

**Rear Admiral Ann C. Phillips (USN, Ret.)
Maritime Administrator**

**Hearing before the Subcommittee on Coast Guard & Maritime Transportation
“Cargo Preference: Compliance with and Enforcement
of Maritime’s Buy American Laws”
September 14, 2022**

Thank you, Chairman Carbajal and Ranking Member Gibbs, and of course Chairman DeFazio and Ranking Member Graves, for the opportunity to testify today.

I was confirmed to serve as the Maritime Administrator four months ago. In this position, my duty is to promote and strengthen our U.S. merchant marine, which is essential both to our economic and our national security.

As a retired U.S. Navy Rear Admiral with more than 30 years of service, I know the critical importance of our merchant marine to our national defense as well as to our economy. Particularly in a contested environment, it is American mariners who will answer the call—as they always have—to move the supplies we need to defeat any adversary.

I appreciate that my first opportunity to testify as the Maritime Administrator is on the subject of cargo preference. Together with the Jones Act and our Maritime Security Program, our cargo preference programs are essential to the success of our merchant marine.

A few months ago, in the Capitol, MARAD helped unveil the Congressional Gold Medal for the Merchant Mariners of World War II. I thank the many Members of Congress who worked to authorize the medal—including particularly Congressman John Garamendi—for your leadership.

The medal honors the more than 240,000 merchant mariners who sailed the American convoys that President Roosevelt called “the arsenal of democracy.” American merchant mariners and American ships delivered the supplies we needed to defeat tyranny during World War II.

It is important to note, however, that this American fleet was dwindling at the onset of World War II and had to be rebuilt at great urgency to meet our war needs.

In June, we were honored to have the Commander of the U.S. Transportation Command, General Jacqueline Van Ovost, speak at the graduation of the U.S. Merchant Marine Academy. Addressing our graduates—our nation’s newest merchant mariners—she said that “as a maritime nation, our national security depends on the Merchant Marine.”

However, General Van Ovost also warned the graduates that they “are about to face challenges our country has not encountered since WWII.” She also warned that, “Contested waters will stress our logistics lines all the way from home port.”

Cargoes paid for by American taxpayers belong on American ships. Cargo preference requirements are not just “Buy America” requirements, they are requirements that also help to strengthen America.

In 2012, there were 106 ships in the foreign trade flying the U.S. flag. Four years later, there were just 77 vessels in international trade sailing under our flag. Today, from that low point, we have grown back to 87 foreign trading ships under the U.S. flag.

However, without cargoes, ships will leave the U.S. flag. Without cargoes, our modest fleet will continue to dwindle. Without cargoes, we risk our ability to move military cargoes on American vessels wherever and whenever needed.

MARAD continuously and directly engages with acquisition officials and contractors throughout the federal sector to assist agencies in complying with cargo preference mandates. Over the entire course of project lifecycles, MARAD actively advises agencies on the practical application of cargo preference, including how to organize supply chains to maximize use of U.S.-flagged vessels.

We are also working with the Biden-Harris Administration’s Made In America Office to help agencies understand cargo preference requirements.

In addition, I am in the process of writing to all federal departments and agencies reminding them of their obligations under cargo preference laws and regulations. In my letter, I explain how MARAD can assist them in complying with cargo preference requirements. I also request that they each identify a Senior Accountable Official—consistent with OMB’s implementing guidance on Executive Order 14005—who can be a single point of contact with whom MARAD can work to implement cargo preference requirements.

MARAD also works to ensure that agencies make up for cargoes transported on foreign vessels by employing U.S.-flag vessels to carry equal or greater volumes. Requiring make-up cargoes produces revenue opportunities for the U.S.-flagged fleet.

MARAD has been evaluating options for a cargo preference rulemaking. We recognize that a cargo preference rulemaking will be a complex undertaking. We also understand that success will entail addressing multiple priorities, including the critical importance of supporting our U.S.-flagged fleet while also ensuring that urgent aid and supplies are transported with expediency, consistent with America’s commitment to those in need and our many foreign policy objectives.

To lay the foundation for a rulemaking effort that navigates this intersection, MARAD plans to issue a Request for Information (RFI) shortly to seek input from all stakeholders.

Under the Biden-Harris Administration, MARAD is also committed to growing our U.S.-flagged fleet. As you know, one of the current challenges with meeting 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 has proposed that Congress eliminate the 3-year period that vessels entering the U.S. flag must currently wait before they are eligible to carry preference cargoes.

Moreover, in the 2023 Presidential Budget Proposal, the Administration requested that Congress fully fund the new Tanker Security Program (TSP) at \$60 million, which would support up to 10 U.S. flagged vessels.

A study required by the 2020 National Defense Authorization Act found a substantial risk to the nation associated with heavy reliance on foreign-flagged tankers, particularly in a contested environment. The TSP, which will be modeled on the highly successful Maritime Security Program, will provide assured access to up to 10 U.S.-flagged tankers available to support the Department of Defense's global operations.

Growing our fleet is also critical to ensuring we have enough mariners with current unlimited tonnage licenses and ratings to meet our sealift needs in a worst-case scenario. In fact, MARAD's most recent study assessing mariner availability—completed in 2017 at the request of Congress—estimated a shortfall of just over 1,800 mariners.

Vessel operators report that mariner availability is still a challenging issue. For that reason, on September 23, I am convening a summit with industry and labor to discuss recruitment and retention challenges.

In closing, I would highlight that these remain challenging times for the entire maritime industry. COVID has made hard jobs harder and has created new stresses that are clearly affecting mariners' well-being and willingness to continue sailing. These new challenges confront us even as world events demonstrate yet again the critical importance of both the U.S.-flagged fleet and American mariners to our national security.

I appreciate this Committee's commitment to our U.S.-flagged fleet and your leadership in support of our cargo preference programs. I also appreciate your support for our merchant mariners, and look forward to working closely with you to continue to meet the requirements of laws reserving government-impelled cargoes for U.S.-flagged vessels. #####