

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

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

U.S. INTERNATIONAL FOOD AID PROGRAMS: TRANSPORTATION PERSPECTIVES

November 17, 2015

Good morning, Chairmen Rouzer and Hunter, Ranking Members Costa and Garamendi and Members of the Subcommittees. I want to thank you for the opportunity to discuss the United States Merchant Marine and its relationship to U.S. international food aid programs.

Overview of the Merchant Marine and its Relationship to Cargo Preference Laws

The Merchant Marine Act of 1936 declared that establishing an American Merchant Marine is a national priority. Over the course of their storied history, our Merchant Mariners have made important contributions to a wide range of U.S. defense activities and provided critical support for national emergencies.

Under the Merchant Marine Act, it is U.S. policy that “vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States.” The Jones Act requires the use of privately owned and operated U.S.-flag vessels for U.S. coastwise and non-contiguous commerce, including with Puerto Rico, Hawaii and Alaska¹. In addition, to maintain a maritime presence in global trade and ready access to ships and crews to move our Armed Forces when and

¹About 85 U.S.-flag self-propelled ocean-going vessels operate in U.S. domestic commerce. Although this segment of the fleet does not depend on government-impelled cargos, the crews of these vessels are qualified to operate sealift ships in the Government reserve fleet.

where they are needed, the United States supports a fleet of privately owned and operated ships in international trades. The sufficiency of this mariner pool to support a large-scale activation of the 63-ship government reserve sealift fleet—measured by their U.S. Coast Guard Merchant Mariner Credentials, availability, commitment and skills—directly depends upon the number of commercial U.S.-flag merchant fleet vessels actively sailing. A fleet that is sufficiently sized provides an adequate pool of qualified Merchant Mariners to meet the crewing requirements of both the commercial and government sealift fleets during national emergencies and during normal peacetime operations.

To encourage an active, privately owned and operated, U.S.-flag fleet, Congress enacted several measures known as “cargo preference” laws between 1904 and 1954. These laws require shippers to use U.S.-flag vessels to transport certain government-impelled ocean borne cargoes. Specifically, under the Military Cargo Preference Act of 1904 and the Cargo Preference Act of 1954, 100 percent of military cargo, and at least 50 percent of non-military and agricultural cargoes, must be carried on U.S. flag vessels.

Congress provided additional support for sustaining a trained mariner reserve through the Maritime Security Act of 1996 as modified in 2003. This law established the Maritime Security Program (MSP), which provides direct annual stipends for up to 60 active, commercially viable, militarily useful, privately-owned U.S.-flag vessels. Under this program, participating operators are required to make their ships and commercial transportation resources available upon request by the Secretary of Defense during times of war or national emergency. Of the 78 U.S.-flag vessels that trade internationally, currently 57 participate in the MSP program. The MSP fleet ensures military access to a global fleet of ships in ocean-borne foreign commerce with the necessary intermodal logistics capability to move military equipment and supplies during armed conflict or national emergency. MSP vessels have been key contributors to our Nation’s efforts in Afghanistan and Iraq over the last decade, moving over 50 percent of all military cargo – over 26 million tons – to the Middle East. Since 2009, MSP carriers have moved over 90 percent of the ocean-borne cargo needed to support U.S. military operations and rebuilding programs in both countries. The MSP also provides critical employment for up to 2,400 U.S. merchant mariners, creating a reliable pool of mariners ready to support the activation of the government’s sealift fleets. The 2016 Budget request includes the MSP funding level necessary to enable DOT to maintain a U.S.-flag merchant fleet operating in

international trade, crewed by U.S. mariners, and available to serve the Nation's homeland and national security needs.

With respect to the Ready Reserve Force (RRF) government sealift reserve (the fleet of 46 former commercial vessels directly owned by the Department of Transportation), while there has not been a wartime activation of this reserve fleet in nearly a decade, U.S. merchant mariners supported Operation UNIFIED ASSISTANCE, as the U.S. response to the Ebola crisis in West Africa, and a government reserve sealift ship that was converted to an Organisation for the Prohibition of Chemical Weapons (OPCW) approved destruction facility and subsequently destroyed 600 tons of the Syrian Government's declared chemical weapons.

U.S. Food Aid Shipments on U.S.-Flag Vessels

Under the food aid reform proposal in the FY 2016 Budget, the vast majority of P.L. 480 Title II food aid would continue to be sourced and shipped from the United States. The President's FY 2016 Budget Request includes \$25 million as a component of Food Aid reforms proposed for P.L. 480 Title II food aid that would provide flexibility to deliver emergency food where appropriate such as in conflict situations and logistically difficult crises. The additional funding would mitigate the impact that such reforms could have on mariner jobs. Most of the request would be devoted to provide direct stipend payments to operators of vessels in foreign trade, separate from MSP payments. Additionally, some of the request would support training programs to retain and educate U.S. mariners for critical occupations to preserve mariner employment on U.S.-flag vessels.

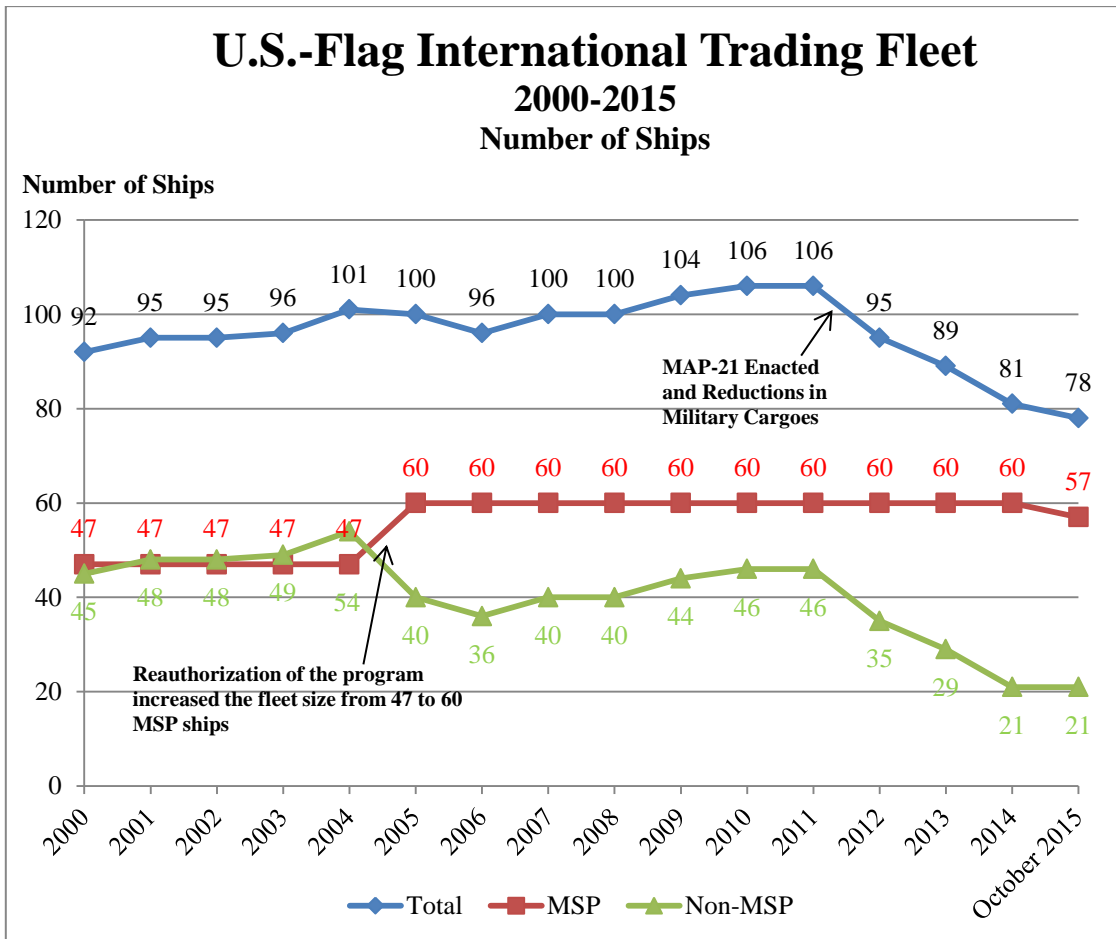
With respect to U.S. food aid programs, in 2014, over 800,000 metric tons of food aid was shipped on U.S.-flag vessels. The vast majority of this tonnage—nearly 600,000 tons—consists of food aid provided under the program established under P.L. 480 Title II.² Further, over half of the Title II food aid cargo—54 percent—is carried on dry bulk vessels, which, unlike most of the liner vessels, are not part of the MSP and receive no government support beyond cargo preference. The three internationally trading dry-bulk ships currently in the fleet are primarily carrying food aid and

²During FY 2014, a total of 815,604 metric tons of food aid was shipped on U.S.-flag vessels as preference cargo. Of this, 592,549 metric tons were P.L. 480 Title II food aid (318,710 metric tons dry bulk and 273,839 metric tons liner).

operated by a single carrier. Based on the recent levels of Title II U.S. food aid shipments internationally, the Maritime Administration (MARAD) estimates that food-aid cargo preference laws sustain 7 to 10 liner type ships and two dry bulk vessels in the U.S.-flag fleet, and approximately 360 to 480 mariner jobs.

Trends Concerning the U.S.-Flag Vessel Fleet Size

The total number of vessels in the internationally trading U.S.-flag fleet has varied considerably over the years, rising from 92 in 2001 to 106 in 2011 and declining to 78 vessels in October 2015, continuing a long-term trend decline.



The continuing winding down of military operations and the decreasing number of U.S. bases in foreign countries and military personnel and families assigned overseas has reduced the volume of Department of Defense (DOD)-impelled cargoes. In addition, the Moving Ahead for Progress in the 21st Century (MAP-21), which took effect on July 6, 2012, returned the food aid preference threshold for U.S.-flag vessels from 75 percent to its previous level of 50 percent, which is the level for other civilian cargoes.

Vessel owners take into account a variety of factors before making a decision to leave the fleet including government-impelled cargo as well as foreign-flag trading options for their vessels. In individual circumstances, particularly for operators that do not have the benefits of participating in the MSP, loss of government-impelled cargo could influence a vessel owner's decision to retire vessels from the fleet or reflag. Unfortunately, detailed data that would allow the exact calculation of when a vessel owner would make that decision are not available and are difficult to obtain.

What we do know is that the reason that privately owned and operated ships remain in international trade under the U.S. flag is to move cargo. We also know that a reduction to our fleet of U.S.-flag vessels trading internationally means a reduction in mariner jobs in international trade. While this does not preclude these mariners from seeking jobs in the growing Jones Act trade, the number of ocean-going, self-propelled vessels trading in the domestic coastwise trade has stayed roughly the same.

Sealift Manpower Assessment

MARAD is currently working with DOD to address mariner requirements and to assess the availability and capacity of sealift assets to support national security. MARAD is responsible for determining whether adequate manpower is available to support the operation of sealift ships during a major crisis. Pursuant to this direction, while there are important data difficulties in assessing the availability of mariners, we continue to review the pool of civilian U.S. Merchant Mariners in international trade available to crew government sealift ships when activated and whether the current number of qualified and experienced mariners available will be adequate in the future to support a large scale activation that extends beyond six months in duration. This assessment of the

status of the civilian Merchant Mariner pool includes close coordination with maritime labor and consultation with other maritime industry stakeholders.

While domestic coastwise (Jones Act) trade has been growing in some sectors, the reductions in the number of afloat jobs have decreased the size of the blue water mariner pool. At the same time, the domestic and international training requirements for mariners in domestic coastwise and international trade are increasing due to Standards of Training, Certification and Watchkeeping passed by the International Maritime Organization that take effect in January 2017.

We closely track every billet onboard the active commercial and government U.S.-flag fleet (commercial vessels average about 20 billets or 40 mariners on an annualized basis), and within current international trade there are approximately 11,300 readily available mariners to sail on either commercial or government reserve sealift ships. This revised analysis of the contract mariner pool, including both union and non-union mariners has been shared with DOD. In contrast to the past, the analysis assumes that any mariner, who has not sailed in the last 18 months, rather than 24 months, will not be available at a time of crisis. While this number of contract mariners is sufficient to meet the initial sealift surge when government reserve sealift ships are activated, it could severely challenge our ability to sustain crewing requirements over an extended period that requires the rotation of crew members on both government and commercial vessels. The initial activation of the 63 MARAD and Military Sealift Command surge vessels will require 1,255 mariners with an additional 1,910 mariners needed for sustained operation.

Maritime labor unions have determined that mariners who remain out of work or are not actively sailing for a period of more than 18 months are unlikely to keep their mariner credential, training or other requirements current. It takes an average of 10 years to produce a Master (Ship's Captain) or a Chief Engineer, and current attrition rates are projected to overtake the advancement rate of new management level blue water mariners within the next five years.

Given this assessment, I am working closely with the U.S. Transportation Command, the U.S. Navy, and the commercial maritime industry to develop proposals to maintain an adequate number of trained mariners. We are currently developing a National Maritime Strategy that will consider a comprehensive range of actions to preserve and grow all aspects of the U.S. Merchant Marine. We

also look forward to continuing to provide technical assistance to policymakers in Congress who are working to address these important matters.

I am very glad to have the opportunity today to discuss these important issues with the Committees at this critical juncture point for the long-term health of the international trading U.S. Merchant Marine. I welcome the input of the experts on this Committee along with other interested stakeholders on our continued efforts to support food aid initiatives and programs advancing our Merchant Marine and national security. I look forward to any questions you may have.