide the opportunity to diversify the types of vessels available to civilian agencies to carry cargoes. In return, once under the U.S. flag, the vessels would be restricted from flagging out for 3 years. This proposal, however, was not adopted by the prior Congress.

The President's FY 2024 Budget requests \$809.6 million from DOD budgetary authority for MARAD to acquire, upgrade, and maintain vessels in the NDRF and RRF. Funds will ensure MARAD's ability to maintain the fleet in a ready, reliable, and responsive condition to meet strategic sealift for the U.S. Armed Forces, and humanitarian support when called upon during national emergencies, as well as maintain MARAD's NDRF fleet mooring sites.

MARAD's RRF consists of sealift ships providing a mix of capabilities. RRF ships, along with a smaller number of Military Sealift Command vessels, provide sealift surge capability to deliver DOD equipment and supplies where needed during the initial stages of a response to a major contingency. Today, the RRF is a fleet of 45 vessels, with an average age of more than 45 years, maintained in a reduced operating status to be ready to sail within five days of activation. The fleet will grow to 51 vessels after the transfer of additional surge sealift and prepositioning vessels from the Military Sealift Command is complete by the end of FY 2025.

The COVID-19 pandemic has exacerbated difficulties in maintaining ship and even mariner readiness. As part of the Navy's overall plan for sealift recapitalization, MARAD is responsible for maintaining the existing RRF ships through the recapitalization period, including dozens of ships that are nearly 50 years old or even older. Continued focus on safety, material condition, and regulatory compliance have been difficult to sustain, and challenges have been compounded by equipment and parts delays, and the increased scope of the repairs we have had to undertake, including steelwork.

MARAD is working to advance the urgent recapitalization of the RRF. In March 2022—and for the first time in nearly 30 years—we announced the purchase of two vessels. These two ships, the former HONOR and FREEDOM, joined the RRF as the CAPE ARUNDEL and CAPE CORTES, adding more than 432,000 square feet of total sealift capacity and 316,000 square feet of military cargo capacity. Both of these vessels participated in the MSP, and while differences in marine safety regimens have slowed progress towards certification, the ships will be upgraded in U.S. shipyards to add additional capabilities in summer 2023 as planned.

On January 27, 2023, the DOD transmitted the next proposed ship purchase decision to Congress for the required 30-day notification period. Without any noted concerns, the three ships will be purchased and placed under U.S. government ownership starting in April 2023 and continuing into summer 2023.

In the FY 2023 NDAA, MARAD was directed to develop a Roll-On/Roll-Off ship design for the construction of 10 new vessels for the NDRF to begin construction in 2024. In response to this

directive, the RRF program is documenting the necessary actions to rapidly implement a limited shipbuilding program. Modeled after the NSMV program, this shipbuilding effort would leverage commercial practices and utilize a Vessel Construction Manager to speed deliveries. At this time, MARAD activity is limited to developing the implementation plan and the requirements for a concept design for new construction.

CONCLUSION

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

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 any questions you and the members of the Subcommittee may have.

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