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PRESIDENT'S FISCAL YEAR 2016 BUDGET REQUEST FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS

(114–6)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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February 20, 2015

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Coast Guard and Maritime Transportation
FROM:	Staff, Subcommittee on Coast Guard and Maritime Transportation
RE:	Hearing on "President's Fiscal Year 2016 Budget Request for the Coast Guard and Maritime Transportation Programs"

PURPOSE

On Wednesday, February 25, 2015, at 10:00 a.m., in 2167 Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will hold a hearing to examine the fiscal year (FY) 2016 budget requests for the United States Coast Guard, the Federal Maritime Commission (FMC), and the Maritime Administration (MARAD). The Subcommittee will hear from the Commandant and Master Chief Petty Officer of the Coast Guard, the Administrator of MARAD, and the Chairman of the FMC.

BACKGROUND

Coast Guard

The Coast Guard was established on January 28, 1915, through the consolidation of the Revenue Cutter Service (established in 1790) and the Lifesaving Service (established in 1848). The Coast Guard later assumed the duties of three other agencies: the Lighthouse Service (established in 1789), the Steamboat Inspection Service (established in 1838), and the Bureau of Navigation (established in 1884).

Under section 2 of title 14, United States Code, the Coast Guard has primary responsibility to enforce or assist in the enforcement of all applicable federal laws on, under, and over the high seas and waters subject to the jurisdiction of the United States; to ensure safety of life and property at sea; to carry out domestic and international icebreaking activities; and, as one of the five armed forces of the United States, to maintain defense readiness to operate as a specialized service in the Navy upon the declaration of war or when the President directs.

The Coast Guard is directed by a Commandant, who is appointed by the President with the advice and consent of the Senate to a four-year term. On May 30, 2014, President Obama appointed Admiral Paul F. Zukunft as Commandant of the Coast Guard.

FY 2016 Coast Guard Budget Request

The President requests $9.96 billion in FY 2016 for the activities of the Coast Guard, $402 million (or 3.9 percent) less than the current enacted level. The Coast Guard is currently operating under a FY 2015 Continuing Resolution (P.L. 113-235) that provides funding at the FY 2014 enacted level. H.R. 240, a full year appropriations bill for the Department of Homeland Security (DHS) passed the House on January 14, 2015, and is awaiting action by the Senate.

Of the $9.96 billion requested in FY 2016, $8.49 billion is for Coast Guard discretionary accounts, $358 million (or 4.2 percent) less than the current enacted level. This amount does not include a transfer of $160 million in funding to the Coast Guard from the Department of Defense (DoD) Overseas Contingency Operations account. The transfer of these funds would support the ongoing deployment of six 110-foot Coast Guard Patrol Boats conducting port and waterways security operations in the Persian Gulf.

Program	FY 2014 Enacted/FY 2015 CR	FY 2016 President's Budget Request	*Diff. Bet. FY 2016 Budget Request & FY 2015 CR*	*% Diff. Bet. FY 2016 Budget Request & FY*
Operating Expenses	$6,784,807,000	$6,821,503,000	*$36,696,000*	*0.5%*
Environmental Compliance & Restoration	$13,164,000	$13,269,000	*$105,000*	*0.8%*
Reserve Training	$120,000,000	$110,614,000	*($9,386,000)*	*-7.8%*
Acquisition, Construction & Improvements	$1,375,635,000	$1,017,269,000	*($358,366,000)*	*-26.1%*
Alteration of Bridges	$0	$0	*$0*	
Research, Development, Test & Evaluation	$19,200,000	$18,135,000	*($1,065,000)*	*-5.5%*
Medicare-Eligible Retiree Health Care Fund Contribution	$185,958,000	$159,306,000	*($26,652,000)*	*-14.3%*
Subtotal, Discretionary	**$8,498,764,000**	**$8,140,096,000**	*($358,668,000)*	***-4.2%***
Retired Pay	$1,460,000,000	$1,605,422,000	*$145,422,000*	*10.0%*
State Boating Safety Grants	$105,873,000	$115,776,000	*$9,903,000*	*9.4%*
Oil Spill Liability Trust Fund Claims	$299,741,000	$101,000,000	*($198,741,000)*	*-66.3%*
Subtotal, Mandatory	**$1,865,694,000**	**$1,822,198,000**	*($43,496,000)*	***-2.3%***
Total	**$10,364,458,000**	**$9,962,294,000**	*($402,164,000)*	***-3.9%***

Operating Expenses: The President requests $6.82 billion for Coast Guard Operating Expenses (OE) in FY 2016, $36.7 million (or 0.5 percent) more than the current enacted level. The OE account supports the day-to-day activities of the Coast Guard including administrative expenses,

support costs, travel, lease payments, and the operation and maintenance of infrastructure and assets. The OE account also funds personnel compensation and benefits for the Service's approximately 41,000 active duty military members, 7,500 reservists, and 8,500 civilian employees.

The budget for OE includes increases in funding to cover follow-on costs for the operation and maintenance of new assets and technology acquired in FY 2015 and increases in other administrative expenses. The request includes a $78 million increase to cover the cost of the Administration's proposed 1.3 percent pay raise for military and civilian personnel in FY 2016, as well as expanded military benefits enabling Coast Guard servicemembers to maintain parity with benefits received by DoD servicemembers. Finally, it includes $5.3 million to begin the relocation of Air Station Los Angeles.

These increases are offset by $173.8 million in cuts derived through decommissioning certain assets, reducing the number of military and civilian positions, as well as reductions in personnel, support, and other administrative costs. The proposed reductions in the OE account include:

- *Cuts to Personnel:* The FY 2016 request proposes to cut the size of the Coast Guard's workforce by 304 positions. This includes a reduction of 268 servicemembers and 36 civilians. These are net reductions representing a decline in positions from decommissioning certain assets and reducing healthcare, logistics, and other support service personnel.

- *Asset Decommissionings:* The FY 2016 budget proposes to decommission two 110-foot Patrol Boats and three HC-130H aircraft. The 110-foot Patrol Boats are being replaced by new 154-foot Fast Response Cutters (FRC). The HC-130H aircraft are being transferred to the Forest Service as part of an arrangement that will enable the Coast Guard to receive 14 C-27J aircraft from the Air Force. The Coast Guard estimates these decommissionings will save $12.6 million in FY 2016.

- *Contractor Reductions:* The FY 2016 request proposes to terminate $45 million worth of professional services contracts due to expire in 2015. These contracts include information technology support, strategic planning, and engineering design work. The Coast Guard intends to bring this work "in-house."

Environmental Compliance and Restoration: The President requests $13.3 million for the Environmental Compliance and Restoration (EC&R) account in FY 2016, $105,000 (or 0.8 percent) more than the current enacted level. The EC&R account provides for the clean-up and restoration of contaminated Coast Guard facilities, as well as for the remediation of Coast Guard assets to ensure they are safe to operate or can be decommissioned in compliance with environmental laws.

The Coast Guard plans to use the $13.3 million requested for EC&R to pay for the environmental remediation, restoration, and long term monitoring of Coast Guard property in

several states. The Service currently has a prioritized backlog of 198 EC&R projects with an estimated combined cost of over $144 million.

Reserve Training: The President requests $110.6 million for the Reserve Training account in FY 2016, $9.4 million (or 7.8 percent) less than the current enacted level. The Reserve Training account funds the costs of training members of the Coast Guard Reserve and the administration of the Reserve Program.

The FY 2016 request assumes enactment of a proposal made in the FY 2015 request that would move approximately 600 reservists from the Selected Reserve to the Inactive Ready Reserve. This reduces the number of regularly trained Coast Guard Reservists to approximately 7,000. The reduction in the number of Selected Reservists enables the Service to cut the number of personnel responsible for training Reservists by 58 positions.

Reservists maintain readiness through regular training and exercises. Reservists can be mobilized by the Secretary of Homeland Security to support the response to a national emergency or disaster, and by the Secretary of Defense to support national security operations worldwide. In recent years, Coast Guard Reservists were mobilized to support Haiti earthquake relief operations, the response to the BP DEEPWATER HORIZON oil spill, and to conduct port security activities in Iraq in support of Operation Enduring Freedom.

Acquisitions, Construction, and Improvements: The President requests $1.02 billion for the Acquisitions, Construction, and Improvements (AC&I) account in FY 2016, $358.4 million (or 26.1 percent) less than the current enacted level. The AC&I account funds the acquisition, construction, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids-to-navigation, communications and information technology systems, and related equipment.

The budget request includes $799 million for the acquisition of aircraft, vessels, and command, control, communications, computer, intelligence, surveillance, and reconnaissance (C4ISR) systems. This represents a reduction of $440 million (or 35 percent) from the current enacted level. The budget request includes:

- $91.4 million to conduct Post Delivery Activities on National Security Cutters (NSC) 5 through 8 and to complete the first dry docking of NSC #2 (USCGC WAESCHE) to repair structural defects;
- $340 million to acquire six FRCs;
- $18.5 million to continue Preliminary Contract and Design work on the Offshore Patrol Cutter (OPC). The OPC is supposed to replace the Service's aging 210-foot and 270-foot MECs. DHS is also requesting authority to transfer an unlimited amount of funds to begin the detailed design phase if the Coast Guard is ready to award that in FY 2016;
- $102 million to acquire spares, continue crew training, and establish an air station in Sacramento, CA, for the first four HC-27J aircraft slated for transfer from the Air Force to the Coast Guard. The request does not fund missionization costs for the HC-27Js. The Coast Guard has yet to provide the Subcommittee an estimate of these costs;

- $55 million to acquire spare parts and support the establishment of a HC-130J air station in Kodiak, AK. The HC-130J is replacing the Service's fleet of older model HC-130H aircraft;
- $40 million for the modernization and sustainment of the HH-65 Dolphin helicopter fleet;
- $36.6 million for C4ISR acquisition, program management, and systems engineering and integration; and
- $4 million for survey and design of a new polar icebreaker.

The budget requests $218.3 million in other capital costs, $84.4 million (or 63 percent) more than the current enacted level. This includes $116.8 million in personnel costs to execute AC&I programs and $101.4 million to construct or renovate shore facilities and aids-to-navigation. The Coast Guard currently has a backlog of 30 prioritized shore facility improvement projects with an estimated combined cost of over $564 million.

Finally, no funding is included in the budget request to rehabilitate housing for Coast Guard servicemembers and their dependents. The account received $18 million in the current fiscal year. Much of the Service-owned housing is decades old and in poor condition. The Coast Guard recently completed a survey of the condition of its servicemember housing to help the Service better direct investments.

Alteration of Bridges: The President does not request funding for the Alteration of Bridges program in FY 2016. The program did not receive funding in FY 2015. Created by the Truman-Hobbs Act of 1940 (33 U.S.C. 511 et. seq.), the Alteration of Bridges program authorizes the Coast Guard to share with a bridge's owner the cost of altering or removing privately or publicly owned railroad and highway bridges that are determined by the Service to obstruct marine navigation.

Research, Development, Test, and Evaluation: The President requests $18.1 million for the Coast Guard's Research, Development, Test, and Evaluation (RDT&E) account, $1.1 million (or 5.5 percent) less than the current enacted level. The RDT&E account supports improved mission performance for the Service's 11 statutory missions through applied research and development of new technology and methods.

The Coast Guard intends to use the $18.1 million requested for RDT&E in FY 2016 to improve its modeling and simulation capabilities and develop new technologies for the detection and recovery of oil and hazardous substances from the sea column and in the Arctic environment; to test new unmanned systems; and to develop new systems to improve intelligence collection and dissemination.

Coast Guard FY 2016 Authorized Funding

On December 18, 2014, the President signed into law S. 2444, the Howard Coble Coast Guard and Maritime Transportation Act of 2014 (P.L. 113-281). P.L. 113-281 authorized funding for the discretionary accounts of the Coast Guard for FY 2016. Below is a comparison of the President's FY 2016 budget request to the FY 2016 enacted authorization.

Program	FY 2016 President's Budget Request	FY 2016 Enacted Authorization (PL 113-281)
Operating Expenses	$6,821,503,000	$6,981,036,000
Environmental Compliance & Restoration	$13,269,000	$16,701,000
Bridge Alterations	$0	$16,000,000
Reserve Training	$110,614,000	$140,016,000
Acquisition, Construction, & Improvements	$1,017,269,000	$1,546,448,000
Research, Development, Test, & Evaluation	$18,135,000	$19,890,000
Total	**$7,980,790,000**	**$8,720,091,000**

Federal Maritime Commission

The FMC was established in 1961 as an independent agency which regulates oceanborne transportation in the foreign commerce of the United States. The FMC protects shippers and carriers from restrictive or unfair practices of foreign governments and foreign flagged carriers. The FMC also enforces laws related to cruise vessel financial responsibility, to ensure cruise vessel operators have sufficient resources to pay judgments to passengers for personal injury or death or for nonperformance of a voyage.

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The Commission is led by a Chairman designated by the President. On April 1, 2013, the President designated Commissioner Mario Cordero as Chairman.

FY 2016 FMC Budget Request

The President requests $27.4 million in FY 2016 for the activities of the FMC, $1.7 million (or 7 percent) more than the FY 2015 enacted level.

Account	FY 2015 Enacted	FY 2016 President's Budget Request	*Diff. Bet. FY 2016 Request & FY 2015 Enacted*	*% Diff. Bet. FY 2016 Request & FY 2015 Enacted*
Formal Proceedings	$8,100,048	$8,813,592	*$713,544*	*8.8%*
Equal Employment Opportunity	$191,116	$199,099	*$7,983*	*4.2%*
Inspector General	$634,434	$527,638	*($106,796)*	*-16.8%*
Operational and Administrative	$16,734,402	$17,846,671	*$1,112,269*	*6.6%*
Total	**$25,660,000**	**$27,387,000**	***$1,727,000***	***6.7%***

P.L. 113-281 authorized the activities of the FMC at $24.7 million for FY 2015.

Maritime Administration

MARAD was established in 1950. It administers financial programs to build, promote, and operate the U.S. flag fleet; manages the disposal of federal government-owned vessels; regulates the transfer of U.S. documented vessels to foreign registries; maintains a reserve fleet

of federal government-owned vessels essential for national defense; operates the U.S. Merchant Marine Academy; and administers a grant-in-aid program for state operated maritime academies.

MARAD is led by an Administrator appointed by the President with the advice and consent of the Senate. On July 25, 2014, President Obama appointed Paul "Chip" Jaenichen, Sr. to serve as Administrator.

FY 2016 MARAD Budget Request

The President requests $406.7 million in FY 2016 for the activities of MARAD, $65.2 million (or 19.2 percent) more than the FY 2015 enacted level.

Account	FY 2015 Enacted	FY 2016 President's Budget Request	*% Diff. Bet. FY 2016 Request & FY 2015 Enacted*	*Diff. Bet. FY 2016 Request & FY 2015 Enacted*
Operations and Training	$148,050,000	$184,637,000	*$36,587,000*	*24.7%*
Assistance to Small Shipyards	$0	$0	*$0*	*0.0%*
Ship Disposal Program	$4,000,000	$8,000,000	*$4,000,000*	*100.0%*
Maritime Security Program	$186,000,000	$211,000,000	*$25,000,000*	*13.4%*
Title XI - Administrative Expenses	$3,100,000	$3,135,000	*$35,000*	*1.1%*
Title XI - Loan Guarantees	$0	$0	*$0*	*0.0%*
Total	**$341,150,000**	**$406,772,000**	***$65,622,000***	***19.2%***

Operations and Training: The President requests $148 million for the Operations and Training (O&T) account, $36.6 (or 24.7 percent) more than the FY 2015 enacted level. O&T funds the salaries and expenses for each of MARAD's programs, the operation, maintenance, and capital improvements to the U.S. Merchant Marine Academy, and financial assistance to the six state maritime academies.

The budget request for O&T includes $96 million for the U.S. Merchant Marine Academy, including $71.3 million for Academy Operations, and $24.7 million for capital improvements, repairs, and maintenance; $34.6 million for the six state maritime academies, including $5 million to begin design work on a new training vessel; and $54.1 million for MARAD Operations and Programs. The budget does not request funding for the Marine Highways Grant Program.

Assistance to Small Shipyards: The budget does not request funds for the Assistance to Small Shipyards Grant Program. The program provides capital grants to small privately owned shipyards to expand shipbuilding capacity, efficiency, and competitiveness. The program did not receive funding in FY 2015. P.L. 113-281 reauthorized the program through FY 2017 at $10 million per year.

Ship Disposal: The budget requests $8 million for the Ship Disposal Program, $4 million (or 100 percent) more than the FY 2015 enacted level. The program provides for the proper disposal of obsolete government-owned merchant ships maintained by MARAD in the National Defense Reserve Fleet. The requested funding will cover expenses related to the disposal of up to 8 ships in FY 2016.

Maritime Security Program: The budget requests $211 million for the Maritime Security Program (MSP) in FY 2016, $25 million (or 13 percent) more than the FY 2015 enacted level. Under this program, $186 million in direct payments are divided among 60 U.S. flagged vessel operators engaged in foreign trade. Vessel operators that participate in MSP are required to keep their vessels in active commercial service and provide intermodal sealift support to the DoD in times of war or national emergency.

MARAD proposes to use the additional $25 million in the request for MSP to reimburse U.S. flagged vessel operators for the cost of employing additional U.S. mariners displaced by a restructuring of the Food for Peace Program (P.L. 480) proposed by the President in the FY 2016 budget.

Title XI Loan Guarantees: The budget does not request funds for loan guarantees for the construction or reconstruction of U.S. flagged vessels in U.S. shipyards under the Title XI program. The program did not receive funding FY 2015. There is currently $42 million in Title XI loan subsidies available, which equates to approximately $420 million in available loan guarantees.

WITNESS LIST

Admiral Paul F. Zukunft
Commandant
United States Coast Guard
accompanied by
Master Chief Steven W. Cantrell
Master Chief Petty Officer of the Coast Guard
United States Coast Guard

The Honorable Paul "Chip" N. Jaenichen, Sr.
Administrator
Maritime Administration

The Honorable Mario Cordero
Chairman
Federal Maritime Commission

PRESIDENT'S FISCAL YEAR 2016 BUDGET REQUEST FOR COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS

WEDNESDAY, FEBRUARY 25, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:03 a.m. in Room 2167, Rayburn House Office Building, Hon. Duncan Hunter (Chairman of the subcommittee) presiding.

Mr. HUNTER. The subcommittee will come to order. The subcommittee is meeting today to hear testimony on the President's fiscal year 2016 budget request from the leaders of the Coast Guard, the Maritime Administration, and the Federal Maritime Commission.

This is our first hearing of the new Congress, so I want to take a moment and welcome back Ranking Member Garamendi, who will be here shortly, and thank him for working with me so well in the last Congress. I also want to welcome the new members of the subcommittee. I look forward to working with each of you over the next few years. We have two new members over here, on my right, and none on the other side.

The President sent Congress a budget that would increase spending by nearly $75 billion over the fiscal year 2016 spending cap. As a result, most Federal agencies are slated to receive generous increases in spending over current levels, including a nearly 20-percent increase for the Maritime Administration and a 7-percent increase for the Federal Maritime Commission. Yet, somehow, even with an additional $75 billion, the President still proposes to cut funding for the Coast Guard, this time by 4 percent below the current level.

The request would slash the Coast Guard's acquisition budget by 26 percent. The proposed level is at least $1 billion less than what is required to sustain the acquisition program of record. It will severely undermine efforts to recapitalize the Service's aging and failing legacy assets, increase acquisition costs for taxpayers, and seriously degrade mission effectiveness.

For the fourth year in a row, the administration is playing a reckless game. They propose a budget that cuts funding for the Coast Guard so they can pay for increases at other agencies, betting that Congress will somehow restore the millions of dollars

needed to sustain Coast Guard acquisitions and frontline operations. Quite frankly, I'm getting tired of playing this game. Congress is running out of quarters. If the President is going to continue to propose these cuts year after year, he needs to tell us how he intends to rescope the missions of the Coast Guard to reflect his reduced budgets.

This is the first time Admiral Zukunft and Master Chief Cantrell appear before us. I want to commend both of you for your leadership and tremendous service to our Nation. I fully understand the situation they've been put in with this budget and I appreciate their candor in describing what these cuts will mean for the ability of the Service to successfully complete its missions.

I also understand the situation you face on Saturday if Congress does not act on a fiscal year 2015 budget for the Department of Homeland Security. I know there will be a lot of questions about the impact a shutdown or a CR may have on the Coast Guard, and I know you will answer them candidly. However, I want to remind everyone that the House passed a bill. It is now up to the Senate to act. Unfortunately, the Senate minority refuses to even allow a discussion or a debate on the floor. I hope they understand the urgency of this issue, and act as soon as possible.

The budget request for the Maritime Administration represents a nearly 20-percent increase over the current level. Much of the increase comes from a one-time payoff offered to the maritime industry in exchange for a permanent reduction in the number of U.S. mariner jobs carrying cargo under the hugely successful Food for Peace program.

Since 1954, the Food for Peace program has provided agricultural commodities grown by U.S. farmers and transported by U.S. mariners on U.S.-flagged vessels to those threatened by starvation throughout the world. Unfortunately, for the third year in a row, the President proposes to restructure the Food for Peace program. This misguided proposal will eliminate a vital program for our farmers, put U.S. mariners out of work, and undermine our national security by reducing the domestic sealift capacity on which our military depends.

Republicans and Democrats have repeatedly come together to vote down this flawed proposal. I hope my colleagues will join me once again in rejecting the President's proposal and work with me on efforts to strengthen our merchant marine. I look forward to hearing from the Administrator on how he intends to move forward with his efforts to revitalize the U.S.-flag fleet.

Finally, the budget request for the Federal Maritime Commission proposes a 7-percent increase in funding over current levels and a nearly 10-percent budget increase in the number of staff. While this budget increase amounts to less than $2 million, I think it sends the wrong signal. I encourage the Chairman to continue to find ways to operate the Commission as efficiently as possible.

Our Nation is facing a very tough budget climate and the President's unrealistic request only makes things harder. I look forward to working with my colleagues to enact a responsible budget.

With that, I yield to Ranking Member Garamendi, who is right on time.

Mr. GARAMENDI. Thank you, Mr. Chairman. I am anxious to hear from our witnesses, so I am going to try to be brief.

First, congratulations to you on continuing the chairmanship. We have developed a very cooperative and cordial working relationship, and I look forward to continuing that. And thank you for the support on the issues that I care about—and, obviously, you do, too.

The maritime policy matters. It is our most—it is our national economic interest that we should act upon. As the world's largest trading nation, the United States exports and imports annually, in value, about one-fourth the global merchandise trade, approximately 95 percent of America's foreign trade: 1.3 billion tons moves by ships. Based on current projections, by the year 2020, U.S. foreign trade in goods may grow to four times today's value, and almost double its current tonnage.

Additionally, our inland waterway traffic will increase by one-third, providing new economic opportunities in the U.S. farmlands. The economic potential is there for all of us to see, but so are the challenges, such as solving the port congestion issues, finding new cargo to grow the U.S.-flag fleet, and U.S. foreign trade, and developing new incentives to expand and diversify the U.S. shipbuilding industry.

That is why we should not be shooting ourselves in the foot at a time when we should be ramping up our investments in our maritime agencies and in the U.S. maritime economy. But, unfortunately, we seem to be doing a lot of shooting towards our own feet.

If the House fails to pass before February 27th either a clean fiscal year 2016 appropriation bill for the Department of Homeland Security or extending the continuing resolution to provide funding for DHS agencies, including the United States Coast Guard, we will be unnecessarily creating short-term havoc with potential long-term repercussions. This makes no sense, especially in light of the heightened terrorism potential.

The Coast Guard is our first, our only line of defense protecting the U.S. maritime boundaries from all the threats abroad. It is irresponsible to subject the Coast Guard to a partial shutdown and ask active-duty coastguardsmen and coastguardswomen to work without pay simply to express a hard-headed disagreement with the administration over immigration policy.

In closing, Mr. Chairman, the Coast Guard prides itself on being semper paratus, or always ready. That is a fitting model for a very proud institution. Perhaps we ought to use that one ourselves. I hope, ultimately, that common sense might prevail, we can get past the current crisis of funding, make sure the Coast Guard has adequate funding, and our maritime industry is supported and given the opportunity to grow. Too much is at stake. We have our necessity to get our work done.

Mr. Chairman, I thank you, yield back.

Mr. HUNTER. Thank the ranking member.

On our panel of witnesses today is Admiral Paul Zukunft—I am sorry, we have the ranking member of the full committee.

Mr. DEFAZIO. Thank you. Thank you. I won't prolong this. I want to thank everyone. I won't go through that again.

I would just like to say I associate myself with the chairman's remarks about the President's budget as it relates to the Coast

Guard. And I am going to say to the admiral—although I know this is a difficult situation—but we once had a colleague named Mike Parker. And Mike was a Democrat turned Republican. And in the Bush administration they made him Assistant Secretary over the Corps of Engineers. And he came before us for one of these budget hearings, and I looked at the proposed budget. I reminded him that they had a $45 billion, you know, critical asset backlog. And I said, "Is this budget adequate to meet the needs of your agency, the Corps of Engineers of the United States of America?"

And he said, "No, absolutely not." Now, that is the positive side, because I always try and get people who have that jurisdiction to tell us like it is. The downside was a week later he resigned because of family issues.

Now—so I am not going to ask you to be quite that candid, Admiral. But I am going to observe when Congress orders you to produce a list of priorities that are unmet, and you come up with four things, I don't buy it. And I think you are being a little too much of a good soldier here—not to call a Coastie a soldier, but, you know, in terms of—it is not the way the Pentagon works, I will tell you that. They make their needs that are unmet in the budget known in a million different ways.

I was just at Coast Guard Station Newport—beautiful. They do their own work. You don't find that on other military bases. They bring in contractors. You are the most frugal of the services, and you are critical. And you are absolutely critical on a day-to-day basis for the American people, and something they see—anybody who has access to the water or the coast—and saving lives.

And, you know, we have to figure out a way to get you adequate resources to meet all your national security obligations, which have grown dramatically post-9/11, but also to meet your day-to-day obligations, in terms of lifesavings. And some of the cuts that are proposed this last year, like cutting my Coast Guard Air Station in Newport, which does half the rescues on the Oregon coast in water that never gets warm, where you are dead in half an hour, is not a place to be cutting. And we have got to find a way around this. And part of it has got to be you, as much as possible, within your chain of command from the White House, being candid with us about your needs.

And, with that, I would yield back the balance of my time.

Mr. HUNTER. Thank the gentleman. And thank the gentleman for being here, too.

On our panel of witnesses today is Admiral Paul Zukunft, Commandant of the Coast Guard; Master Chief Petty Officer of the Coast Guard, Steven Cantrell; the Honorable Chip Jaenichen, Administrator of the Maritime Administration; and the Honorable Mario Cordero, Chairman of the Federal Maritime Commission.

Admiral, before I recognize you, I want to take a moment and thank you for your statement on the Jones Act. Your statement and your comments continue to prove that the Jones Act is critical to our economy, and is an important part of our national security.

I also see your wife Fran behind you, and I want to welcome her. And you are welcome to take his place at the table, if you like, too, at any point. We would enjoy that more.

So, thank you for coming, Admiral. You are now recognized.

TESTIMONY OF ADMIRAL PAUL F. ZUKUNFT, COMMANDANT, U.S. COAST GUARD; MASTER CHIEF STEVEN W. CANTRELL, MASTER CHIEF PETTY OFFICER OF THE COAST GUARD, U.S. COAST GUARD; HON. PAUL N. JAENICHEN, ADMINISTRATOR, MARITIME ADMINISTRATION; AND HON. MARIO CORDERO, CHAIRMAN, FEDERAL MARITIME COMMISSION

Admiral ZUKUNFT. Thank you, Chairman. And thank you, members of this committee. We have developed a number of strategies to address the concerns that were addressed by Ranking Member DeFazio, and we will talk about those in length later. But I am truly humbled to be here, to speak on behalf of the 88,000 men and women of our United States Coast Guard.

Let me begin by emphasizing that there has never been a greater demand for our Nation's Coast Guard. In our own hemisphere, in the Western Hemisphere, we are witnessing extreme violence in Central America, stemming from insidious transnational organized criminal networks.

We are also seeing significant maritime commerce ships fueled by the America energy renaissance. And we have rapidly seen increasing demands on both industry and Government in the world's newest domain of cyber.

Mr. HUNTER. Admiral, would you mind pulling the mic closer to you? I have artillery ears, hard to hear.

Admiral ZUKUNFT. OK. How is that, better? OK.

And we have also seen a new ocean open in the Arctic. Most importantly, all of these geostrategic trends have converged on the Coast Guard in an unprecedented manner, dramatically increasing demands on our daily operations, and major contingency preparedness. This is at a time when much of the Coast Guard's buildings, piers, infrastructure, and many of our platforms are well past their service life.

Last year I sent four 50-year-old Medium Endurance Cutters to costly emergency drydock availabilities, losing 20 percent of my planned patrol days, due to unscheduled maintenance. Those pressures put great strain upon the Coast Guard.

Now, to help alleviate this strain, I have developed strategies to address these converging trends. And we are aligning our budget priorities to meet these. Let me just spend a few minutes talking about these four converging trends.

The first trend is illegal trade in drugs, people, and weapons, which is now a $750 billion global enterprise. And, since 9/11, 450,000 Americans have died in this country due to drug violence and drug overdoses. Combating these networks requires a forward-based presence using Coast Guard authorities and our ability to attack illicit trafficking where it is most vulnerable: at sea.

We have actionable intelligence, due to our commitment to the national intelligence community, on approximately 90 percent of known maritime drug flow in the maritime domain. Yet we are only able to target, detect, and disrupt 20 percent of that 90 percent, due to our limited arsenal of aircraft and ships. This is simply a matter of capacity.

This is one of the reasons why the Offshore Patrol Cutter is my number-one acquisition priority, with an emphasis upon affordability.

Second emerging trend is our regulatory role. The United States is now the world's largest producer of natural gas and crude oil, and the maritime transportation system is a vital pathway for these products. It is imperative that our marine safety workforce continue to grow the expertise needed to keep pace with industry, and to facilitate commerce, not impede it.

And the third trend, we also have a statutory role to ensure the maritime transportation system is secure and resilient against cyber threats. In coordination with the Department of Homeland Security, I will soon sign out a cyber strategy for the United States Coast Guard.

And, fourth, looking to polar operations, changing ice patterns have created new frontiers for human activity, in exploration to tourism, and resource development. Notably, Shell Oil just announced its intent to drill this summer. Maintaining a sure access to the polar regions is vital to meeting the United States Arctic strategy. However, this is a global access challenge, and requires a national solution. Funding new icebreakers must be in addition to, and not at the expense of, our existing acquisition programs of record.

Finally, investing in 21st-century Coast Guard platforms and people is a smart choice. No one will return more operational value on every dollar than the 88,000 men and women of the United States Coast Guard. Our workforce received five Federal acquisition awards in 2014, and we were the first military service to obtain a clean financial audit opinion, and we have now done it 2 years in a row. We proved to be responsible stewards of our financial resources, and capital plan operating, and maintaining platforms well beyond their service life.

Going forward, the key to our future operational success is stable and predictable funding. To be very clear, a lapse in funding will jeopardize the construction of our eighth National Security Cutter. It will cause the furlough of more than 6,000 Coast Guard civilians, and it will curtail Coast Guard operations worldwide.

Mr. Chairman and members of this committee, as you have in the past—and I know it will continue—I seek your support to avert such a funding collapse. I look forward to working with this committee as we make prudent investments in the 21st-century Coast Guard.

Thank you, and I look forward to your questions.

Mr. HUNTER. Thank you, Admiral, for your testimony.

Master Chief Cantrell, you are recognized.

Master Chief CANTRELL. Good morning, Mr. Chairman and distinguished members of the committee. It is my honor and privilege to appear before you today to represent the dedicated men and women of your United States Coast Guard who stand the watch every day, protecting and serving our Nation. They are charged with maintaining operational excellence across a broad and diverse spectrum of 11 statutory missions, and across all 7 continents, from Antarctica to the Middle East, on the high seas and in our Nation's ports and waterways.

As I continue serving my first year as the Master Chief Petty Officer of the Coast Guard, I continue to be impressed by the dedica-

tion, professionalism, and innovation of Coast Guard men and women, and the support they receive from their families.

Performing our missions and conducting necessary training in a maritime environment is inherently dangerous. And our servicemembers operate in some of the harshest, most unforgiving environments imaginable. But our folks do this day in and day out, and they do it with a sense of devotion that is nothing short of spectacular. I offer two nearly simultaneous examples of the extraordinary devotion to duty and service to country.

Early on the morning of February 15th, an H–60 Jayhawk helicopter crew from Air Station Cape Cod fought near-hurricane force winds and limited visibility to rescue a father and son 150 miles off the coast of Nantucket. That same day, the crew of Coast Guard cutter *Polar Star* was called upon to rescue 26 crewmembers on an Australian fishing vessel that had been stranded for nearly 2 weeks in thick ice only a few hundred miles north of Antarctica. These cases are perfect examples of how an appropriately trained, well-focused, and properly equipped Coast Guard can excel in carrying out its missions.

As a leader, I have an absolute responsibility to equip, train, and care for our workforce and their families, with the understanding of the immense challenges my Service faces. We are doing all that we can do to be good stewards of our aging resources and limited funding, while we tend to the needs of our servicemembers and their families, who make so many other sacrifices.

We ask so much of our well-educated, innovative, and professional workforce, some of which are serving on assets older than their parents, supported by infrastructure older than their grandparents. We ask them to maintain these platforms at the expense of their own time, as well as time with their families. It is impossible to calculate that lost time in dollars and cents.

However, our newest asset, such as the National Security Cutters and Fast Response Cutters, are performing exceptionally well, and don't require these same sacrifices. I thank you for your continued support of our recapitalization efforts, despite these fiscal challenging times. Your support does make a difference, as these platforms are more capable, and contribute to the successful and efficient execution of our missions and our service to this Nation.

We continue to face challenges with housing, medical, and child care services. But, once again, we are grateful for the support from this committee, as we address these challenges, ensuring these resources remain a top priority in our ongoing efforts to support our military members and their families.

Mr. Chairman, members of the committee, on behalf of the men and women of your United States Coast Guard and their families, I thank you for your continued support, and thank you for the opportunity to discuss some of the highlights and challenges Coast Guard women and men face.

Mr. HUNTER. Thanks, Master Chief. Are each of those stripes 4 years?

Master Chief CANTRELL. Yes, sir.

Mr. HUNTER. You got 28 years?

Master Chief CANTRELL. Thirty-one. I had another one, so——

Mr. HUNTER. You got to wait 1 more year before you get the stripe?

Master Chief CANTRELL. Yes, sir.

Mr. HUNTER. All right. Thank you very much.

Master Chief CANTRELL. Thank you, sir.

Mr. HUNTER. Administrator Jaenichen, you are recognized.

Mr. JAENICHEN. Chairman Hunter, Ranking Member Garamendi, and members of the subcommittee, I appreciate this opportunity to discuss President Obama's budget request for the Maritime Administration for fiscal year 2016. The budget request reflects my priorities for maintaining our country's national security and preparedness, investment in mariner training, investment in our maritime transportation system infrastructure, enhancing U.S.-flag competitiveness, and fostering environmental sustainability.

The President's budget request continues to fund readiness programs that support Department of Defense sealift requirements. Funding provided from the U.S. Navy will allow the Maritime Administration to continue to provide ready surge sealift support in 2016 through the Ready Reserve Force. This is a fleet of 46 vessels whose primary purpose is to provide for rapid mass movement of defense equipment and supplies to support our armed forces, and to respond to national and humanitarian emergencies.

One of these vessels, the motor vessel *Cape Ray*, earned special recognition for its unprecedented support of the United Nations and the Organization for Prohibition of Chemical Weapons mission to neutralize the Syrian Government's declared stockpile of chemical weapons. More recently, three Ready Reserve Force vessels were activated to support the DOD medical mission to Liberia for the Ebola virus response for Operation United Assistance.

For fiscal year 2016, $186 million is requested to fully fund, at the authorized level, the Maritime Security Program. This program provides a fleet of 60 commercial privately owned, military useful, U.S.-flagged and U.S.-crewed ships whose primary purpose is to provide assured access to sealift to support global projection of our U.S. armed forces, including access to their worldwide intermodal logistics capacity. The MSP is the core of the U.S.-flag fleet, and provides critical employment for 2,400 U.S. merchant mariners, creating a reliable pool of mariners ready to support the activation of our Government's Reserve sealift fleets.

The fiscal year 2016 funding enables the Department of Transportation to continue to maintain this critical national asset, and the men and women who crew them. However, declining cargoes are creating a significant challenge for the MSP, most notably the declining Department of Defense cargo to the drawdown in Afghanistan and Iraq, coupled with more than an 80-percent reduction in personnel and military bases overseas since 1990 are impacting the U.S. fleet operating in international trade.

It is for this reason we are working with industry and Government stakeholders to develop a National Maritime Strategy to support the U.S. maritime industry, and ensure the availability of U.S.-flag vessels to support national security. I know the committee is anxious for a strategy to be completed, and I am committed to providing one as soon as possible.

I want to highlight that this budget request is an increase in our mariner training programs. This increase in funding will ensure that we can continue to produce highly skilled U.S. merchant marine officers to support America's economic as well as our national security requirements.

The President's fiscal year 2016 budget request includes $34.6 million to support our six State maritime academies. Included in that request is $5 million for the planning and design of a national security multimission vessel to support the replacement of the 53-year-old training vessel *Empire State*, currently used by the State University of New York Maritime College.

The budget also includes $22 million to fund maintenance and repair costs for federally owned training ships currently on loan from the Maritime Administration to the other five State maritime academies. These training vessels provide opportunities for midshipmen and cadets to get important hands-on experience and technical training, a critical educational component, in order to qualify to take their U.S. Coast Guard merchant mariner officer examination.

In addition to providing a training platform, these ships have been called up in the past to respond to humanitarian emergencies and disaster response efforts. For these training vessels are rapidly approaching the end of their useful life, and we must develop a recapitalization proposal and analysis of alternatives, with a multiyear budget scheme to address the replacement of vessels.

The President's budget also includes $96 million for the U.S. Merchant Marine Academy, which will enable the Academy to effectively achieve its core responsibility of providing the highest caliber academic study and the state-of-the-art learning facilities in the Nation's future merchant marine officers and maritime transportation professionals.

Finally, the fiscal year budget request reflects a continued commitment to reducing and mitigating transportation-related impacts on the environment, including $5 million for the MarAd ship disposal program, which currently is at a historic low of 19 obsolete vessels, having responsibly disposed of over 200 vessels since the year 2000. With the requested funding level in 2016, we plan to remove an additional eight vessels in 2016.

Mr. Chairman, I appreciate the subcommittee's continuing support for maritime programs, and I look forward to working with you on advancing the maritime transportation of the United States, and establishing a maritime strategy.

And I am happy to respond to any questions that you or the subcommittee may have.

Mr. HUNTER. Thank you, Administrator. I still find that number, 80-percent reduction in forces around the world, military forces since 1990, extremely interesting. Thank you, Administrator.

Chairman Cordero, you are recognized.

Mr. CORDERO. Mr. Chairman, Ranking Member Garamendi, and members of the subcommittee, thank you for this opportunity to present the President's fiscal year 2016 budget for the Federal Maritime Commission. With me today are my colleague Commissioners, Rebecca Dye, Michael Khouri, William Doyle, as well as the Commission's senior executives.

With the committee's permission, I would like my full written statement to be included in the record, and submitted.

The President's budget for the Commission provides $27,387,000 for fiscal year 2016. This will fund 135 full-time equivalent employees, as well as mandatory rent, interagency services, and critical commercial services. Our fiscal year 2016 budget request includes $19.8 million for salaries and benefits of the 135 FTEs expected to be on board at the end of fiscal year 2016 to support the Commission's mandate and protect the American shippers.

Administrative expenses are funded at $7.4 million in fiscal year 2016 to support our number of business expenses, representing a net increase of just $84,000 over fiscal year 2015.

The Commission continues to work diligently to support the Nation's goals to increase exports, the vast majority of which move through our ports. Ports are the gateways that handle $900 billion worth of containerized goods annually.

The Commission monitors the continued growth of chassis agreements, and the increase in ocean carriers divesting from chassis fleets, which impact cargo movements in ports. Several months ago, I hosted a forum on U.S. port congestions in Los Angeles to foster a dialogue between industry stakeholders, regulators, and the general public on the causes and impacts of congestion. Signs of chronic congestion in our Nation's ports have been surfacing over the last few years. Congestion is a serious threat to global trade. So much so that one private-sector economist recently opined as follows: "The biggest threat of global trade isn't protectionism, war, or terrorism, disease or natural disasters. But, instead, mounting congestion at global ports and the crumbling infrastructure surrounding them."

It is clear that much of the congestion plaguing U.S. ports is not tied to the absence of an ILWU–PMA agreement, for which there is now resolution. This conclusion is based on the input received by the Commission at its four regional port congestion forums held last fall. Forums were held in Los Angeles, Baltimore, Charleston, and New Orleans, in order that the industry participants in those gateways and port regions address causes and possible solutions to congestion.

There are many factors causing congestion, including unavailability of chassis at U.S. ports. Ocean carriers serving Los Angeles, Long Beach, New York, New Jersey, Baltimore, and other ports have been withdrawing from owning and providing chassis in order to reduce costs. Another important source of congestion stands from the impact of the introduction of 15,000 to 18,000 TEU vessels. Though the megavessels helped carriers significantly reduce their operating costs when they are unloaded at the U.S. ports, challenges have been presented. Logistics have been problematic, as a result.

Presently, the Commission is working on a study that addresses congestion at U.S. ports, and continues to work with other Federal agencies to find solutions to supply chain bottlenecks. Closely related to congestion is the matter of marine terminal operator and ocean common carrier demurrage charges. The Commission is receiving numerous complaints by shippers, American shippers, who are repeatedly told that they may not retrieve containers due to on-

dock congestion or gate delays. Furthermore, the container will not be released until demurrage is paid.

The increased funding for fiscal year 2016 will allow the Commission to enhance its efforts in addressing both supply chain and port congestion issues. The recovery in the U.S. liner trades continued in 2014, with U.S. container exports and imports worldwide reaching 31 million TEUs in fiscal year 2014, compared to 30.5 million TEUs in 2013. The Commission continues to closely monitor the operation of the alliance agreements on the world's largest container operators that are filed with the Commission. The parties to four agreements account for 96.8 percent of the containerized trade in the Asia-U.S. west coast trades.

To reduce regulatory burdens, the Commission revised provisions from its advanced notice of proposed rulemakings to our OTI rules. Based on the feedback from the industry, Chairman Hunter, and other Members of the Congress, the Commission issued a proposed rule that would lengthen the time of the period for the OTIs to renew their license from 2 to 3 years, and free—and no fee. So, essentially, free of charge. Commission staff is working on recommendations to streamline other parts of our regulations, including those with service contracts and NVOCC service arrangements.

With the funding support that Congress provided for fiscal year 2014 and fiscal year 2015, the Commission has made great progress towards creating a modern, user-friendly, and, most importantly, efficient system that can make the agency more productive. With the increased funding for fiscal year 2016, the FMC will be able to continue to—its multiyear enhancement of its IT systems to carry out its congressional mandate.

Mr. Chairman and members of the subcommittee, it is an honor to appear before the subcommittee, and I thank you for your support for the Commission throughout the years, and I am happy to answer any questions you may have.

Mr. HUNTER. Thank you for your testimony. Since we don't usually have a lot of people here—sometimes it is a party of two—we are going to go ahead and start with some of the new folks on the committee.

So, thank you all for your testimony, and I am going to recognize the gentleman from Florida, Mr. Curbelo.

Mr. CURBELO. Thank you very much, Mr. Chairman. And I certainly share your concerns with regards to the administration's fiscal year 2016 budget.

Admiral Zukunft, welcome, and thank you very much for your testimony. I was in Coast Guard Station Key West on Wednesday of last week, and I was reminded of the importance and the unique challenges that the Coast Guard faces in the State of Florida.

I specifically wanted to ask you with regards to Reserve training, the President requested a $9.4 million decrease for the Reserve training account in fiscal year 2016. The budget also assumes enactment of a proposal made in the fiscal year 2015 request that would move 600 reservists from selected Reserve to inactive Ready Reserve, essentially making them unable to respond if the country needed them without significant lag time to train.

As you know, in Florida we had—and all along the gulf coast—the unfortunate incident of the *Deepwater Horizon* some 5 years

ago. Considering the risk of terrorist attacks, of spills of national significance, do you think that these reduced numbers will allow the Coast Guard to effectively respond to these types of scenarios?

Admiral ZUKUNFT. Congressmen, those numbers cause me great concern. Our Active Reserve component is now the lowest it has been since 1957.

Now, we can look back in the last 2 years. We have not had a significant natural disaster. But they have been out there. Supertyphoon Haiyan hit the Philippines a year ago with winds in excess of 190 knots. There was another typhoon out in the Pacific this year, Vongfong, with winds of 200 knots. And are we prepared to deal with a natural disaster of that magnitude here, in the United States? Because when we do, we field strip our other field units.

The Coast Guard does not have a force in garrison, other than our Active Reserve. And so, I am deeply concerned with the number of Active Reserves right now, as we look at the disasters that may confront us in the 21st century. Your point is well taken. I cannot drop my Active Reserve level below where we are at right now. I would like to grow that back.

Mr. CURBELO. Thank you for your answer. I have an additional question.

In my discussion with Captain Young and Commander Reed on Wednesday down in Key West, they expressed some concerns with regards to, obviously, a potential shutdown of the department, but also of these short-term funding mechanisms for the department. Can you briefly expound on the challenges that these short-term funding measures pose to your department?

Admiral ZUKUNFT. Yes. I will expound a little bit on two of those.

The first was when we had sequestration in 2013. And when I had to make those budget adjustments, the only thing I can adjust is the amount of fuel that I burn. And what burns the most fuel is airplanes and ships. So it has a direct impact on our operations.

We entered 2014 with a funding lapse. The Budget Control Act was still 3 months out, and we didn't know if we would be sequestered that year, as well. So we have to scale back operations. And whenever you scale back operations, you play into the hands of our adversaries, and they take full advantage of the lack of Coast Guard persistent presence.

Mr. CURBELO. Thank you, Admiral. And I will yield back. But before, I want to recognize the rest of the panel. Thank you all for being here, especially Chairman Cordero, who it is a pleasure to see.

Thank you very much, Mr. Chairman.

Mr. HUNTER. Thank the gentleman. The ranking member, Mr. Garamendi, is recognized.

Mr. GARAMENDI. Mr. Chairman, I think you have started a very good practice. Those who—you and I are always here, and we have time for our questions. I would like to pass my time to Member Hahn.

Ms. HAHN. Thank you, Mr. Chairman, Ranking Member. I think I am always here, too, but I will take the opportunity to ask my questions.

And I have several questions that if I—we need to do a second round, I want to do that, because I have some questions for the

Coast Guard. But I wanted to start with Chairman Cordero, because you were really bringing it up about port congestion. And I will tell you. These last contract negotiations between the PMA and the ILWU were really long and arduous, and really had an impact, unfortunately, on so much in this country.

And before I ask you my question, I just want to say it—to me, and to, I think, the rest of the country, what happened was unfortunate, and had nothing to do with the actual negotiations going on in San Francisco. I actually would like to see the Federal Maritime Commission look into some of the unilateral actions by the Pacific Maritime Association, in terms of, you know, not allowing the workers to work in the evenings and on the weekends. I think that was really untenable and unfortunate.

And I would think the Coast Guard would also have—you know, would have had a fit. I can see, from my house, those—at one point there were 35 ships outside of Long Beach/Los Angeles breakwater. The Coast Guard base is right there. You know, that had to cause a lot of extra angst for the Coast Guard. So that would be something I would like to see, a full investigation on how, in 5 years from now, when we go back through these contract negotiations, we don't have that kind of, really, lockdown of our ports on the west coast.

But Honorable Cordero, I am very concerned about the congestion at the ports. As you said, the fact that this contract was agreed to and will be ratified, most likely, does not necessarily change the congestion on the docks. And we got a lot of big problems. Panama Canal expansion project is coming online next year. We are not going to stop that. But what can we do for our ports in this country to really address this congestion?

And I know you talked about it generally in your remarks, but could you be more specific on what is the Commission going to do to address the congestion on the docks, the last mile going in and out of our ports? It is a serious problem that could put us at a huge globally competitive disadvantage.

I said a lot; I hope there was a question in there.

Mr. CORDERO. Well, thank you, Congresswoman. I appreciate the question.

Number one, as I quoted a private-sector economist, and that quote came from the Journal of Commerce, and the economist is Walter Kemmsies with Moffatt and Nichol. Very respected economist. And you are absolutely correct; the congestion here at our ports is an issue, not only just here in—for the Nation, but it is a global issue. And, for that reason, in the summer of 2014, I identified the need to hold these congestion forums, and the Federal Maritime Commission proceeded with the assistance of my colleagues on the Commission to hold four forums.

Now, one of our—we have nine basic responsibilities, the FMC. One of them is to monitor the activities of marine terminal operators, port authorities, and the foreign couriers. So this issue would be an interesting question, given what has occurred on the west coast. But let me say this.

Number one, there are systematic causes to congestion. And I think it is fair to say that, as I have indicated—and I have been stating that, once the negotiation was over, that is not going to

cure congestion. Absolutely not. And this is something that I shared, and I can represent. Everybody in industry shares that feeling, whether you are a carrier, whether you are a port authority, and whether you are a terminal operator.

So, in essence, let me just highlight three particular ones that are really crucial at this time.

Number one, I mentioned the question of the shortages of chassis. It has been very crucial. Now, on the optimistic side, I believe they are moving forward to a model which eventually—that is going to be tweaked, and that is going to be cured at some point. But, for now, it is a problem.

Number two, last year I testified, and this year I made reference again with regard to the involvement of these mega-alliances, these alliances by the big carriers. And add to that the mega-vessels. When I was a commissioner at the Port of Long Beach at first we had, at best, a 5,000 TEU. That progressed to an 8,000 TEU. And now we have vessels three times as large as a football field. So, essentially, there are problems, and we are hopeful—we, the FMC—to kind of identify what these issues are, and suggest possible solutions, and identify possible bottlenecks to address.

Ms. HAHN. Thank you. I appreciate that. And, again, I hope, as you have identified some of these other issues—for instance, demurrage—I think, you know, I really feel like something fishy was going on at our ports with the PMA not allowing the workers to load and unload the cargo. Meanwhile, charging folks for the storage of the containers on the docks, which weren't able to be loaded and unloaded. So I think there are some real—a lot of questions that we have about some actions that were taken during these contract negotiations, and I hope——

Mr. CORDERO. And I will say——

Ms. HAHN [continuing]. The Commission looks into it.

Mr. CORDERO. And I just want to stress that this issue that I mentioned, including demurrage, is not an issue isolated to the west coast. This is a major issue at many of our ports.

I will represent to you that the American shippers are very angry at this point with regard to that question. And, hopefully, we will be able to identify some of these issues as part of our congestion study that we are—our staff—is working on.

Ms. HAHN. Thank you. I yield back, and I hope we have a second round of questions.

Mr. HUNTER. Thank the gentlelady. Mr. Graves is recognized.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman. Just want to make note that in the 2 minutes I had the gavel I didn't even screw up, and I already got demoted.

[Laughter.]

Mr. GRAVES OF LOUISIANA. Admiral, thank you very much for being here. It is great to see you again, and I enjoyed your State of the Coast Guard speech yesterday. Chief, thank you for being here, as well.

Louisiana is a huge maritime State, as you know, the third longest coastline in the Nation, 5 of the top 15 tonnage ports in the United States. We have a huge dependence upon Coast Guard doing its job well in Louisiana, and I want to thank you and all the men and women that work under each of you for your service.

In looking at the budget request, you see a 26-percent reduction in the ACI account, as compared to last year. You and I in the past have had long conversations about the fact, for example, the 110s are operating decades beyond their intended service life. When you look at the fact that you are operating so far beyond the service life on your 110s, the 210s and 270, the Medium Endurance Cutters once again operating beyond their service life, is that reduction aligned with where the Coast Guard needs to be, in regard to reinvesting or recapitalizing in its equipment to ensure that the men and women of the Coast Guard have the resources and the equipment they need to do their jobs?

Admiral ZUKUNFT. Thank you, Congressman. We have identified, you know, the right platforms for the 21st century. Many of the platforms we operate today were designed to do coastal search and rescue—our 210-foot cutters, to go after mariners that wanted to be found. Today, we are going after narco traffickers, and the last thing they want to do is to be detected, apprehended, and brought to justice.

The Fast Response Cutters that we are currently building in Louisiana, that is a game changer for us. And we will build 58 of those. We will recompete the contract. But when you talk to the crewmembers on these cutters, especially those that have served on the 110 before that, it is truly a game changer.

We had an increase in migrant flow over the Christmas holiday. And had it not been for these Fast Response Cutters standing the watch over that Christmas holiday, we would have seen a potential mass exodus from Cuba, if the Coast Guard wasn't out there, standing the watch. But we would not be able to sustain that watch with these new platforms that we are bringing to bear.

We proved the same with the National Security Cutter. And that is why the Offshore Patrol Cutter will be so critical as that middleware between a coastal patrol craft, an off-water frigate, if you will, a National Security Cutter, and then that middleware, the Offshore Patrol Cutter, to protect our maritime equities, including those in the State of Louisiana.

Mr. GRAVES OF LOUISIANA. So is that a yes or a no, in regard to the budget being where it needs to be in order for you to recapitalize, considering that these vessels are operating well beyond their intended service life?

Admiral ZUKUNFT. Yes. The best part about the fiscal year 2016 budget is it gives us the wherewithal to proceed with full rate production of the Fast Response Cutters: 6 per year, and then to build out all 58 of those. A challenge we have is the full funding for final design of our Offshore Patrol Cutter. I am quite confident that we will demonstrate that this will be an affordable platform, and that the funding will be forthcoming for us to proceed with what will be the most significant major acquisition in Coast Guard history.

Mr. GRAVES OF LOUISIANA. Well, with your happiness with the performance of the FRC, perhaps you can turn to Louisiana yards again on the OPC when you are ready to go there.

Let me change gears very quickly in the last minute. You and I also had long discussions about the fact that the Coast Guard—and I think we both used the term—has become somewhat of a Swiss Army knife. If you look at the evolution of the Service over

the last few hundred years, you have taken on all sorts of missions that never were initially considered within the Coast Guard realm.

Looking at—and, as Congressman Curbelo noted, the reduction in your Reserve training budget this year, nearly 9 percent, as I recall—that is what allows you to address some of the surge capacities that you need in some cases. Considering the multimission new face of the Coast Guard, all the things you are trying to do out there, do you have the resources you need, in order to continue carrying out the security mission that the—the growing security mission that the Coast Guard is faced with today?

Admiral ZUKUNFT. Congressman, right now I am resourced for a perfect world. If we don't have a terrorist attack, if we don't have a major natural disaster. Any one of those uncertainties, I am resourced for that. But that is—it is inconsistent with a Service that prides itself on being semper paratus.

As the Commandant of the Coast Guard, what I will not do is offer up reductions to our force structure. We have done that over the last several years, due to making painful tradeoff decisions to meet current-year budget needs. But I cannot cut any deeper into our force structure, as Ranking Member DeFazio and others have brought up, and Congressman Curbelo, with our Reserve component. But that is also true in our active-duty component, as well. So I need to hold fast on my force structure, because that really is the backbone of our Coast Guard.

Mr. GRAVES OF LOUISIANA. Did you want me to yield back?

Mr. HUNTER. Thank the gentleman. I would like to recognize and again say how just honored we are to have such esteemed colleagues here, who could easily be the full committee chairman, but isn't right now. Mr. DeFazio is recognized.

Mr. DEFAZIO. Thanks, Mr. Chairman.

And thanks for that last testimony, Admiral. I appreciate that. But within force reduction I would want to include, you know, your basic function of, you know, safety of life at sea and, in my case, that gets a bit parochial with the Newport Air Station. Central coast we have North Bend, Astoria. They are involved in half of the rescues off the Oregon coast. As you know, very cold water, short survival time. Congress forestalled some proposed cuts there. I know you are trying to move money around.

But I never—we haven't seen a real rationale for those cuts. What one would observe is, A, would be a longer response time from North Bend; B, that puts more wear and tear on the equipment, which seems to be a good deal of an offset, in addition to the potential for losing lives.

So, I mean, if you are going to persist in that, obviously, I am going to do what I can to find a way to not let that happen. But, beyond that, in the interim, I would like to see the analysis of how this really would have saved money. Because I—if you are not reducing force—a lot of it was personnel cost—and if you are not reducing force, then they are just going somewhere else. So that is for that.

Now, if we can move on beyond my parochial issues, which I obviously feel very strongly about, but—icebreaking. I have been on the *Polar Star* at the South Pole with the former Commandant. We got the *Polar Sea*. I am going to see the poor thing in dry dock.

As I understand it, pretty much dismantling it to try and keep the other ship going. And you are at a point where there is nothing in your budget for a new icebreaker—potentially $1 billion.

You know, some are advocating that, on an interim measure, perhaps we should look at refitting the *Polar Sea* to try and get—because I understand the hull is fairly good. And I was on—not out on, but on—a 52 at Newport, which is 60 years old, which are unique boats. There are only four left. They can go out in a breaking 26-foot sea. The other cutters can't. I don't know what we are going to do for a follow-on for the 52s, or if we can keep them going for 100 years.

So, the question would be, are you looking at and close to making a recommendation on what we are going to do in the interim, perhaps by refitting the *Polar Sea*?

Admiral ZUKUNFT. Yes, Ranking Member. We have got money in the 2015 budget to pull the *Polar Sea* out of the water so we can do a full materiel inspection of it. Unfortunately, under continuing resolution, my hands are tied in the ability to award that contract. So therein lies the challenges of operating under a continuing resolution.

Then, until we can do a full assessment, then we can make a full business case analysis of whether it is prudent to invest in buying up to perhaps 10 years of service life on a nearly 40-year-old ship, or do we repurpose that money for perhaps a total recapitalization of the fleet, as well, which—at some point we are going to have to make that decision. But we are running out of time, and——

Mr. DEFAZIO. You just gave us a good action item there.

Admiral ZUKUNFT. OK.

Mr. DEFAZIO. I wasn't aware that you couldn't do the contract under the continuing resolution, and that should be something we could fix.

Would there be money—would you need an appropriation to follow that, or just need authorization?

Admiral ZUKUNFT. Just need authorization, an anomaly to the existing continuing resolution. The same would apply as we want to award the National Security Cutter number 8, and we need to make that decision by mid-March. So that time is rapidly running out on us.

Mr. DEFAZIO. Well, I would think the chairman might be interested in us doing a little rifle-shot suspension bill that might deal with some of these issues. Good.

And then, on the question about the 52s, I mean, I know you have got an awful lot of stuff out there that needs replacing. I mean what are we going to do in the future? These are unique boats, you use them around the country. We are down to the last four. Maybe you can squeeze another round of refitting out of them. Beautiful inside, I wish the inside of my boat looked like that in the engine room. But, still, it is 60 years old. You have a follow-on proposal there? Are you thinking about that?

Because, again, I go back to, you know, your list of unmet priorities. And I guess maybe we need to direct you a little differently, in terms of what we want to see a list of. Maybe we should be asking about your unprogrammed, or unmet projected capital needs, which would go—which would be a much more comprehensive list,

which might get the attention of Congress a little better than these four little items.

Admiral ZUKUNFT. And just on the 52—the hulls are as you have seen. I have been on those boats, as well. And there is great pride in ownership, and they are relatively easy to maintain, from an engineering standpoint. So right now there is no need to repurpose those. They have a very unique, high ability to tow other vessels and operate in those conditions that you have in the State of Oregon.

So, right now, there is not a service need to recapitalize those four very unique boats for a very unique mission in a very unique environment.

Mr. DEFAZIO. OK. So we will look forward to their 100th birthday, perhaps, with a fourth set of engines.

Thank you, Mr. Chairman.

Mr. HUNTER. Thank the gentleman. OK, it is my turn. I guess the first question I have, Admiral, is this. I think since I have had this position chairing this subcommittee, 4 years in a row now the President has sent us a budget request that guts your acquisition. The administration seems determined not to spend more than $1 billion. That is what they keep doing, $1 billion on recapitalization of Coast Guard's aging and failing legacy assets.

The GAO and previous Commandants have testified that it takes a little bit more than $2 billion a year to keep you on your program of record and your current acquisition strategy on time and on budget. So the administration does not support your acquisition program. I mean that is pretty plain.

And I talked to Secretary Johnson last week, and it seems he is kind of obviously focusing on what is happening right now with the entire Department, but he didn't seem too concerned. And I think the game is the administration does this, and it is up to Congress, then, to come in and say, "Oh, we all love the Coast Guard, we are going to plus them up to what they need to be." I think it is a dumb game. So we are not going to play it.

So, my question is, what are you—when are you going to give us the American people and the administration a new—mission needs statements that cut out those missions which you can no longer do? And what are the missions that you can no longer do? If we pass a budget for you that reflects exactly the President's budget request, what missions are you going to not do?

Admiral ZUKUNFT. And, as you are probably aware, well aware, Chairman, the word "no" has not always been in our vernacular. I will produce a mission needs statement, and my staff will certainly brief yours this summer. But as we look at this mission needs statement, what has changed in just the last couple of years?

As DOD rebalances, you know, what vacuums have been created, and what unique niches does the Coast Guard need to fill? And that is why I am very focused on the Western Hemisphere. I have tripled the number of ships in the Western Hemisphere today. It is not because I have triple the number of ships in my inventory. I had to take them from somewhere else and put other mission areas at risk as I look at what is the greatest risk to our national security right now. And it is in the form of transnational organized

crime. And so, we need to include that in the mission needs statement.

The energy renaissance. We didn't see that when we wrote the last mission needs statement in 2004. An opening Arctic, which requires command and control platforms to be up there, at least on a rotational basis, and certainly icebreakers, to have the ability to have persistent presence up there, as well.

So, I owe you that mission needs statement. When I meet with every Department of Defense geographic component commander across the world, every one of them, as they look at the threats in their area of responsibility, many of those require Coast Guard-unique authorities. And so, the demand on a global scale continues to go up, whether it is in the East China Sea, off the coast of Nigeria, in the Pacific Island nations in those remote economic exclusive zones, where fish is their only source of economic prosperity. Time and time again we are seeing more and more demands for more Coast Guard. And so, that is what we need to capture——

Mr. HUNTER. Let me—I can go to the combatant commanders and get a requirement list for the Coast Guard, too. That is not what I am asking for. What I would like is a mission needs statement that reflects your budget. And you could put that, if you want to, side by side with the combatant commander, the geographic combatant commander requirements. That is fine. But I would like a mission needs statement that is actually what you can do, not what you would like to do, or have been asked to do.

Admiral ZUKUNFT. OK, understood.

Mr. HUNTER. Can you get us that?

Admiral ZUKUNFT. I will.

Mr. HUNTER. OK. Thank you, Admiral. I appreciate it, because we want to know what can you do with the budget that the President has laid out.

Question for Administrator Jaenichen. Talked about the Jones Act a little bit. Talked about it in the Senate. Our colleague, Senator McCain, has talked about axing the Jones Act, getting rid of it. We think that would be a horrible, horrible thing for America's industrial base and our ability to fight wars, protect ourselves, protect the sea lanes, and build ships. So I want you to talk about it.

What impact is even talking about it, about changing the build requirements or getting rid of the Jones Act, what does that mean for American ship manufacturers?

Mr. JAENICHEN. Chairman, a couple things. In 2013 the Maritime Administration put out an economic impact study of the shipyards and repairing industry. Essentially, what it said is there are 100,000 shipyard workers that are currently employed building ships. There are also—if you take the indirect jobs, there are another 300,000 jobs in a $36 billion industry.

The challenge that we have is, today—the Commandant mentioned the energy renaissance. Today the order book at our shipyards around the country, we have 33 large vessels, oceangoing vessels. A significant number of them, 25, are actually supporting the energy industry. There are 12 of them that are 330,000-barrel tank vessels. There are also seven that are 110,000-barrel or greater, in terms of articulated tug and barges to be able to move those cargoes. Those are currently on the order book today. We addition-

ally have eight container or RoCon kind of vessels that are also on the order book.

The challenge is even the discussion of potentially changing the build requirement is enough to essentially influence some of the finance folks. And if they get concerned about the ability for the folks that are buying these ships to be able to get financing, or they take the risk and they make the risk too large so that they have to charge a higher risk rate to be able to get that, some of those projects that are currently on the order book today may not occur.

And it has nothing to do with even changing the Jones Act. It is just the sheer threat of changing the Jones Act, because what ends up happening is, if you bring in tonnage that can be built overseas at shipyards that are subsidized by forward governments, you get a situation where you imbalance the economic model that these operators currently who have made the investment in Jones Act tonnage, built it in the U.S. to be able to be coastwise trade, they are now at a disadvantage in comparison. So now you have got projects that are currently financed for 25 or 30 years. They now can't compete in the same environment. So, potentially, those projects go under, or they can't pay their loans. So this is a cascading problem that could potentially be created.

There are a number of folks that have said that the Jones Act is the problem and the reason why we have gas high at the pumps. Can I—I could take it through sort of a little mathematical analysis and say that is not exactly the case. If you take a look at the U.S. Energy Information Administration, they have said that, from a barrel of crude oil, you get 12 gallons of diesel, 19 gallons of gas, and that is out of a 42-gallon barrel. So about 31 gallons. So that is about 75 percent is useful.

The difference in the rates to be able to move on a foreign-flag vessel versus a U.S.-flag vessel, say from the Gulf of Mexico to Canada, is about $2 per barrel. To move it to the refineries on the east coast, it is about $5 a barrel. The difference is about $3. So you take that 31, divide it into 3, and you get about $0.09. That is the cost to be able to move it per barrel. And that doesn't even count the 25 percent of that barrel that can be used for other things to be able to defer that cost.

I compare that $0.09 to the Federal tax on gas, $0.18. In the State of New York, the local and State taxes is $0.44. So $0.62. And a comparison is $0.09. I also take $0.09 and I compare it to the price of a gallon of gas. It is less than 4 percent. Whoever is saying that this is the cost of our woes for high gas prices is misinforming the American people.

Mr. HUNTER. Thank you for that. And I want to tie that in, Admiral. What is the Coast Guard's position, if you had foreign-flag vessels moving chemicals, flammable gas, oil, anything like that that can do anything up in the interior river system of the United States? What does that do to the Coast Guard?

Admiral ZUKUNFT. Yes. We have a very rigorous port State control program for foreign-flagged vessels in—on any given day in our U.S. ports we probably have at least a dozen vessels that are being detained because they do not comply with international standards for pollution and safety of life at sea.

Those standards are the exact same standards that we apply to the U.S. fleet. There is no difference between the two. But we do see that flag States of convenience, some of them are cutting corners. And in this regard, moving highly volatile materials, this is not a place where we can afford to cut corners. And, as the Commissioner mentioned, in our very congested ports.

Mr. HUNTER. So let me ask you more to the point, then. Would the Coast Guard rather see American mariners on American-flagged vessels that have been inspected by the U.S. Coast Guard and have been trained up to U.S. Coast Guard standards and U.S. mariner standards driving volatile ships up and down America's inland waterways? Or would you rather see folks from Pakistan, from Yemen, from Somalia driving those ships on the interior waterways? What is the Coast Guard's take on that?

Admiral ZUKUNFT. Yes. Certainly from our credentialing program, we run background checks on all of those mariners. They carry—many of them carry transportation worker identification credentials. So we have that trust and confidence in our American operators.

So, to answer your questions, from a security aspect, that would be my preference.

Mr. HUNTER. Thank you, Admiral. Thank you, Administrator.

I would like to yield to Mr. Garamendi.

Mr. GARAMENDI. I yield to Mr. Cummings.

Mr. CUMMINGS. Let me—Mr. Chairman, I want to thank you for your comments that you just made.

And I hope that—it just reminds me, with regard to the Jones Act, I agree with you, Administrator. I mean we can't even—we—you know, it seems as if there is some real short-sightedness going on here, and that is a major problem. And I am hoping that the chairman will join all of us on this—particularly on this subcommittee, to try to make sure that the Congress understands the significance of the Jones Act, because I think a lot of our colleagues just do not understand how significant it is, and how America is falling behind. I used to say slowly, but surely. Now it is fast.

And that leads me to these questions. You know, as you know, our highest priority, Administrator, you know, was to try to make sure that we—well, when I go back and I think about my chairmanship of the subcommittee over the Coast Guard, you know, we spent a lot of time just trying to make sure that our ports were safe. And we put in a lot of measures to try to accomplish that. Where are we on that, the port—with regard to Coast Guard and ports?

Admiral ZUKUNFT. Chairman, I will be happy to take that question.

Mr. CUMMINGS. Yes.

Admiral ZUKUNFT. We have really matured our relationship with our Area Maritime Security Committees. And even taking it one step further, when I look at the State of California, and Florida, and others where we have transnational criminal organizations operating in those very same waters where we are trying to discriminate licit commerce from illicit commerce, working with Federal, State, local, and private-sector, the synergies that we have, many of those come under our captain-of-the-port authorities. But we

have literally come light years since the implementation of the Maritime Transportation Security Act of 2002.

Mr. CUMMINGS. Good. Administrator, how many vessels are currently flying the U.S. flag in oceangoing foreign trade?

Mr. JAENICHEN. Sir, as of the 1st of January of 2012, we had 106 vessels. Today that number is 81. And I anticipate that it is going to go lower than that before the end of the year. The challenge for the U.S.-flag internationally trading fleet is the lack of available Government-impelled cargo, which is one of the things that they rely on and have access to.

DOD cargoes are principally one of the principal cargoes that they carry on an annual basis. The—General Paul Selva, the commander of U.S. Transportation Command, recently is on record as saying that this budget for transportation requirements, essentially, is 50 percent what it was just 2 years ago. So that is a significant challenge for the U.S.-flag fleet, and we are seeing their exodus because of the lack of Government-impelled cargo and other cargo opportunities.

Mr. CUMMINGS. How many such vessels were there, say, 5 years ago?

Mr. JAENICHEN. Five years ago, typically from—for about the last 20 years, all except for the year 2007, we had a number above 100 in that entire period. So we have been hovering around 100, somewhere between 103 and just below that in—only in 2007. But, essentially, from 2012 over the last 3-year period, we have lost 25 percent of the U.S.-flag fleet. And that corresponds to about 2,200 U.S. mariner jobs that have been lost, as a result.

Mr. CUMMINGS. And I know you have been working diligently to strengthen the flag fleet. And I want to applaud you and Secretary Foxx for the efforts, and—because he has shown a lot of personal commitment to the success of the U.S. merchant marine, more so than just about any other Secretary that I have had a relationship with.

Can you discuss what steps have been taken, and what additional ones are planned to support our U.S.-flag fleet in the foreign trade?

Mr. JAENICHEN. Thank you for your question, sir. We have done a couple of things. We started last year with two National Maritime Strategy symposiums. We did the first one—the first one we did in January was solely dedicated on the U.S.-flag fleet trading internationally. And so we met for several days, had about 600 stakeholders that participated in that particular symposium. We captured all those comments. We have now collated them, we have identified what we refer to as tenets that would be required to be supporting in a strategy, and we have also identified some options that might be available to be able to improve the number of ships operating under U.S. flag, internationally.

We have shared that with our Marine Transportation System National Advisory Council. They have assisted us in prioritizing those. I have sat down with my Federal partners, the Federal Maritime Commission, members of the Commandant's staff, and others who are involved in this particular requirement to be able to get this National Maritime Strategy out.

I have also employed an outside organization who is actually going and talking to stakeholders to make sure that we recognize what a National Maritime Strategy should and should not do. And we are in the process of getting that drafted, and then getting it coordinated with the agency. I hope to have that out very soon.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Mr. HUNTER. Thank the gentleman. Ms. Brownley is recognized.

Ms. BROWNLEY. Thank you, Mr. Chairman. I appreciate it. I am a new member of the T&I Committee, and very, very honored to be able to sit on this subcommittee. And I have a very specific question, probably for you, Admiral. And it is—my understanding that the Coast Guard air station currently located at Los Angeles International Airport will be relocating to Point Mugu Naval Air Station, part of Naval Base Ventura County, which is in my district. I am very excited about this news, very pleased about the move, and look forward to welcoming new personnel to Ventura County.

My first question is, if Congress does fail to fund DHS programs this week, would the shutdown affect the planning of this move, and would it impact it at all?

Admiral ZUKUNFT. Congresswoman, no, it would not. We are being squeezed out of the Los Angeles Airport, as you well know, due to growth in that sector. And so we need to continue to operate in that domain. What it does inhibit our ability to do, though, is to make upgrades that would be needed at Ventura County to permanently base aircraft there. But we can certainly operate from there in the near term. But what it does not provide us is the long-term solution, hangar upgrades and the like, to make that a permanent operating base.

Ms. BROWNLEY. And what is the timeframe, exactly, for this move?

Admiral ZUKUNFT. We will be relocating to Point Mugu in 2016.

Ms. BROWNLEY. And in terms of buildings there, have you identified the buildings that need to be ungraded?

Admiral ZUKUNFT. There is a hangar that would need to be upgraded, and we are also looking across DHS to see if there might be an opportunity to have other components of the Department perhaps collocated there, as well. So we are looking at this from an all-of-DHS approach, not just from a Coast Guard approach.

Ms. BROWNLEY. And the money proposed within the fiscal budget, is that money enough to cover all of the costs and the upgrades on the site? You wouldn't need any additional money——

Admiral ZUKUNFT. Yes, we would need an additional appropriation to be able to build out a hangar to fully accommodate that. We can provide you what that dollar value would be, but right now we don't have an appropriation to do so.

Ms. BROWNLEY. Thank you, sir. And I yield back.

Mr. HUNTER. Thank the gentlelady. I think we are well represented by the west coast here.

[Laughter.]

Mr. HUNTER. Yes. Except for a couple people. That is all right. I would like to yield to the ranking member, Mr. Garamendi.

Mr. GARAMENDI. Mr. Chairman, thank you, and I thank my colleagues for their questions. Many of the questions that I was going to ask have been asked.

But I want to follow up, Mr. Jaenichen, on the discussion that you were having with regard to the merchant marine, the critical role that it plays.

And also, Admiral, in your opening statement, you mentioned the issue of LNG. We will be shipping LNG offshore this year, actually. Cheniere will begin its process. I think you are all aware of my particular interest in this. It may take 100 LNG ships to handle just the Cheniere shipments. The issue of safety is of utmost importance. We know that, under current law, imported LNG must be handled by American sailors, merchant marine. We passed a bill last year in the Coast Guard authorization that authorizes the Secretary to have discretionary authority on export.

Mr. Jaenichen, what is the status of that discretionary authority? How will it be used with regard to the export from the Cheniere facility in Texas?

Mr. JAENICHEN. Ranking Member Garamendi, thank you for that question. We have done a number of initiatives. First, we have reached out to the LNG industry to try to better understand what it is they are shipping, how much they are shipping, and where they are shipping from. To be able to do that, we have partnered with the Department of Energy and a task force that is associated with the Committee on Marine Transportation, looking at—specifically at alternative energies.

We also, as part of our international engagement with the bilaterals that we do on a maritime basis, and also what we do internationally, I have personally talked with members of the Japanese delegation, the South Korean delegation, and the Chinese delegation, with regard to some of these particular issues. I will say that they are not taking root very effectively, but we are continuing to engage on that, to see if there are opportunities in some kind of agreements that we might do.

We are also taking a look, talking with our shipyards, in terms of their capacity. I think you know that the last LNG vessel that we built, we built 16 of them back in the 1970s and the 1980s, that the last one was built in 1980. The yards that did that here in the U.S. are no longer building commercial vessels, so we have some challenges to be able to reconstitute that particular capacity. So, we are doing a number of things to make sure that we can understand and be able to exercise the direction that you provided, sir.

Mr. GARAMENDI. Specifically, having looked at all of that, is it the policy of the administration to encourage the construction, the building of LNG tankers, in the United States? Is that your policy, or is it not?

Mr. JAENICHEN. That is what we are working to put together, as a policy, to do that. It is not firmly set yet. I am working on that to be able to get to the Secretary.

Mr. GARAMENDI. Well, let me be very clear where I am coming from. There are three critical national security elements involved in the LNG issue. First of all, the natural gas itself is a strategic asset of the United States. It has led to the repowering of many of our electrical power plants. And it has allowed us to have a sig-

nificantly lower energy cost than many of our competitors. It is a strategic asset here, in the United States.

Secondly, the shipbuilding industry is absolutely critical to the Coast Guard, to the U.S. Navy, and to the—what remains of the American merchant marine.

Thirdly, the merchant marines themselves are critical. We have seen the discussion part of it today, that the merchant marines are absolutely critical for the—that is not only the mariners, but also the ships critical to the national defense. Ninety percent of military supplies are by ship. I do represent Travis Air Force Base and the Air Mobility Command. We love C–5As and 17s. However, that is a small percentage of the materiel that needs to be moved around the world.

So, we have three critical national security elements involved in the LNG trade. We should require that all LNG exported from the United States be on American ships, so that these three elements of national security are enhanced.

A lot of mariners would be put to work. You mentioned the number of mariners that have lost their jobs: 2,000 in the last 3 years. They could be on these ships. The shipbuilding industry can build these ships. They are going to take time to gear up, perhaps 3 to 5 years. So there would be a phase-in period of time for the LNG ships to come online.

And, finally, it is a security issue. The chairman may have stacked the deck a little bit by mentioning Yemenis and Somalians and others that might be on these ships. And, in fact, perhaps they are on the ships, we don't know. But we do know that every American mariner is licensed. And we know who they are. We have their thumb prints, we have their identification. And all of these volatile cargoes, at least in American ports, in and out, ought to have American mariners.

That ought to be our policy. And that ought to be your policy, Mr. Jaenichen. And you should ask for nothing less. And the Coast Guard should be equally certain, since the safety of our ports is your business, Admiral. So, having done that, I want to hear specifically where you are, Mr. Jaenichen, in this process. I know you are not going to get it today.

Next, I am going to take just a few more minutes, if it is OK with you, Mr. Chairman. The National Maritime Strategy was supposed to be delivered to this committee last week. Where is it, Mr. Jaenichen?

Mr. JAENICHEN. Sir, it is going to be late, as you and I previously discussed.

One of the challenges I want to make sure the National Maritime Strategy—that we deliver is the right one. I think we are only going to get one chance at this, to be able to get it right. We have done a significant amount of effort to make sure that we have captured stakeholder input, to make sure we have captured the—what is going to be required. And one of the things that was included in that Coast Guard authorization was that I have to also coordinate it within the interagency. That process takes a little bit longer than——

Mr. GARAMENDI. Let me guess. Stuck in OMB. Is that correct?

Mr. JAENICHEN. The interagency process takes some time, sir.

Mr. GARAMENDI. So it is stuck in OMB.

[Laughter.]

Mr. GARAMENDI. Well, we will see if we can pry it out of OMB. I assume that you have worked with the Coast Guard on this strategy. Is that correct, Mr.——

Mr. JAENICHEN. We have personally talked with them, sir. I have also met with Chairman Cordero and his Commissioners, and we have done a lot of what I would call the interagency engagement. I still have some drafting, the physical requirements to do. So we have gotten their feedback, and I am now in the process of drafting. So it is not——

Mr. GARAMENDI. I suspect that the Chair and I would be interested in having a conversation with you about the general issues that are in the current strategy. We may have some views ourselves. So I would appreciate that conversation.

Next, P.L. 480. I understand that USAID, OMB, Departments of Agriculture, Transportation have been involved in negotiating some sort of a new P.L. 480 program. Is that correct?

Mr. JAENICHEN. Mr. Garamendi, you are correct.

Mr. GARAMENDI. My understanding is also none of that information has been shared with the people that actually write the laws—us. So when do we hear what the new strategy is?

Mr. JAENICHEN. Sir, what is in the President's budget for fiscal year 2016 is a 25-percent local and regional purchase requirement. Our budget supports that. What is being discussed is something more expansive than that. That legislative language I know is being drafted, and it is not at a point I think it is ready to be delivered to you.

Mr. GARAMENDI. Well, we have two critical issues here that are kept secret from the Congress. Not a good thing to do. It is kind of useful to brief us along the way. You can get some input from us, may give better direction, more likelihood of something actually happening. The fact that it hasn't been done is disturbing.

If I might, Mr. Chairman, there is one further question, and this is to the admiral, and it has to do with your new airplanes that you are getting from the Air Force. Neat little things, the C–27J models.

Do you have any money to upgrade those, and to make them compatible with the Coast Guard requirements?

Admiral ZUKUNFT. Congressman, we do. And we have an appropriation to do so. In fact, that work is ongoing, as I speak.

Mr. GARAMENDI. Let me guess. The continuing resolution makes it impossible for you to actually do the work?

Admiral ZUKUNFT. Some of this work is actually ongoing. And so we are still on a timeline where we will have four C–27Js in Sacramento in 2016.

Mr. GARAMENDI. I do like the word "Sacramento." My understanding is that they are to replace the C–130J model, or H model.

Admiral ZUKUNFT. This is actually a midrange aircraft, and so we have a C–144, which—originally, the program of record was for 36. We have 18 of those C–144 aircraft. And, as you know, we have 14 C–27Js, which is a much more capable aircraft. So we are reassessing is that total of 18 and 14, will that meet our service needs into the 21st century.

Mr. GARAMENDI. OK. As the C–27s come on board, they are not all coming at once; they are going to be spread out over 3, 4 years. Is that correct?

Admiral ZUKUNFT. That is correct.

Mr. GARAMENDI. OK.

Admiral ZUKUNFT. At the same time——

Mr. GARAMENDI. Is there a hiatus and, therefore, an insufficient number of aircraft, depending on the timing of the arrivals of the 27s?

Admiral ZUKUNFT. That is a good question. So we are phasing the arrival of the C–27Js with the dispatching of the Hercules version of the C–130, which is going to the Forestry Service. In fact, that first aircraft of eight is in the process of its transition, as well.

So, the timing of that, so we don't create a gap for the Coast Guard, is that C–27Js come on board, the C–130H will go over to the Forestry Service. And that will happen over a period of the next 3 years.

Mr. GARAMENDI. So there is or is not a gap?

Admiral ZUKUNFT. Right now there will be a small gap, but it is a negligible one.

Mr. GARAMENDI. Where will that gap be?

Admiral ZUKUNFT. This is near-shore, since it is a midrange aircraft. And right now our greatest gap is when we are using long-range surveillance in the drug transit zones, which are normally staged out of a foreign country.

Mr. GARAMENDI. I would like to get into this, a little more detail about the gap. The Forest Service will not be able to use those airplanes immediately, because they have to be reconfigured for this—for firefighting. And it may not be in the interest of drug interdiction and long-range surveillance that a gap exist at all. I think I can go on and on with a whole series of questions here about that issue, but I would like to get some more detail on that.

A final point is that I—last week I was with the President of Panama, and had a discussion with him about their desire to work more closely with the Coast Guard. And actually, he was willing to establish some sort of a station and facility in Panama that would be available to the Coast Guard to be used. I know you have some facilities there now, but there would be a possibility of a more integrated facility.

And, finally, back to Port Hueneme. The Navy will be flying its Poseidon version of the Global Hawk out of Port Hueneme, and they will be doing exercises in that area, training exercises. That piece of equipment observes the ocean well. I would like to have a discussion with you about using the Poseidon information in the training, as they observe the southern California coastal area. Might find it to be useful.

Thank you very much. Yield.

Mr. HUNTER. Thank the ranking member. I would like to recognize Mr. Graves again for the second round.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman. Admiral, we had the chance in a previous life to spend a good bit of time working on the oil spill. And, again, I want to thank you for your efforts there.

As you know, the—you can do simple math, and you can come to the conclusion that you have more oil remaining in the Gulf of Mexico today than perhaps was spilled in the entire *Valdez* oil spill. And the State of Louisiana and the Coast Guard differed on the best approach to continue seeking the—and removing the oil that was there. Where is the best place for the State of Louisiana to turn if they have concerns related to the residual oil in the Gulf of Mexico resulting from *Deepwater Horizon*?

Admiral ZUKUNFT. Yes. The first place to begin is with the regional response team. But probably, to even navigate through that process, would—to meet with the sector commander in New Orleans, who now owns the Federal on-scene coordinator process. But to activate the regional response team, as we look at measures of whether it is more friendly to the environment to let the oil decay or to go in and do removal operations—now, this does not negate the fact that if there is report of oil or oiling, that oil will be removed under the Oil Pollution Act of 1990.

Mr. GRAVES OF LOUISIANA. Well, I think for about 3 years we had asked the Coast Guard to compel the responsible parties to step in and require them to do additional oil removal, as you and I have discussed. Just by moving into the knee-deep water, as we discussed recently, as I recall, I think the 9-month period yielded a 15-time, 12-time increase in the removal of oil, indicating that that was a good scenario, in terms of finding additional oil and removing it.

For years, we pushed the Coast Guard to require additional removal activities, and those were rejected. If the Coast Guard is unwilling to compel the responsible party, what—where does the State go then?

Admiral ZUKUNFT. Well, we compelled the responsible party. And in 2012, 2013—each year we removed about 6 million pounds of oil. And we continue that process into 2014. Whether it was weather-related or not, but—we only removed about 29,000 pounds. That does not suggest that there is not still oil out there. But it just has not presented itself. But when it does, the Coast Guard will respond to any increased oiling.

What we then do is we have to send it off to a lab and determine whose oil is it, to begin with. So this will be a Coast Guard-led evolution. And if this is BP's oil, then they will be held accountable for those removal actions.

Mr. GRAVES OF LOUISIANA. Do you see the State and the parish, county, local governments as having a role in the response?

Admiral ZUKUNFT. Absolutely, Congressman. And that was a big learning curve during, really, the most complex oil spill in U.S. history, was who is in charge. The State of Louisiana, as are most coastal States, typically operate under a Stafford Act. And it is the Governor of that given State that directs the day-to-day operations.

Under the Clean Water Act, this is led by the Federal Government. And so it is a different governance structure. And so, what we felt was imperative is that every Governor, every parish president, every mayor on the coast of—the entire gulf coast have a Coast Guard liaison officer that they can talk to, to make sure that their equities were represented. We didn't do that at the very be-

ginning, and so there were concerns of a breach of trust with the Coast Guard.

Mr. GRAVES OF LOUISIANA. But you do recognize that the Oil Pollution Act also has a savings clause that allows for State authorities, State laws, to continue to apply in cases when they don't—they generally conflict with Federal law.

Admiral ZUKUNFT. There is, correct.

Mr. GRAVES OF LOUISIANA. Let me change gears real quick. The Coast Guard leads a U.S. delegation in the IMO related to ship recycling. And it is my understanding there is currently a convention under discussion that would, in effect, encourage the use of foreign facilities for ship recycling, as opposed to those stateside.

Could I just ask you, in the Coast Guard's role in that delegation to the IMO, could you also consider the use of stateside ship recycling facilities for foreign ship recycling?

Admiral ZUKUNFT. Yes, I will have to get back to you. I can't comment on that on the record right now, but I will be happy to back-brief you on that.

[The information follows:]

> The Coast Guard acknowledges its role as leading the U.S. delegations to the International Maritime Organization (IMO). However, the Coast Guard is not involved in the permitting of vessels being recycled in the U.S. and is not in a position to respond to the specific request presented by Representative Graves. It is recommended that ship recycling-related questions be posed to the Coast Guard's governmental partners at the U.S. Maritime Administration (MarAd). MarAd generally manages U.S. ship recycling issues/concerns for purposes of IMO activities.

Mr. GRAVES OF LOUISIANA. Thank you. I appreciate it. Administrator Jaenichen, you guys issued a contract in October of last year to scrap a vessel. And, as I recall, the way that works is you have companies that come in and bid, and that company that bids the highest actually pays you to scrap the ship, because they generate revenue from the recycling activities.

It is my recollection that MarAd actually selected a company that was willing to pay $400,000 less, as opposed to more. And, again, just reminding folks that the higher the price, the better for taxpayers, because the revenues come to the State—excuse me, come to the United States.

In this case, MarAd allowed additional time for the company to pay the fee that they were supposed to be paying, which, as I understand, is not allowed by the rules. And now it is my understanding that the company has actually shut down operations, and has four MarAd vessels. So, struggling with a few things.

Number one, does MarAd actually do a financial evaluation to determine the solvency of the company, the ability of the company to pay? Now we are in a situation where the taxpayers have not received the funds, the vessels are not being scrapped.

And secondly, just trying to understand best value for the taxpayer there, to choose a company that is willing to pay $400,000 less. Thank you.

Mr. JAENICHEN. Congressman, thank you for that particular question. I would have to go and take a look at the specific solicitation. Here is what I can tell you.

Over the 90 contracts that we have either done through vessel sales or through service contracts, where we actually have to pay for them to actually dispose of the vessel, 72 of the 90 that we have done have, in fact, gone to the highest bidder. Under our best-value contract, we do—we take a look at a couple things. We take a look at the sales price or the service fee cost. We take a look at the production period. We take a look at the past performance of that particular company. And then we award it, based on best value.

The GAO has looked at this program, and has validated our procedures for best value. And they have also ensured that we are in compliance with the Federal acquisition requirements.

With regard to the current issue with the scrapyard that is currently disposing of a couple of our vessels, one of the things that has happened over the last probably month and a half or so, the bottom has dropped out of the scrap metal market, and so that is a challenge. We were made aware of this here recently. We are trying to ascertain what the status is, and how that might affect the actual performance period of the production contract. I would have to get back to you on the specifics, because I really don't have that information.

I will tell you that we have had a situation in the most recent solicitation where we had ships that—bids were made. Because of the change in the scrap metal market, that the actual first and second bidder actually withdrew their sales contracts. We actually awarded it to the next lowest bidder, which was $400,000 less than the highest bid. But they were still willing to pay for that vessel sale. So those are the examples of what happens under the solicitation, and how it works.

And so, to be able to go back to specific, you know, contracts, in terms of money lost, we do attempt to get the highest value, to make sure that the taxpayer is the beneficiary of that. And, again, 80 percent of the time we are able to do that.

Mr. GRAVES OF LOUISIANA. Thank you, Administrator. I would appreciate if you could follow back up on that. As I understand, the high bidder in this case actually did protest, and still lost out in this case.

Thank you, Mr. Chairman.

Mr. HUNTER. Thank the gentleman. Ms. Hahn is rerecognized.

Ms. HAHN. Thank you, Mr. Chairman. This is for the admiral, Admiral Z.

I know you know that this Congress—or not this Congress, but a previous Congress, after 9/11 passed the law that would require 100 percent of scanning for the containers that are coming in and out of our ports. And it is clear, from this administration, that that goal is not even being attempted to be achieved. And, in fact, we have heard from, I think, both Secretaries of Homeland Security that it is just not something that is going to happen. And, instead, the administration has asked for a layered approach to security in and out of our ports.

I think our ports are still one of the most vulnerable entryways into our country. And I think sort of the excuse that it may slow down commerce, and that would be of a bigger detriment to our economy than an attack at one of our ports would be, I disagree with that 100 percent. And, again, interesting that, through these

last months of the contract negotiations, we have been told now that it might take 3 months to clear out the backlog of the ships on the west coast ports, which I think is a bigger issue.

I have introduced a bill that would—the SCAN Act—that would authorize two ports in the country to do a pilot program of 100 percent scanning of the containers. I think the technology exists so that it wouldn't slow down commerce. Is that something that you think we ought to at least evaluate, or look into, as a possible long-term policy for this country?

Admiral ZUKUNFT. Yes, Congresswoman, that would really fall under the oversight of our Customs and Border Protection. So it would probably be unfair for me to comment on what Commissioner Kerlikowske would—this would come under his purview, whether that would be a prudent measure or not.

I will say we have a seamless interaction with our Customs and Border Protection. Coast Guard and CBP work at the National Targeting Center together, where Coast Guard screens every foreign crewmember destined for the United States. It could be on a passenger vessel, it could be a commercial vessel. CBP does the same thing for every container. Where was it packed? Is it a trust shipper or not? Which would then make that particular container subject to further screening, or perhaps even more intrusive and time-consuming, actually opening and inspecting that container. But, at the end of the day, this bill would really need to be addressed to Customs and Border Protection.

Ms. HAHN. Well, I just was asking you because, of course, Coast Guard oversees our ships coming in and out. And, again, on the west coast you are dealing with other issues, with panga boats, and that is even another layer of security coming in and out of our ports. So I appreciate that.

So we—the Secretary of Homeland Security came out today with a statement that said if Congress was unable to reach agreement on the DHS funding this week, contract negotiations will be delayed to construct the Coast Guard's eighth National Security Cutter, which would lead to higher cost. And I was wondering if you could just elaborate to us, so that, while we are trying to make this decision, what kind of cost would be higher as a result of the DHS funding lapsing?

Admiral ZUKUNFT. Yes. Through our acquisition program, we go with a fixed-price contract. And so we have negotiated the price of that contract. And so the contract that will be let is $638 million. But we need to award that by mid-March, so it will be obligated by the end of the month. If we miss this timeline, then we have to renegotiate the price all over again. In our years of experience, every time you negotiate, you negotiate to a higher level, not to a lower level.

So, it increases the cost and, more importantly, it also delays the construction of this final cutter of this program of record at a point in time where we need to build trade space in our acquisition budget to bring on the Offshore Patrol Cutter.

Ms. HAHN. And I also—I understand that a lapse in the funding will impact your 225-foot buoy tender ships. And these ships, of course, are crucial to protecting vessels on our coastline, recovering

spilled oil. What does a lapse in maintenance of these ships—what does that mean?

Admiral ZUKUNFT. Yes. So we have a very finite acquisition budget. And so we squeeze everything that we can into it. And so, with our 225-foot buoy tenders, this is a service life extension program to extend the service life of these ships out for a number of years ahead.

And so, what that does create, then, is a backlog. And then we would have to look at the next year acquisition budget, but we would need some relief in that to deal with the backlog that the CR may create this year.

Ms. HAHN. Thank you. I yield back.

Mr. HUNTER. Thank the gentlewoman. I want to yield to the ranking member, Mr. Garamendi.

Mr. GARAMENDI. I want to thank the witnesses for their testimony today, the work that you do. We ask some questions. Some of them seem to be tough, but all of them are very important, and I want to thank all of you. I am going to have to slip away to attend another hearing over in the Committee on Armed Services. So thank you very, very much.

Mr. Chairman, I yield.

Mr. HUNTER. Thank the gentleman. Master Chief, not forgotten about you.

So let me ask. With all the stuff that is going on, all the budget cuts, and I guess you could say the kind of spurning by your own leadership within the administration and OMB and the Department of Homeland Security, they don't think much of the Coast Guard, as reflected by their budget. What is the biggest obstacle that you face in making sure that your Coast Guard men and women are able to function and live happy lives and go about their duties?

Master Chief CANTRELL. Well, thank you, sir. What—this is affecting folks right now today. And what we want our folks to be focused on is getting the mission done. And the last thing I want by a young petty officer on a buoy tender that has got a 10,000-pound sinker swinging around on the deck as they work a buoy, is to worry about if he is going to get a paycheck or not, or worry about his training is going to be affected, or his transfer is going to be affected later on. We want them laser-focused on mission.

Same thing for our folks that are out driving boats, that are out pounding through 20-foot surf to rescue a sinking fishing vessel. I want them focused on their job, not worried about whether they are going to get a funding bill, or whether—again, it goes back to the—are they going to get a paycheck or not. That is not what they should be focused on.

Mr. HUNTER. Let me——

Master Chief CANTRELL. I mean I think we have the——

Mr. HUNTER. Let me ask——

Master Chief CANTRELL [continuing]. Best, brightest, and——

Mr. HUNTER. If there is a shutdown, do the—does the Coast Guard not get funded?

Master Chief CANTRELL. A shutdown? If we are not funded, our folks, in essence, would not—I mean they are going to show up for work, because that is what they do. But a lapse this week in appro-

priations affects, of course, next week. But this is what is on their minds.

Mr. HUNTER. When is payday for the Coast Guard? It is every 2 weeks?

Master Chief CANTRELL. Every 2 weeks. Yes, sir.

Mr. HUNTER. So the first iteration of not being paid would kick in 2 weeks next month?

Master Chief CANTRELL. They would be paid on the first of March, as the pay period ends at the end of this week. So they get paid at the end of this week. It is the next paycheck that folks will be concerned about.

And, again—but they are worried about this now. And these are folks that live paycheck to paycheck, anyway, most of the time. And you could go to a commissary any of those paydays and see what I am talking about. But this is stuff that is affecting them.

We have got a high retention rate and folks that really want to do great work, and lace up their boots and come to work and get after the jobs that they signed up to do. And I don't want them focused on the things that are certainly outside their paygrade to worry about, but it certainly has taken its toll.

Mr. HUNTER. Besides the budget woes right now, what is the biggest thing that worries you about your people?

Master Chief CANTRELL. Well, it does kind of go with budget uncertainty a lot, because, look, we are operating—I mean——

Mr. HUNTER. Let me phrase it differently. Is it housing? Is it commissaries on bases? Is it—what is it?

Master Chief CANTRELL. We are concerned—housing, medical, child care services are something that we stay focused on. We have good relationships with our DOD partners that allow us access to those facilities. But a lot of our units are remotely located, so we have to rerack our housing to make sure—some of our older housing is divested from, but that means that we have got to look for other options for our folks in some of these small areas that aren't base-centric like, you know, a lot of the DOD facilities are.

But child care is a big thing that worries a lot of our folks that make career decisions sometimes on whether child care services are available, or even affordable. But we work on that, and we stay focused on it to make sure we are providing resources within our own Service, but also looking outside the Coast Guard to our DOD partners. And we maintain really good relationships there.

Mr. HUNTER. Thanks, Master Chief.

Master Chief CANTRELL. Thank you, sir.

Mr. HUNTER. Chairman Cordero, you requested an extra $1 million, a bit over, to increase your workforce by 10 percent. That is not a lot, right? Ten percent is a small number of a small number. And your testimony indicates that these increases are needed to review a growing number of large and complex liner agreements to conduct—and to conduct basic day-to-day activities.

Yet, over the last year, the FMC has held several public forums on ways to make ports and cruise lines more environmentally friendly, giving awards to companies with environmentally sustainable shipping practices, encourages the maritime sector to use FMC, the FMC to—dispute resolution services, to use them for resolution services instead of independent arbitrators. And, in some

ways, you tried to put yourselves in between business and business, creating, I think, unnecessary regulatory burdens on small businesses.

This sounds like mission creep. And just one example. You are giving an Earth Day award, in your position as Chairman of the Federal Maritime Commission, coming up. So, specifically, my question is two-part.

One, mission creep adding more employees, and it seems like doing a little bit of busy work, just to stay busy.

And, two, when it comes to things like giving environmental awards to companies, what statutory authority does the Federal Maritime Commission have to regulate environmental compliance of ships and ports? Do you enforce the act to produce—to prevent pollution from ships? The Clean Water Act? The Clean Air Act? The clean hull title of the 2010 Coast Guard, or any other Federal environmental statutes?

Mr. CORDERO. Thank you for your question, Chairman. First of all, with regard to the environmental component, I can assure the chairman and the committee that this is a very minor part of the FMC, in terms of our staff and the role that we play in, essentially, what we recognize as best practices. And I think, on that, the key question is with development.

So, as a Commission, as a maritime Commission with the objective and the mission of fostering fair, efficient, reliable ocean transportation system, I think sustainable development is a concept that the—not only has the industry embraced, but it is a concept that—it is a global concept that is now being embraced. So I can assure the committee that it is a minor part.

So, essentially, with regard to the agreement component, that is a major role, absolutely. And I think, if I may add, just in the last quarter of 2014 there were 83 agreements filed at the Commission. That is the most agreements filed in—going back 10 years. Total agreements filed with the Commission are 540.

Now, if I may add two other things, two offices are involved with that. It is the Office of Agreements. We only have three people handling that. Once they review and process those agreements, then we have the Office of Economic and Competition Analysis. We have been operating with four economists—recently are adding a fifth. Given the size of the agreements and our main mandate, as you have indicated, we have been operating basically in survival mode.

As to the dispute resolution component, I will say that I have met with many industry stakeholders. I think they have embraced that. It is a cost savings effort, in terms of volunteering informal processes to dispute resolution issues. One issue that we talked about earlier was the demurrage. The demurrage is an issue for the American shippers. They have filed complaints, and some of that I could—it fair to say that the—you know, our dispute resolution component, by way of our department, has been able to work as a mediator to try to comply—or, excuse me, to try to have the parties come forward with a compromise on that.

So, the raise that we seek, the increases, of course, with our nine responsibilities that we have, that I have mentioned, or—a couple of them are major. And I just represent to the fact that we have

been operating on survival mode. I mean right now we have 500—excuse me. We have 115 employees.

Mr. HUNTER. All right, let me ask you this. Considering a lot of the stuff that you just mentioned is regulatory in nature, and could be done by a regulatory agency versus a Presidentially appointed Commission, where the President appoints the Commissioners, and the Senate approves them, do you see a need—do you think that a lot of what you do could be done by a regulatory agency, such as MarAd?

Mr. CORDERO. Well, I think, going back to 1961, in 1961 the FMC, as it is composed today, the objective is to have a Commission and agency to specifically oversee the activities of foreign carriers. Given the globalized world that we have today, it is ever more important to have a well-funded FMC. And I think, going back specifically to 1961, the decision was made at that point, as I understand it, there would be a domestic component that my colleague, Chip Jaenichen, or the administrator handles at MarAd, and it would be the international component, particularly the regulatory aspect of that the FMC handles.

So, if I may respectfully say, it is ever more important to have an FMC to regulate the foreign carriers who bring most of the cargo, if not in the 90th percentile, to our shores.

Mr. HUNTER. Thank you.

Mr. CORDERO. Thank you.

Mr. HUNTER. Mr. Cummings, you are recognized.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. Admiral, let me ask you this. As you know, one of my highest priorities when I was Chair was ensuring that the student body at the Coast Guard Academy reflected the diversity of the Nation that the Coast Guard serves. And great strides were made, no doubt about it. It has been simply astounding, what we were able to achieve.

But certainly we ought to hold and protect our progress. And I am wondering what is going on there, and are those efforts continuing to make sure that we have a diverse Academy?

Admiral ZUKUNFT. Congressman, I am pleased to say that today probably the United States Coast Guard Academy is the most—or certainly one of the most—diverse service academies of all of military service academies. This year about 39 percent of our entrants were underrepresented minorities.

So, we have turned the corner. The next step is we need to retain. We are doing well, but we need to continue to mentor and grow this diverse workforce at every level in our organization, and we still have more work to do in that regard.

I have taken a personal interest in this, as well. I am active in NNOA, I have gone out through our CSPI program to actually recruit college candidates in their second year of college to be part of our Coast Guard team. They get a stipend of about $36,000 a year to finish out their last 2 years of college, go off to officer candidate school, take the oath, and wear this Coast Guard uniform as a commissioned officer. I take this—this is one of the key pinnacles of my Commandant's direction. And you can count on me to follow through on this.

Mr. CUMMINGS. You know, it was interesting. When we were working on this issue years ago, people kept saying, with regard to

the Academy, that if you make your force more diverse, the SAT scores would be lower, and that people would not be successful. And, you know, I kept telling them, you know, you have to go and find people. And I have sat now, I guess for 10 years, on the Naval Academy Board of Visitors. And I know we had an opportunity to have some—a lot of conversations between the Coast Guard and the Naval Academy, because the Naval Academy has done a pretty good job on this issue, too.

So, I just want to make sure that, you know, we are continuing to do that. And, based on what you just said, I am glad that we are going to the colleges and—because in today's world, with so many students having such a difficult time with money, and getting through school, I mean, if they can get that education, get paid, and then have a job, that is the other piece. After you get out, I mean, that is major. And so that is good to hear.

Master Chief, you know, you said something about—you were talking about child care. And we—in my district we did a series of forums with women. And we did one with women in business, we did another one with women in education. But we also did one with women in the military. And I was—and I am telling you it was one of the most enlightening events that I have ever done in my 18 years of being in Congress, because we sat there and women literally cried. It got very emotional about being able to get decent child care, and how so often they had to end their careers.

I mean this was just—this was mainly Army and Air Force, but it was just very interesting. And I never—I guess I—I mean I had three kids, and we had to go through the child care thing. I did not know it was such a major issue. So it is a problem, isn't it?

Master Chief CANTRELL. Yes, sir. And we see it more and more with folks making these career decisions. Even when they are looking at whatever their next assignment is going to be of is there affordable and acceptable child care in there. And we work really hard with the GSA child care subsidy reimbursement program, as well as our DOD folks where we can, to get our members access to those facilities. And we are continuing to work that, and we are getting better each year, I think.

But it is a daunting task for them sometimes to think about whether it is worth it to stay in the Service. And we have got an investment in those folks that—we don't want to let them walk out the door. So we are focused on trying to find other ways to take care of them.

Mr. CUMMINGS. Well, anything I can do to be supportive, please let me know.

Master Chief CANTRELL. Yes, sir.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Mr. HUNTER. Thank the gentleman. You could always institute the rules that the Marine Corps had about 60 years ago, which—you can't get married until—in 7 years, or go on two floats or go to war once, or something like that. It is a—having families on base is a burden. And the military did recognize that 50, 60 years ago. I mean that is where a lot of the resources go.

Admiral, I just got a few more questions here. Towing vessel safety rule. It has been 10 years. It has been 10 years. A decade. Anything?

Admiral ZUKUNFT. First response, complex. We have had, literally, thousands of comments. And we have adjudicated every one of those. This and balanced water regulations are two of my highest regulatory packages in my inbox. Actually, not on my desk. Trust me. When they arrive, they will be off the same day.

I am confident that we will have a rulemaking package ready to leave my Coast Guard headquarters within the next several months. What we have to adjudicate is what are the unintended consequences, especially to the small operators? Is this going to squeeze them out of business? And so we go through a very extensive economic analysis that goes through that, as well.

At the same time, we take on the burden of having to inspect 6,000 more vessels that currently aren't in our inspection fleet of responsibility. But that rulemaking package is—as you have highlighted, definitely needs to get moving. And I will move it out.

Mr. HUNTER. Thank you. At least it will happen under your tenure.

Admiral ZUKUNFT. This will happen this year. Again, I have been given—I am not always optimistic with rulemaking packages, but I expect to have it out this spring.

Mr. HUNTER. OK, thank you. Along with that, we changed the rules for the inspection of the distant water tuna fleet to 5 years last year. When is the Coast Guard going to release guidance to its inspectors and industry implementing the new change?

Admiral ZUKUNFT. Yes, that is an amendment to a policy letter. That will come to me, and I expect to see that within—probably within the next month, and we will be able to push that out, and then move that forward. And I know that is a high priority for you.

Mr. HUNTER. It goes to you from where?

Admiral ZUKUNFT. It goes from me and then to the Department of Homeland Security.

Mr. HUNTER. From you to the Department?

Admiral ZUKUNFT. Right.

Mr. HUNTER. The DHS. OK. With that, the one final thing that I have, I know that you have looked at the Presidential budget request. And I know that you have at least scrubbed it, and said, "How do we make our acquisition strategy line up with this, if this is our actual budget?" And I am just—if you could, just say a few words on—just from your very first scrub on this, what would you do right now, if the budget that is reflected right now is the actual budget, going forward into 2016? What are you going to do with the OPCs? What are you going to do with final down-select from your three to one next year?

I saw, instead of asking for money now, you are hoping that next year the Department, DHS, just gives you a bunch of money to be able to do it once you down-select to one, which is never going to happen. I mean that is a—it is just not ever going to happen. So what would you say on your first scrub right now? What do you drop? What do you keep? What do you push out? Do you not have your eighth NSC? I mean what do you do?

Admiral ZUKUNFT. Right. Actually, what I asked first is that my written statement be entered into the record.

Mr. HUNTER. Without objection.

Admiral ZUKUNFT. Because we went through some of that scrub, as well.

Where we are really feeling the pain the greatest is in our shore infrastructure. I have got about a $1.4 billion backlog in shore infrastructure. And I am making an annualized downpayment of $40 million. It is like paying the bare minimum on a credit card. But I am still paying interest on that.

So, we are barely keeping pace with that backlog, but I am having to make those deferments in order to keep our operational platform acquisition program of record viable. So those are the very tough tradeoff decisions——

Mr. HUNTER. You are saying you are trading off your shore facilities. So that is what you would do in the end, in order to keep the acquisition program of record on track, you would not spend money—you are going to just keep spending the bare minimum?

Admiral ZUKUNFT. Well, obviously, there is a prioritization process that goes with that. Ironically, we get some relief when you have a hurricane, and then we get relief funding to then restore infrastructure that was also on that backlog. So at least we can use disaster relief funding. But that is not—you know, that is using hope as an acquisition strategy, so I can't do that.

And so, I struggle with an acquisition budget that is, you know, hovering somewhere near $1 billion, as I look at what the Coast Guard is going to need in the 21st century. And so that is what we need. We look at a mission needs statement built to budget, what I really need is a reliable and predictable budget, because we have really been on a roller coaster here for the last several years.

Mr. HUNTER. OK. So, looking at your acquisition—ship acquisition, which ships get cut, based on this budget?

Admiral ZUKUNFT. Yes. We can't cut any of our programs of record. What we——

Mr. HUNTER. But you would have to. I mean you are getting——

Admiral ZUKUNFT. We would not.

Mr. HUNTER [continuing]. Reduction.

Admiral ZUKUNFT. Right now, you know, we have an appropriation for our eighth National Security Cutter. That finishes that program of record. As we go into 2016 we have got to bring the Offshore Patrol Cutter, you know, on to full budget. And I will continue to endeavor, and with the great support that we have had from the Department of Homeland Security to get where we need to be, because that is my Secretary's—one of his highest priorities is to recapitalize the Coast Guard.

Mr. HUNTER. I don't understand, then. How does the budget reflect the Secretary's highest priority by cutting it?

Admiral ZUKUNFT. Again, you have seen the same provision. We have got about a $70 million gap to go to final design work to award the Offshore Patrol Cutter to its—and so the Department, as they look at is this affordable, has given me assurances that we will look within the Department to raise the Coast Guard to a point where we can move forward with the Offshore Patrol Cutter.

Mr. HUNTER. So you think that, instead of having Congress budget out the Offshore Patrol Cutter, and taking the money from within DHS when you do a downselect, you think that that is a

viable—that money coming from DHS is a viable alternative to congressional budgeting?

Admiral ZUKUNFT. Obviously——

Mr. HUNTER. For right now?

Admiral ZUKUNFT. Yes. From a budgeting process, much more preferable to see the full appropriation that we had requested in that budget. But we need to move forward with the Offshore Patrol Cutter. And I can't emphasize that enough. By the time that first ship is delivered in 2021, it will replace ships that are 55 years old. And we can't let that drag out any more. Or we just abdicate to the adversary and say, "We are not going to use the authorities, and the United States, the most powerful Nation in the world, is not going to assert its sovereignty using the broad authorities of the United States Coast Guard." I will not let that happen on my watch.

Mr. HUNTER. Thank you. Do you think the Coast Guard is tasked with doing too much right now?

Admiral ZUKUNFT. Our authorities resonate very well, and I wouldn't take any one of our authorities away. And this was actually looked at about 100 years ago. Our first Commandant of the Coast Guard. They thought, "Well, hey, if we split the Coast Guard up and have other components do it"—well, first they have to take on a maritime capability, they have to understand the authorities. But they become one-trick ponies, that is the only thing they do.

But when you look at what a buoy tender does, it tends buoys, it cleans up oil spills, it does law enforcement, search and rescue. So when you look at our platforms, they are really multipurpose. And the Nation really gets the best bang from the buck from these multipurpose platforms because of the authorities that are vested in the United States Coast Guard.

Mr. HUNTER. Thanks, Admiral. Gentlemen, thank you very much. Appreciate it. Adjourned.

[Whereupon, at 12:05 p.m., the subcommittee was adjourned.]

U. S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard

2703 Martin Luther King Jr Ave SE
Washington, DC 20593-7000
Staff Symbol: CG-821
Phone: (202) 372-4411
FAX: (202) 372-8300

TESTIMONY OF
ADMIRAL PAUL F. ZUKUNFT
COMMANDANT, U.S. COAST GUARD

ON THE
COAST GUARD FISCAL YEAR 2016 BUDGET REQUEST

BEFORE THE
HOUSE COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE

FEBRUARY 25, 2015

INTRODUCTION

Good morning Mr. Chairman and distinguished members of the Committee. Thank you for the continued support you have shown to the 88,000 active duty, civilian, reservists, and auxiliary personnel of the United States Coast Guard, through funding investment in our people, the recapitalization of our aging fleet, and sustainment of our front-line operations.

At all times an Armed Force, a regulatory agency, a humanitarian service, a federal law enforcement agency and a member of the intelligence community, the Coast Guard protects, defends, and promotes National interests on the high seas, in our Exclusive Economic Zone, near our coasts, and in our ports and inland waterways. The Service leverages more than 60 bilateral agreements and arrangements to address counter narcotics, illegal migration, fisheries enforcement and weapons proliferation – not only in international waters, but in many cases, extending jurisdictional reach into the territorial waters of signatory nations.

We are a maritime law enforcement service without peer and a unique instrument of international diplomacy. Many nations model their maritime forces after the U. S. Coast Guard to address transnational crime, human smuggling and foreign incursions into their respective waters. The Coast Guard uses our broad authorities, capabilities, and expansive partnerships to sustain an effective and persistent presence to ensure the most vital National interests in the maritime operating environment are met.

The U.S. Coast Guard operates in a complex, diverse and rapidly changing world. To ensure we meet the demands of today while preparing for tomorrow, the Service aligns its actions and investments with other components of the Department of Homeland Security (DHS) and national strategies. The Fiscal Year 2016 Budget continues the sound stewardship of fiscal resources to invest in the 21st Century Coast Guard. Investments in the Offshore Patrol Cutter (OPC) acquisition, improved aviation capabilities, integrated command and control systems and a proficient workforce are all critical to our future success. We remain an adaptable force, firmly committed to prioritizing operations and resources to maximize service to the Nation.

Our extraordinary people deserve America's investment in a 21st century Coast Guard. In 2016, we will bring special focus to four maritime concerns that support the Nation's interests, security, and prosperity:

(1) Combating Transnational Organized Crime networks and securing our borders;
(2) Safeguarding commerce;
(3) Enhancing our internal IT security and promoting cyber security within ports; and
(4) Maintaining our presence in the Polar Regions.

As part of the President's strategy to enhance stability, prosperity, and governance in Central America, the Coast Guard is repositioning legacy forces and investing in the people and platforms necessary to carry out an offensive strategy that targets Transnational Organized Crime networks, operating with impunity throughout the Central American region, and disrupts these criminal network operations where they are most vulnerable – at sea. For example, Coast Guard Cutter BOUTWELL returned to Naval Base San Diego this past October after completing a 90-day counter-drug patrol in the Eastern Pacific. On deck, she carried over 28,000 pounds of uncut, pure cocaine with a street value of more than half a billion dollars. It was the result of 18 different interdictions by U.S. forces. Our Helicopter Interdiction Tactical Squadron (HITRON) set a record in 2014, with 46 at sea interdictions netting over 31 metric tons of cocaine and 27 tons of marijuana. The increase in illicit trafficking of humans, drugs, and weapons into our transit zones and southern approaches is the direct result of Transnational Organized Crime networks operating with impunity throughout the Central American region. These organizations are vying for power through drug-fueled violence, the effects of which are destabilizing governments, undermining the rule of law, terrorizing citizens, and driving illegal migration from Central America to the United States, including the inhumane and perilous migration of unaccompanied children.

We continue to replace High Endurance Cutters, such as BOUTWELL, with the more capable National Security Cutters. In 2016, we will continue construction of the final three NSCs. In the future, acquisition of an affordable and capable offshore patrol cutter will also be a critical piece of the Coast Guard's Western Hemisphere Strategy to combat these networks. The OPC will be the backbone of Coast Guard offshore presence and the manifestation of Coast Guard authorities. It is essential to interdicting drug smugglers at sea, as well as for interdicting undocumented migrants, rescuing mariners, enforcing fisheries laws, responding to disasters, and protecting our ports. As the Coast Guard completes acquisition of the NSC, the OPC will become Coast Guard's number one acquisition priority.

In 2013, a new tank barge entered the stream of commerce every day in America, moving product on our maritime highways to fuel the United States economy. There has been a significant increase in barge transits carrying oil and natural gas on the Mississippi River in the last five years. The Coast guard plays an important role in ensuring the safe and secure movement of commerce on the Nation's waterways. Changes in U.S. energy production have increased the traffic levels at some of our ports. Larger tanker vessels, greater complexity of port operations and expanded movement of energy and hazardous materials increase the overall risk of an incident that could have severe environmental consequences. To keep pace with the maritime industry we regulate, the Coast Guard will continue ongoing initiatives to improve our marine safety workforce, and support innovative technologies to improve waterways management and the aids to navigation system.

In 2016, we will remain in lockstep with other components of DHS and Department of Defense (DOD) efforts to enhance cyber security to defend our own network and work with port partners to protect maritime critical infrastructure and operators.

The Coast Guard cutter POLAR STAR is underway, returning from Operation Deep Freeze in Antarctica. Her mission consists of breaking out a channel, and escorting petroleum and break bulk carriers, to resupply the United States base of operations in McMurdo Sound. That vital mission has enabled the U.S. to conduct scientific research and to implement the Antarctic treaty – a strategic necessity for our Nation. POLAR STAR is the only heavy ice breaker in the United States fleet capable of conducting this mission and providing assured access. In 2016, we continue the pre-acquisition work for procurement of a new polar icebreaker including development of a request for proposal.

In 2016, the Coast Guard will continue mobile and seasonal operations and partner with the coast guards of all Arctic nations through the Arctic Coast Guard Forum. We will continue to cooperate with the Department of State and other federal and international partners as the U.S. assumes the Chairmanship of the Arctic Council in 2015. Mobile and seasonal operations - the summer deployment of assets during Operation Arctic Shield – will continue to better understand the operational demands of the region and inform the timing and extent of any infrastructure needs based on human and economic activity in the region. Operation Arctic Shield is geared towards assessing the operational capabilities of cutters, boats, and aircraft in the Arctic while strengthening relationships with state, local, and tribal stakeholders. Research operations will continue on Coast Guard's medium ice breaker, HEALY. In addition to providing a research platform for U.S. scientists, HEALY provides a vessel of opportunity to help manage increasing human and economic activity in the Arctic. For example, last summer Coast Guard Cutter HEALY was diverted to rescue a 36-foot sailing vessel trapped in ice forty miles north of Barrow, Alaska.

The Coast Guard's daily activities support nearly every facet of the Nation's maritime interests, protect our homeland and secure our economic prosperity. The past year of Coast Guard operations was no exception. The Coast Guard responded to over 17,500 search-and-rescue cases, saving more than 3,400 lives; seized over 91 metric tons of cocaine and 48.9 metric tons of marijuana destined for the United States, worth an estimated $3 billion; detained over 340 suspected drug smugglers; interdicted more than 3,500 undocumented migrants; conducted over 25,000 container inspections; completed over 9,600 Safety of Life at Sea (SOLAS) safety exams on foreign vessels; and responded to approximately 8,000 reports of pollution incidents.

You will not find a better return on investment than the U.S. Coast Guard. As careful stewards, the Service was the first military service to earn an unqualified audit opinion, and has done so two years running. Due to exceptional commitment and innovation, the Coast Guard has ships sailing today that are 60 years old. The Medium Endurance Cutters that make up the backbone of the offshore fleet are reaching 50 years of age. As part of the Coast Guard's plan to recapitalize for the next half century, the Service created an acquisition workforce that won five federal-level awards in 2014.

As the Service approaches 225 years of service, history has proven that a responsive, capable, and agile Coast Guard is an indispensable instrument of national security, and investing in 21st century Coast Guard platforms and people is a prudent choice despite the challenging fiscal environment.

No other investment will return more operational value on every dollar than the 88,000 extraordinary men and women of the U.S. Coast Guard. The Coast Guard will remain *Semper Paratus* – Always Ready.

FY 2016 REQUEST:

The Coast Guard's FY 2016 budget preserves Coast Guard operations, invests in Coast Guard personnel and continues recapitalization efforts for our cutters, boats, aircraft, systems and infrastructure. The budget also efficiently allocates resources to optimize Coast Guard mission performance. The Coast Guard must continue meeting today's operational requirements while investing in future capability to best serve the Nation.

The Coast Guard's FY 2016 budget priorities are to:

1. Invest in the 21st Century Coast Guard;
2. Sustain mission excellence; and
3. Maximize service to nation.

Invest in the 21st Century Coast Guard
Coast Guard mission demands continue to grow and evolve. The complexities and challenges facing the Nation require well-trained Coast Guard men and women with capable platforms providing the persistent presence necessary to conduct operations. Given the age and condition of existing assets, future mission success relies on continued recapitalization of Coast Guard boats, cutters, aircraft, systems, and infrastructure. Similar to the Medium Endurance Cutter it replaces, the Offshore Patrol Cutter will provide the majority of the Coast Guard's offshore surface capacity essential to stopping drug smugglers at sea in addition to interdicting undocumented migrants, rescuing mariners in distress, deploying alongside the Navy, enforcing U.S. fisheries laws, responding to disasters, and protecting our ports. They are an important component of enhancing security as outlined in the U.S. Strategy for Engagement in Central America.

In support of the DHS's strategic objectives, the FY 2016 budget provides for the acquisition of six Fast Response Cutters, continues to invest in acquisition activities for an affordable Offshore Patrol Cutter and funds vessel sustainment projects for two 140-foot WTGB Ice-breaking Tugs and a 225-foot Seagoing Buoy Tender. The budget also continues sustainment and conversion work on legacy fixed and rotary wing aircraft, missionization of the C-27J aircraft received from the Air Force, and investment in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems.

Sustain Mission Excellence
The FY 2016 budget ensures the Coast Guard can conduct today's highest priority operations in support of national objectives. Most importantly, it sustains the Coast Guard's workforce and supports proficiency, maximizing operational safety and effectiveness. In 2016, the Coast Guard will decommission two 110-foot Patrol Boats that are being replaced by more capable Fast Response Cutters. The Coast Guard will also decommission three HC-130 aircraft and corresponding support personnel while accepting the delivery of new C-130J aircraft and C-27J aircraft. The FY 2016 budget sustains the Coast Guard's highest priority operations with current operational assets and the necessary workforce.

Maximize Service to Nation
The Coast Guard's authorities extend well beyond our territorial sea, requiring us to meet evolving mission requirements stemming from national priorities, while remaining a trusted steward of public resources.

The FY 2016 budget sustains critical frontline operations by efficiently allocating resources across all mission programs. Coast Guard operational commanders will continue maintaining search and rescue coverage, protecting critical infrastructure, countering illicit threats from entering the United States, facilitating the proper function of the MTS to minimize disruptions to the transit of maritime commerce, safeguarding the maritime environment, and supporting foreign policy objectives and defense operations.

FY 2016 Highlights:

Invest in the 21st Century Coast Guard

- **Surface Assets..... $533.9M (0 FTE)**
  The budget provides $533.9 million for the following surface asset recapitalization and sustainment initiatives:

  - **National Security Cutter (NSC)** – Provides funding for the Structural Enhancement Drydock Availability (SEDA) for the NSC and post delivery activities for the fifth through eighth NSCs, completing the recapitalization of the Coast Guard's High Endurance Cutter fleet. The acquisition of the NSC is vital to performing DHS missions in the far off-shore regions, including the harsh operating environment of the Pacific Ocean, Bering Sea, and Arctic;
  - **Fast Response Cutter (FRC)** – Provides funding to procure six FRCs. These assets replace the aging fleet of 110-foot patrol boats that provide the coastal capability to conduct Search and Rescue operations, enforce border security, interdict drugs, uphold immigration laws, prevent terrorism, and enhance resiliency to disasters;
  - **Offshore Patrol Cutter (OPC)** – Supports technical review and analysis of preliminary and contract design phase deliverables for the OPC project. The Administration's request includes a general provision permitting a transfer to the OPC project if the program is ready to award the next phase of vessel acquisition in FY 2016. The OPC will replace the Medium Endurance Cutter classes that conduct missions on the high seas and coastal approaches;
  - **Polar Ice Breaker (WAGB)** – Continues pre-acquisition activities for a new polar icebreaker;
  - **Cutter Boats** – Continues funding for production of multi-mission cutter small boats that will be fielded on the Coast Guard's major cutter fleet beginning with the NSC;
  - **In-Service Vessel Sustainment** – Continues funding for sustainment projects on 140-foot ice breaking tugs (WTGB), 225-foot seagoing buoy tenders, the training Barque EAGLE (WIX), and initial sustainment activities for the 47-foot motor lifeboats (MLB);
  - **Survey and Design** – Continues funding for multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects.

- **Air Assets ..... $200.0M (0 FTE)**
  The budget provides $200.0 million for the following air asset recapitalization or enhancement initiatives:

  - **HC-144A** – Funds spare parts required to maintain the operational availability of the HC-144A Ocean Sentry aircraft;
  - **HC-27J** – Funds continued activities of the C-27J Asset Project Office (APO). The APO organizes logistics, training, maintenance support and ensures these newly acquired aircraft are ready for induction into the operational fleet. Funds aircraft regeneration, spares, initial training, mission system development, ground support equipment to stand up first operational unit;
  - **HH-65** – Continues modernization and sustainment of the Coast Guard's fleet of HH-65 helicopters, converting them to MH-65 Short Range Recovery (SRR) helicopters. The modernization effort includes reliability and sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite;
  - **C-130J** – Funds initial spare parts required for stand up of the second operational HC-130J unit.

- **Other Acquisition, Construction, and Improvements Initiatives..... $65.1M (0 FTE)**
  The budget provides $65.1 million for other initiatives funded under the Acquisition, Construction and Improvements account, including the following equipment and services:

  - **Program Oversight and Management** – Funds activities associated with the transition of the Coast Guard's assets from acquisition to operations, including delivery, provision of logistics, training, and other services necessary to ensure seamless integration into the operational fleet;
  - **Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR)** – Provides design, development, upgrades, and assistance on C4ISR hardware and software, creating a common operational picture and ensuring interoperability of all new and in-service assets;
  - **CG-Logistics Information Management System** – Continues development and deployment of a unified logistics system for Coast Guard operational assets.

- **Shore Units and Aids to Navigation (ATON) ..... $101.4M (0 FTE)**
  The budget provides $101.4 million to recapitalize shore infrastructure for safe, functional, and modern facilities that support Coast Guard assets and personnel:

  - **Specific Projects** – Pier improvements in Little Creek, VA, to facilitate a 210' WMEC homeport shift; renovation and restoration of electrical system at Air Station Barbers Point, HI; the first phase of the replacement of aging dry-dock facilities at the Coast Guard Yard; erosion control work at Station Siuslaw River, OR; and construction of permanent facilities at Station Vallejo, CA;
  - **ATON Infrastructure** – Construction and improvements to short-range aids and infrastructure to improve the safety of maritime transportation.
  - **Major Acquisition System Infrastructure** – Modification and construction of facilities to support newly delivered acquisitions. Includes upgrades and construction for NSC homeports, Medium Range Surveillance aircraft operational

and maintenance facilities, and engineering, feasibility, and environmental studies for future projects.

- **Personnel and Management..... $116.9M (881 FTE)**
  The budget provides $116.9 million for pay and benefits of the Coast Guard's acquisition workforce.

Sustain Mission Excellence

- Operational Adjustments
  - **Cyber Security Remediation.....+$5.2M (0 FTE)**
    This increase reflects a portion of a DHS-wide plan to address identified vulnerabilities related to a component controlled system, and the Department will track remediation of these vulnerabilities commencing in FY 2015.
  - **Support Structure Review and Rebalancing.....-$2.5M (-18 FTE)**
    A thorough review of the Coast Guard's support delivery structure identified personnel reductions at various locations that can be taken with no direct operational impacts and a minimal loss of current service delivery;
  - **National Capital Region Footprint Consolidation.....-$3.0M (0 FTE)**
    Reduces the Coast Guard's physical footprint in the National Capital Region through consolidation of personnel and offices into the Douglas A. Munro Coast Guard Headquarters building at St. Elizabeths;
  - **Professional Services Contract Reduction.....-$44.9M (0 FTE)**
    Reduces or scales professional services contracts and redirects savings to higher priorities;
  - **Manual Continuous Monitoring Reduction .....-$1.2M (0 FTE)**
    Due to increased capabilities of the Continuous Diagnostics and Mitigation (CDM) program, the need for manual cyber security monitoring is reduced and the Coast Guard is able to achieve savings with no loss of IT system security;
  - **Headquarters Directorate Reduction.....-$5.0M (0 FTE)**
    Reduces funding for the overhead costs of Coast Guard headquarters directorates through a focused effort to minimize duplicative spending on consumable supplies and materials.

- **Asset Decommissioning and Retirement**
  As the Coast Guard recapitalizes its cutter and aircraft fleets and brings new assets into service, the older assets that are being replaced will be decommissioned or retired.

  - **Patrol Boat (WPB).....-$1.1 M (-14 FTE)**
    Decommissions two 110-ft WPB patrol boats. These assets will be replaced with Fast Response Cutters (FRCs) in the Seventh Coast Guard District.
  - **HC-130 Aircraft Retirement.....-$11.7M (-53 FTE)**
    Eliminates funding and personnel associated with the retirement of three HC-130H to the Air Force for transfer to the U.S. Forest Service as outlined in the FY 2014 National Defense Authorization Act. Newly acquired HC-130J and C-27J aircraft will provide increased operational reliability.

Maximize Service to the Nation

- **Operating and Maintenance Funds for New Assets .....+$89.9M (222 FTE)**
  Provides funding for operations and maintenance of shore facilities, as well as cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts.
  - **Shore Facilities** – Funds operation and maintenance of shore facility projects scheduled for completion by FY 2016;
  - **Response Boat-Medium** – Funds operation, maintenance and support of 4 RB-Ms;
  - **FRC** – Funds operation and maintenance of FRCs #18-21 and provides funding for personnel to operate and maintain hulls #19-22, including the shore-side support personnel;
  - **NSC** – Funds personnel for NSC #6, and costs for shore side support personnel for NSCs #4-5 (to be homeported in Charleston, SC);
  - **C-27JA Aircraft** – Funds operations, maintenance, and personnel funding for the first four C-27J aircraft that will be assigned to Air Station Sacramento, CA.

- **Pay & Allowances .....+$80.8 (0 FTE)**
  Maintains parity with DOD for military pay, allowances, and health care, and for civilian pay raise and retirement contributions. As a branch of the Armed Forces of the United States, the Coast Guard is subject to the provisions of the National Defense Authorization Act, which include pay and personnel benefits for the military workforce.

CONCLUSION

In closing, I will stress that you will not find a better return on investment than the United States Coast Guard. As the service approaches its 225th year, history has proven us responsive, capable, and agile. The Service provides tremendous operational results for every dollar provided to the extraordinary men and women of the United States Coast Guard. We have been and will remain *Semper Paratus* – Always Ready.

Question#:	1
Topic:	Coast Guard Air Station
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Duncan D. Hunter
Committee:	TRANSPORTATION (HOUSE)
Witness:	Admiral Paul Zukunft, USCG Commandant
Organization:	U.S. Department of Homeland Security

Question: Regarding the Coast Guard Air Station in Charleston, South Carolina, its closure has been delayed until January of 2016. What plans do the Coast Guard have in finding a budgetary offset so that this important station to South Carolina's lowcountry stays open?

Response: The Coast Guard offsets the funding shortfall through reductions to operational flight and training hours across the MH-65 fleet and through reductions to mission support (maintenance) activities. To mitigate the impact of this flight hour reduction on MH-65 student training and the MH-65 D-E transition, USCG is investigating a risk-based reallocation of operational airframes from other locations. This will result in lower mission hours and deployment days, including reduced flexibility to meet Rotary Wing Air Intercept support missions. A determination regarding the future of the Air Facility in Charleston after January 1, 2016, is still pending.

Question#:	1
Topic:	Satellite surveillance
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)
Witness:	Admiral Paul Zukunft – USCG Commandant
Organization:	U.S. Department of Homeland Security

Question-Part 1: Satellite surveillance technology has been proven to be effective to monitor maritime activities and provide accurate mapping and data. In my State of Alaska, the capability has been developed of providing accurate and cost effective data that can be collected, downloaded, and processed in a user-friendly format regardless of weather conditions and on a predictable and frequent basis. With this in mind, I would like to ask the following:

To what extent does the Coast Guard rely on satellite surveillance for monitoring activities for Maritime Domain Awareness?

Response-Part 1: The Coast Guard leverages satellite technology to perform vessel tracking and ice detection in support of Maritime Domain Awareness (MDA). Operating in this fashion benefits the Coast Guard by increasing domain awareness while decreasing requirements to deploy Coast Guard assets.

Question-Part 2: In particular, could this technology be used in enhancing monitoring activities in the Arctic region regarding increased vessel and shipping activity and offshore development in all weather conditions?

Response-Part 2: The Coast Guard already uses the National Technical Means (NTM) for MDA monitoring in the Arctic region.

Question-Part 3: In addition, is satellite surveillance used to detect icebergs in the North Atlantic as part of the Coast Guard's International Ice Patrol mission?

Response-Part 3: The International Ice Patrol is beginning to incorporate satellite surveillance data into its operations in a more routine, systematic fashion to augment aerial reconnaissance where appropriate. For 2015, satellite imagery with lower resolution and a large coverage area will be used to detect larger icebergs far north of the shipping lanes. Along with the US Navy and the National Oceanic and Atmospheric Administration (NOAA), the US Coast Guard is a member of the Tri-agency National Ice Center where satellite-derived products are developed for identifying and tracking sea ice hazards. The NIC uses data from NOAA, NASA, DoD, commercial and foreign environmental satellites to develop the relevant snow and sea ice products that are used

Question#:	1
Topic:	Satellite surveillance
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)
Witness:	Admiral Paul Zukunft – USCG Commandant
Organization:	U.S. Department of Homeland Security

by the US Navy, US Coast Guard and the maritime community to detect sea ice that could be hazardous to ships and vessels.
http://www.natice.noaa.gov/Main_Organization.htm

Question-Part 4: If so, will the Coast Guard be using a single-source of both radar and optical satellite image data from a US-based Direct Receiving Station (DRS) that provides a full-service (i.e., tasking, collecting, processing, and delivery) product for operational and programmatic use?

Response-Part 4: The Coast Guard uses multiple commercial satellite data managed by the National Geospatial-Intelligence Agency. Electro-Optical (or Near and Short Wave Infrared) imagery is of little value in iceberg detection due to persistent cloud cover (greater than ~75% of the time) over the operating area.

Question-Part 5: How does satellite surveillance compare to aircraft patrols used in the International Ice Patrol mission for accuracy, reliability, environmental constraints, and cost?

Response-Part 5: Satellite surveillance provides a capability similar to that of fixed-wing Maritime Patrol Aircraft (MPA) in most cases. Unlike aircraft, satellites can provide near continuous coverage of ice fields over a wider area at than aircraft surveillance can provide, thus obviating the need to utilize aircraft to search for and report on iceberg locations. Moreover, satellites are generally immune to situations where unfavorable flight conditions are present. However, in cases where there is persistent cloud cover or significant ocean currents that affect iceberg movements, depending on the sensor, it may be more difficult to rely on information provided by satellites. Costs of satellite use and MPA activity vary and are dependent upon the number of reconnaissance missions conducted during an ice season versus the amount of satellite imagery requested and collected.

Question-Part 6: If satellite surveillance is used for the International Ice Patrol, are there other mission needs that the aircraft now used for those patrols could be freed up to be used for?

Response-Part 6: Historically, the Coast Guard allocates approximately 500 Maritime Patrol Aircraft (MPA) flight hours for International Ice Patrol operations each year.

Question#:	1
Topic:	Satellite surveillance
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Don Young
Committee:	TRANSPORTATION (HOUSE)
Witness:	Admiral Paul Zukunft – USCG Commandant
Organization:	U.S. Department of Homeland Security

There is no plan at present to curtail or eliminate MPA flights that support of the International Ice Patrol. However, if satellite surveillance were to become a sufficient alternative to MPA flights, a portion of the aforementioned MPA hours could be repurposed for other priority Coast Guard activities.

Question#:	1
Topic:	Newport AIRFAC 1
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)
Name:	Admiral Paul Zukunft – USCG Commandant
Organization:	U.S. Department of Homeland Security

Question: In October, 2014 the U.S. Coast Guard announced its decision to close the air facility in Newport, Oregon (AIRFAC Newport) and redeploy the HH-65 rescue helicopters stationed there. Newport is home to one of Oregon's three deep draft ports, the state's largest grossing commercial fishing fleet, the NOAA Pacific Marine Operations Center, Oregon State University research personnel and vessels, and a robust recreational and sport fishing industry that is critical to the local economy. In other words, Newport is a pretty important spot to house rescue helicopter capabilities.

The Coast Guard claimed that closing the AIRFAC Newport would provide cost savings without sacrificing search and rescue capabilities. No information has been provided to the committee to justify this claim. Moreover, according to a Department of Homeland Security IG audit in 2014, nationwide the Coast Guard did not meet its target performance measures for 1.) Saving people in imminent danger, or 2.) Meeting response time requirements. It's not clear to me how closing a busy air facility that handles roughly half of the response calls on the Central Oregon Coast in a year-round cold water environment will help the Coast Guard meet either of these goals. Additionally, when the Coast Guard first proposed this closure as a cost-saving in its Fiscal Year 2014 budget request, the Coast Guard noted that the closure would increase search and rescue response times in the areas affected.

Please provide the analysis used by the Coast Guard to reach its determination on the effect of the closure of AIRFAC Newport on SAR response times along the Oregon Coast.

Response: The decision to close Air Facility Newport was based on an evaluation of Coast Guard resources, capabilities and response requirements. Aviation assets are just one Search and Rescue tool available to our Sector Commanders. The presence of other Coast Guard assets, including cutters, patrol boats and boat stations, as well as improved communications capabilities, e.g. RESCUE 21 etc., is also considered. The Coast Guard's foundational requirement is to maintain the ability to have an asset on scene within National Response Standards - two hours. National Response Standards will be maintained, even with the closure of AIRFAC Newport.

Question#:	2
Topic:	Newport AIRFAC 2
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)

Question: When this closure was first proposed in the Fiscal Year 2014 budget request (which included shutting down an additional AIRFAC in Charleston, South Carolina), the Coast Guard said that shutting down both facilities would save a cumulative $5.2 million. Yet, today the Coast Guard estimates that it would save $6 million and trim 13 full time employees by just shutting down AIRFAC Newport, more than doubling the estimated cost savings. Regarding the purported cost savings, I am not aware of any analysis used or relied on by the Coast Guard to identify these savings that was provided to the Congress in advance of this determination. Also, closing AIRFAC Newport will undeniably stretch the capability and reliability of the remaining rotary air assets in Oregon. Closure of AIRFAC Newport and redeployment of its HH-65 helicopters will mean longer flights, increased operating hours, and increased costs for routine and depot level maintenance for the remaining HH-60 and HH-65 airframes.

Did the Coast Guard complete a full cost/benefit analysis prior to this decision? If so, please provide it. If not, when can we expect the Coast Guard to complete and forward to the committee a full cost-benefit analysis concerning this proposed closure?

Response: The decision to close Air Facility (AIRFAC) Newport was based on an evaluation of Coast Guard resources, capabilities and response requirements. Aircraft flight hours to and from the AIRFAC Newport from Air Station North Bend unit on a daily basis represent a large amount of the flight hours utilized by the unit. By reducing the requirement to have an alert aircraft at two different facilities that cover the same geographic area, the Coast Guard actually reduces its flight hour requirement, thus reducing overall maintenance and operating costs. Additionally Coast Guard asset response capabilities overlap in this area.

Question: Please provide a detailed explanation of the assumptions and methods used by the Coast Guard to calculate savings in personnel costs when it closes facilities or decommissions assets?

Response: The Coast Guard assumes a mid-year removal of resources associated with a budgetary removal of an asset. This aligns personnel movements with the typical summer transfer season. This results in two fiscal quarters of savings during the first year savings are taken on budget. Savings may be further reduced during the first year with non-recurring costs associated with the decommissioning. The reduction of the remaining two fiscal quarters of funding is contained in the Coast Guard's Termination of One Time Costs and Part Year Management Annualizations found in the following year's

Question#:	2
Topic:	Newport AIRFAC 2
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)

budget request for Coast Guard Operating Expenses. Savings include all maintenance costs, fuel and operating expenses associated with decommissioned resources and the standard personnel costs (pay and benefits) for positions associated with those resources

Question: Were any of these other operation and maintenance factors considered in the decision to close AIRFAC Newport?

Response: Yes, operations and maintenance factors were included in the decision to close AIRFAC Newport.

Question#:	3
Topic:	Newport AIRFAC 3
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)

Question: I acknowledge that the Coast Guard faces significant challenges when it is forced to operate under the lean budgets appropriated by the Congress. Nevertheless, I did notice a few line items that propose funding for Coast Guard operations in countries around the globe. It is very difficult for me to go home and tell my constituents that we have to shut down a critical air rescue facility on the Oregon Coast that has saved lives while the Coast Guard spends scarce funds to support training and maritime law enforcement capacity building for other nations in Africa, Asia, and South America.

How does the Coast Guard justify or prioritize shutting down domestic facilities that directly benefit the American public while simultaneously funding maritime activities or projects for other countries?

Response: The Coast Guard remains committed to meeting its statutory requirements and providing a high standard of service across all eleven statutory missions. A majority of Coast Guard activities conducted in other countries are funded through the Department of Defense or the Department of State. There are some personnel placed overseas to support the Coast Guard in executing all of its statutory missions.

Question#:	4
Topic:	Port of Coos Bay Spur Rail Bridge
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)

Question: The Port of Coos Bay owns a critical short line railroad that transports goods from the coast to the Willamette Valley. I was involved when the Port acquired the short line a few years ago. Now the line is in need of major improvements and upgrades - including replacement of an old swing bridge over a slough called the "Coal Bank Slough." The Port worked with the Coast Guard's District 13 office to identify the process for: 1.) re-permitting the bridge over this "navigable waterway of the U.S."; and, 2.) possibly replacing or repairing the bridge. I have recently learned that the Port is being asked by the Coast Guard to do a full blown EIS just to re-permit the bridge - which was last permitted over 20 years ago. Also, the swing bridge hasn't been utilized in decades for any navigation - commercial or recreational - because the Coast Guard permitted the bridge to stay in the closed position. Nevertheless, because the slough remains administratively deemed as a "navigable" waterway, the Port may be forced to replace the swing bridge with another very expensive swing bridge that won't be used, or it will be forced to build a fixed span bridge with a twenty foot clearance that would be prohibitively expensive and unnecessary because of the absence of navigation traffic.

Why is a new EIS needed to re-permit a bridge that has been in place for decades and inoperative by an order issued by the Coast Guard?

Response: The Coast Guard has been working with the Port of Coos Bay to update information on the current bridge structure, which does not have a valid bridge permit. As the management of the Port has indicated their intention to replace the bridge within the next three years, the Coast Guard has agreed to forego the requirement to "re-permit" the current structure. Because there will be no bridge permit for the current structure, an environmental impact study will not be required.

For the replacement bridge, the Port will need to obtain a permit from the Coast Guard. This process requires the preparation of an environmental document and a navigation determination. The Coast Guard has not determined at this time whether the level of the document will be a categorical exclusion, an environmental assessment or an environmental impact statement. The level of documentation will be determined during the scoping process.

Regarding the order issued by the Coast Guard, in 1980, the Coast Guard approved a change to the drawbridge operating schedule to state that the bridge need not be opened for vessels but must be returned to operable condition within six months after notification by the Coast Guard of the need for navigation. Subsequent permit actions have required

Question#:	4
Topic:	Port of Coos Bay Spur Rail Bridge
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)

the bridge owner to maintain the capability to open for maritime traffic if needed.

Question: What administrative authority does the Coast Guard have to re-designate a "navigable waterway of the U.S." as non-navigable if the Coast Guard determines that the waterway no longer supports commercial or recreational navigation?

Response: 33 CFR part 2.36 defines navigable waters of the United States as: internal waters of the United States that are subject to tidal influence that are or have been susceptible for use, by themselves or in connection with other waters, as highways for substantial interstate or foreign commerce. Congress has the authority to designate a waterway not to be navigable waters of the United States.

Question: What other administrative flexibility does the Coast Guard have to address such circumstances?

Response: Administrative flexibilities of the Coast Guard include the ability to not require re-permitting of the current structure since the Port anticipates replacing the structure in the next three years. The replacement structure will require a permit.

Another flexibility is through advance approval. Under 33 CFR part 115.70, advance approval can be given for bridges to be constructed across waterways navigable in law, but not actually navigated other than by logs, log rafts, rowboats, canoes, and small motorboats. As part of the permit process, a navigation evaluation will be conducted to determine the navigation needs of the waterway and whether the waterway qualifies for this designation.

Question#:	5
Topic:	Fast Response Cutters 1
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Peter A. DeFazio
Committee:	TRANSPORTATION (HOUSE)

Question: Fast Response Cutter Homeport Feasibility Study - It is my understanding is that the Coast Guard is currently conducting a feasibility study to identify potential homeports for its new fleet of Fast Response Cutters that will be deployed to the Pacific Northwest when they are delivered and commissioned.

What is the status and timetable for completing that feasibility study?

Response: The Coast Guard is currently conducting a feasibility study to identify potential Pacific Northwest ports, including Coos Bay, OR, that meet the Fast Response Cutter (FRC) Integrated Logistics Support Plan requirements. The Coast Guard expects this study to be completed in August 2015.

Question: What specific criteria or factors is the Coast Guard including in the feasibility study to determine optimal locations for FRC homeports?

Response: The Coast Guard will evaluate viable locations using this study along with other relevant factors, including but not limited to: mission needs, distance to primary operating area, work-life, logistics support, current and future infrastructure costs, and environmental impacts, before making a final homeporting decision. The total cutter homeport decision process may take up to 4 years.

Question: Will an FRC require new or additional shoreside infrastructure that a legacy 110 foot Island Class patrol boat did not require? Does the Coast Guard intend to try and maintain as many existing homeports in their present locations to save on infrastructure and relocation costs?

Response: FRCs require more shore-side infrastructure than the legacy 110-foot Island Class patrol boats. The Coast Guard examines multiple factors in homeporting decisions, one of which is the feasibility of using current Coast Guard or other Federal agency facilities as homeports for new cutter classes to minimize infrastructure and relocation costs.

Question#:	6
Topic:	Budget Cut Impacts
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Budget Cut Impacts on Proficiency, Readiness and MDA – Admiral, as you know the Congress was able to restore funding for the Coast Guard in the Fiscal Year 2014 appropriation bill to address the negative impacts on Coast Guard operations that were created by budget cuts imposed by sequestration. Yet, the administration's Fiscal Year 2016 request reverses course and proposes to cut discretionary funding for the Coast Guard by more than $358 million. As a result, the Coast Guard is faced again with having to scale back vital activities, like Reserve training, and also reduce the number of military and civilian personnel and contractors which will affect technology support, strategic planning and engineering design work.

Question: Please describe how the Coast Guard intends to maintain proficiency and response readiness in lieu of this sizable cut in discretionary funding?

Response: Coast Guard operational commanders will continue to allocate resources to the most pressing missions, while ensuring that crews remain proficient. The FY 2016 President's Budget request provides the necessary funding to maintain proficiency and response readiness.

Question: What will be the impact on the Coast Guard's ability to maintain its oversight and management of its major system acquisition programs or maintain its Maritime Domain Awareness capabilities?

Response: The Coast Guard continues to provide the appropriate level of oversight of its major acquisition programs. Toward this end, Acquisition, Construction and Improvements Personnel funding has remained steady and received the necessary increases to keep pace with project demand.

The Coast Guard's Maritime Domain Awareness (MDA) capability will be strengthened in the long term by recapitalizing legacy assets. Near-term MDA capabilities are expected to remain consistent.

Question#:	7
Topic:	Fast Response Cutters 2
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Fast Response Cutter Contract Re-Compete - The administration has requested $340 million to allow the Coast Guard to acquire six additional Fast Response Cutters (FRCs) in Fiscal Year 2016. Everything hinges on the Coast Guard successfully completing the re-compete on the contract to build the second half of the FRC approved program of record.

What is the status of the re-compete on the FRC contract?

Response: The Request for Proposals (RFP) was posted to the Federal Business Opportunities Website on February 27, 2015. Proposals are due on July 31, 2015.

Question: How confident are you that you will have a new contract in place to allow the Coast Guard to ensure no disruption in the delivery schedule for new FRCs in FY 2016?

Response: The Coast Guard is very confident that the schedule will be maintained and a new contract will be in place by the third quarter of Fiscal Year 2016.

Question#:	8
Topic:	Polar Sea
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Decision to Reactivate the POLAR SEA - In last year's Coast Guard and Maritime Transportation authorization bill (P.L. 113-281) the Congress provided the Coast Guard with additional guidance and authority to decide to either decommission or develop a service life extension plan (SLEP) for the inactive heavy icebreaker, POLAR STAR. Moving forward on this authority requires the Coast Guard to make this pivotal decision.

What is the status of a decision to either decommission or reactivate the POLAR SEA?

Response: Since 2011, no maintenance has been performed on POLAR SEA, and the vessel's condition has continued to deteriorate. The Coast Guard's decision to pursue either decommissioning or reactivation of POLAR SEA will be informed by completion of a preservation dry dock availability and subsequent Materiel Condition Assessment (MCA) and Alternatives Analysis (AA). The results of the MCA and AA will propose a current cost estimate and potential timeline regarding a final decision to decommission or reactivate POLAR SEA.

Question: When can we expect to have the POLAR SEA dry-docked to allow the Coast Guard to complete a material assessment of the vessel?

Response: The planning effort for a preservation dry docking for USCGC POLAR SEA commenced in late FY14. This dry docking will include work to prevent further deterioration of the vessel and is necessary regardless of a decommissioning or reactivation scenario. Multi-year funding for the dry docking was provided in April 2015. The contracting effort commenced upon receipt of that funding and is following the relevant federal procurement regulations. The Coast Guard is coordinating with the Maritime Administration and Naval Sea Systems Command to employ their capacity and expertise to conduct the dry docking and materiel condition assessment. Dependent upon the procurement process and external factors (i.e., award protests, availability of commercial dry dock facilities), the preservation dry docking is planned to commence in Q4 FY15 and last six to eight weeks. Preliminary activities associated with the MCA will commence during the dry dock, but the full assessment will encompass 5-6 months of work followed by the detailed AA. The FY16 completion dates of these efforts depend upon the receipt of requested funds at the beginning of the fiscal year.

Question#:	9
Topic:	C-27J Airframes
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Funding for Full Missionization for C-27J Airframes – The 2014 National Defense Authorization Act authorized the transfer of 14 C27-J airframes from the Air Force to the Coast Guard. This transfer filled what could have been a huge gap in the recapitalization of a new fleet of fixed wing maritime patrol aircraft and effectively completed the approved program of record for this asset. It is my understanding that the Fiscal Year 2016 request would provide $102 million to allow the Coast Guard to establish an air station in Sacramento, procure spares, and continue crew training for the first four airframes. Unfortunately, no funding has been requested to support missionization of the airframes.

Admiral, what does the Coast Guard need to get these new C-27J air frames fully missionized at the earliest possible date?

Response: The conversion from C-27J to HC-27J will be based largely on integration of the Minotaur mission system architecture that is currently being developed for the HC-130J and HC-144A. The Fiscal Year 2016 request includes funding to begin the non-recurring missionization (NRE) efforts to develop the HC-27J, which is the year of need based on leveraging planned progress in incorporating the Minotaur architecture on the other airframes. The Coast Guard has begun a study with the Naval Air Warfare Center to evaluate sensor options for the Minotaur application on the HC-27J as a means to baseline and streamline the NRE effort once it begins.

Question: Has the Coast Guard developed a cost estimate and timetable that it can share?

Response: The Coast Guard anticipates that the full NRE effort, to include conversion of two HC-27Js (one prototype & one verification/validation aircraft) with new components and sensors and developmental testing will complete by the end of Fiscal Year 2018. Part of the Naval Air Warfare Center study that is evaluating mission system options for the HC-27J is to develop a cost estimate for the entire missionization effort. This Naval Air Warfare Center report is scheduled to be completed by the end of this calendar year.

Question#:	10
Topic:	Personnel/Training
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Cuts in Coast Guard Reserve Personnel/Training – If I understand the FY 2016 budget request correctly, the administration is proposing an additional cut of $9.4 million (almost 8%) for the Coast Guard Reserve and would reduce the total number of reservists to approximately 7,000 positions. This reduction in force will also allow the Coast Guard to shed 58 personnel responsible for training.

How will these proposed cuts in the number of Coast Guard Reservists and in training personnel affect the readiness and proficiency of the Coast Guard Reserve?

Response: The Coast Guard Reserve workforce will remain ready to respond to both natural disasters and terrorist threats, and the FY 2016 President's Budget request for Coast Guard does not propose a specific reduction to that capability. A recent analysis of the Coast Guard's contingency response plans indicated that current Reserve strength provides sufficient capacity to respond and sustain operations for either one national or two regional significant events for 180 days utilizing existing authority.

Question: At a time when the Coast Guard is forced to rely more heavily on its Reserve to fill gaps and to supplement the active duty Coast Guard, are you not concerned that this will affect the morale of the Reserve?

Response: The Coast Guard does not have concerns that ongoing resource adjustments would affect the morale of the Reserve. Further, the budget proposal does not affect the Coast Guard's authority to call upon its reserve force to respond for Operations.

Question#:	11
Topic:	Housing/Shore Infrastructure
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Increased Funding for Coast Guard Housing/Shore Infrastructure - The Fiscal Year 2016 budget request would provide approximately $101.4 million in funding to address the deferred maintenance and construction backlog for Shoreside infrastructure and Aids to Navigation. This is an increase of more than $60 million. While this increase is appreciated, this amount is disproportionately small compared with the current backlog of over $540 million for Shoreside infrastructure projects. Additionally, the administration has not requested any funding to rehabilitate Coast Guard housing in the Fiscal Year 2016 budget and nothing is requested to address future Shoreside infrastructure needs in the Arctic.

What are the impacts in the perpetual under-investment in important infrastructure projects? What are implications for Coast Guard mission readiness in both the short-and long-term?

Response: Of the $101.4 million Fiscal Year 2016 budget request for shoreside infrastructure, $46.9 million is requested to specifically address the recapitalization of existing shore facilities and housing and is the largest request since FY 2012. The request aligns with the Coast Guard's acquisition priorities and represents the optimal allocation of resources for facility projects that are ready-to-go. The remainder is allocated to the Major Acquisition Systems Infrastructure (MASI) program that supports shoreside infrastructure for assets such as the Fast Response Cutter.

The Coast Guard inventory does include facilities beyond their design service life, which can create inefficiency for current day operations. When required, the Coast Guard leases facilities to provide interim capabilities.

Question: Does the Coast Guard have a long-term plan to address this deficiency in investment in the maintenance and construction of shoreside infrastructure? Does this plan have contingencies for addressing shoreside infrastructure to support Arctic operations, or to account for when the Offshore Patrol Cutter procurement comes on line for production?

Response: The Coast Guard Capital Investment Plan (transmitted April 17, 2015) shows the 5-year funding plan for the entire Coast Guard acquisition portfolio, including the funding for shoreside facilities required in that timeframe to support OPC and Arctic operations. Other planning specific to shore facility investments include:

Question#:	11
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Right-size the shore inventory. The Coast Guard will look for opportunities to expand use of existing infrastructure, and based on current operational requirements, divest of owned and leased infrastructure that is no longer operationally required. To the extent that real property is determined to be no longer required, the Coast Guard will fully leverage its direct sale authority to deposit proceeds from the sale of real property into the Housing Fund.

The Coast Guard Civil Engineering Program Office, COMDT (CG-43), and the Shore Infrastructure Logistics Center will codify a shore infrastructure Organizational Level Maintenance (OLM) program through modernization of organizational level and depot level shore infrastructure maintenance programs.

The Coast Guard Civil Engineering Program Office will pursue a thoughtful re-capitalization strategy that focuses on maximizing use of provided funding to enable systematic recapitalization that addresses the following focus areas: 1) Enhancing Mission Effectiveness, 2) Reducing Recurring Operating Costs, such as projects that right-size facilities, deliver more sustainable, lower energy consuming, and technologically smart facilities; and, 3) Reducing Critical Infrastructure Safety and Resiliency Vulnerabilities, such as projects to mitigate seismic, life safety risks, and loss from severe weather events, and coastal storm/flooding.

Like all facility planning, Arctic facility requirements are based on operational requirements. Currently these requirements have dictated the need for leased seasonal facility support.

Question#:	12
Topic:	Truman-Hobbs Bridge Removal
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Truman-Hobbs Bridge Removal - The administration has again declined to request any funds under the Truman-Hobbs Act which authorizes the Coast Guard to use Federal funds to alter railroad or private bridges found to be unreasonable obstructions to navigation. Two years ago, I asked the Coast Guard if it maintained a list of bridges that were identified as obstructions to navigation. The Coast Guard responded that it did keep such a list and reported that there were [then] nine bridges that had been served an Order to Alter and were waiting for funding to be removed.

I recognize that the Congress has not provided funding under Truman-Hobbs since Fiscal Year 2011 to provide financial assistance. But if the Coast Guard has issued "orders to alter" to the owners of these bridges, why has the Coast Guard not taken any enforcement action to have these bridges rebuilt or removed to correct these known threats to safe navigation?

Response: The Coast Guard's issuance of an Order to Alter it is not a determination that a bridge poses a threat to safe navigation, but rather it is a funding mechanism. This mechanism is only implemented after an economic determination that the subject bridge is causing unreasonable economic cost to navigation due to its age, outdated design, location or a combination of these or other factors. The purpose of the Truman-Hobbs Act is "to provide an orderly method for the just apportionment of the cost of the reconstruction or alteration of bridges over navigable waters where navigation conditions require such reconstruction or alteration of bridges heretofore built in accordance with law." House Report No. 1447, August 2, 1939, 76th Cong. 1st Sess.

At present, only two of the nine bridges with Orders to Alter have appropriated funds available, but those funds are insufficient to pay the Government's share of those alteration projects. The Coast Guard has authorized the owners of these bridges to proceed with design work so the projects will be ready when sufficient funds are available. The owner of one of the bridges that has not received funding has elected to proceed with the bridge alteration without federal funding.

Question: Are there gaps in the Coast Guard's authority to require the removal or re-building of bridges that are hazards to navigation, either under Truman-Hobbs or another statute?

Response: There are no gaps in the Coast Guard's authorities regarding the alteration or rebuilding of outdated bridges that remain in active use. In the case of abandoned or

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Hearing:	Coast Guard FY 2016 Budget Request
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Committee:	TRANSPORTATION (HOUSE)

disused bridges, bridge owners trying to avoid the cost of demolition have claimed that the government has not conducted a Truman-Hobbs investigation before declaring the bridge to be an unreasonable obstruction to navigation. By following the Truman-Hobbs process, the Coast Guard could ultimately issue an Order to Alter, which as discussed above, is merely a funding mechanism for the government to pay for the alteration costs. In the case of the removal of a bridge that is no longer used for transportation or has been abandoned, the Coast Guard has limited capability to enforce compliance if the owner delays or refuses to remove the bridge.

Question#:	13
Topic:	Florida Navigability Concerns
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Lois Frankel
Committee:	TRANSPORTATION (HOUSE)

Question: Public Notice 11-14 - Florida Navigability Concerns - The Commander, Seventh Coast Guard District, issued the Public Notice (11-14) soliciting comments on navigability concerns on three waterways in Florida with the objective to ensure that the reasonable needs of navigation are being met by the bridge operation regulations. As I understand it, the three Florida waterways affected are the New River in downtown Fort Lauderdale, the Loxahatchee River in Jupiter, and the St. Lucie River, Okeechobee Waterway, in Stuart. Would you provide an analysis of the comments filed in response to this Notice? (In particular, what mitigation measures or other concerns were expressed with regard to bridge closures.)

Response: The Coast Guard issued Public Notice (11-14) to gather mariner comments to determine whether to initiate a change to the operating regulations for the railroad bridges over the New River, Loxahatchee River, and St. Lucie River to better meet the needs of navigation and facilitate freight train operations. The majority of comments in response to the Public Notice expressed opposition to additional trains using the bridges. A number of comments expressed concerns about the lack of communication with regard to opening/closing the bridges. In response to these and prior comments, Florida East Coast Railway (FEC) has proposed measures to reduce the impacts of the additional closures at the bridges. These measures include establishing a predictable schedule for bridge closures, installing a bridge tender at the New River Bridge and a countdown clock at each bridge to indicate when the bridge will open and close. It is expected that these measures will help reduce delays and queuing resulting from additional freight traffic. The Coast Guard plans to evaluate these measures on a temporary basis at the New River Bridge. If the measures meet the reasonable needs of navigation, the Coast Guard will initiate a regulation change for all three bridges.

A matrix of the comments received by the Coast Guard is available to the public on the Seventh Coast Guard District web-site: http://www.uscg.mil/d7/d7dpb/links.asp, click on "PUBLIC WRITTEN RESPONSE MATRIX".

Question: Please provide a complete status report on any action taken in response to comments filed on this Notice. Are additional mitigation measures or other actions to address the effect of bridge closures planned?

Response: The Coast Guard is in the process of implementing a test deviation to the operating regulations for the New River Bridge, the busiest of the three bridges, to facilitate current freight train requirements. The deviation will test an automated

Question#:	13
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Committee:	TRANSPORTATION (HOUSE)

operating system, bridge tender and a countdown clock. The New River Bridge will be required to open to maritime traffic no less than 60 minutes per every two hour period beginning at 12:01 AM. The bridge owner, FEC, will be required to maintain a log of all bridge opening and closing times. The Coast Guard will accept public comments throughout the test period. If the proposed change meets the reasonable needs of navigation, the Coast Guard will initiate a permanent regulation change for all three bridges.

Question: Please include a timeline for completion of the planned actions and reasons for not taking a requested mitigation measure if not planned to be taken.

Response: FEC has already begun implementing the operating changes that will be required in the test deviation. The test deviation should be published in the Federal Register in early May.

Question#:	14
Topic:	All Aboard Florida
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Lois Frankel
Committee:	TRANSPORTATION (HOUSE)

Question: Draft Environmental Impact Statement (DEIS) "All Aboard Florida" - The Federal Railroad Administration released a Draft Environmental Impact Statement (DEIS) last fall and solicited comments regarding the proposed All Aboard Florida railroad operations' effect on the opening and closure schedules of the bridges that cross the New River in downtown Fort Lauderdale, the Loxahatchee River in Jupiter, and the St. Lucie River, Okeechobee Waterway, in Stuart, all of which are used regularly by commercial and recreational vessel interests.

Has the Coast Guard provided comments to the FRA on this DEIS? If so, please provide a copy of those comments. In particular, the marine industry suggested many mitigation measures to address the effect of the railroad operations on bridge operations. Do you agree that these suggested measures, if implemented, will address navigation concerns? If not, please provide the rationale and alternatives that will address these concerns.

Response: The Coast Guard provided comments to the Federal Railroad Administration's DEIS on 3 December 2014; a copy of the Coast Guard response is attached. In the Navigation Discipline Report, Appendix 4.1.3 C of the DEIS, All Aboard Florida (AAF) proposed measures to reduce the impacts of the additional closures at the New River, Loxahatchee River and St. Lucie River bridges. These measures include establishing a predictable schedule for bridge closures, installing a bridge tender at the New River Bridge and a countdown clock at each bridge to indicate when the bridge will open and close. It is expected that these measures will help reduce delays and queuing resulting from additional railroad traffic. The Coast Guard plans to evaluate these measures on a temporary basis at the New River Bridge. If the measures meet the reasonable needs of navigation, the Coast Guard will initiate a regulation change for all three bridges.

USCG Comments - AAF DEIS.pdf

Question: Now that the comment period is over, what are the next steps to address the reasonable needs of navigation on the affected waterways and what is the timeline for the issuance of the final EIS?

Question#:	14
Topic:	All Aboard Florida
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Lois Frankel
Committee:	TRANSPORTATION (HOUSE)

Response: The Coast Guard is in the process of implementing a test deviation to the operating regulations for the New River Bridge, the busiest of the three bridges, to facilitate current freight train requirements and the future requirements of AAF. The deviation will test an automated operating system, bridge tender, and a countdown clock. The New River Bridge will be required to be open to maritime traffic no less than 60 minutes per every two hour period. The bridge owner, Florida East Coast Railway, will be required to maintain a log of bridge opening and closing times and the Coast Guard will accept public comments throughout the test period. If the proposed change meets the reasonable needs of navigation, the Coast Guard will initiate a permanent regulation change for all three bridges.

The Coast Guard has not received an anticipated date for of the release for the final EIS by FRA.

Question#:	15
Topic:	Offshore Patrol Cutter (OPC)
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Lois Frankel
Committee:	TRANSPORTATION (HOUSE)

Question: Offshore Patrol Cutter (OPC) - As you know, the Offshore Patrol Cutter (OPC) is a next-generation ship that is critical to extending the Coast Guard's operational capabilities. The OPC will replace ships that are 40 years old and becoming more and more expensive to operate.

Are you on track to make a selection for the OPC Detailed Design contract by Fiscal Year 2016?

Response: The Offshore Patrol Cutter project is on track and the current schedule calls for award of the Detailed Design contract in Fiscal Year 2016.

Question#:	16
Topic:	Sexual Assault in Coast Guard
Hearing:	Coast Guard FY 2016 Budget Request
Primary:	The Honorable Lois Frankel
Committee:	TRANSPORTATION (HOUSE)

Question: Sexual Assault in Coast Guard - A recent DOD report commissioned by President Obama found that 62% of sexual assault victims reported some form of retaliation as a result of reporting their sexual assault. While I applaud DOD's efforts to address sexual assault in the ranks, these numbers remain troubling. No one should be punished for coming forward and reporting a crime. I understand that this 62% does not include input from the Coast Guard.

What can you tell us about retaliation in the Coast Guard?

Response: The Coast Guard is aware of the potential problem posed by retaliation against victims and witnesses in sexual assault cases. To lessen this potential, Sexual Assault Response Coordinators (SARC) and Special Victim Counselors (SVC) have been made aware of, primarily, victim concerns about retaliation in specific cases. A victim that experiences retaliation, or a witness to retaliation, can report such incidents to a Coast Guard SARC, Victim Advocate (VA), or a SVC using existing channels for victim support. In addition, victims and/or witnesses can file a report directly with the Coast Guard Investigative Services (CGIS). If a victim or bystander is involved in an ongoing criminal case for which a prosecuting attorney has been assigned, a report can also be made to that attorney. At any time, a report can be made through their chain of command or to any superior in the chain of command.

As part of compliance with Section 1742 and 1743 of the FY 14 NDAA and to ensure Commanding Officer action and incident reporting up the chain of command, the Sexual Assault Prevention Council (SAPC) developed a SAPR Crisis Intervention Team (CIT). The SAPR CIT pulls together Subject Matter Experts within 24 hours of an unrestricted report of sexual assault to coordinate care for the victim, guide the command's response, and facilitate investigation. Command representatives, the SARC, medical representatives, judge advocates, and Coast Guard Investigative Service agents all participate in the SAPR CIT. The CIT meets at least monthly or more often, as necessary, to track the status of the victim and the investigation.

Question: Are you proactively working to prevent it?

Response: Yes. The Commandant issued a Military Whistleblower Protection message in June 2014 that clearly states Coast Guard personnel shall not retaliate against an alleged victim or other member of the Armed Services who reports a criminal offense.

Question#:	16
Topic:	Sexual Assault in Coast Guard
Hearing:	Coast Guard FY 2016 Budget Request
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This prohibition constitutes a lawful general order, is punitive, and is applicable to all Coast Guard personnel.

In addition, the Civil Rights Directorate is responsible for Equal Opportunity training, which includes training and preventing retaliation in any employment context, including following a report of sexual assault. To lessen possible career impacts of a sexual assault, and provide an avenue to intervene and correct possible retaliatory actions, the Sexual Assault Prevention Council, which is a Flag and SES-level coordinating committee for the Coast Guard's Sexual Assault Prevention efforts, sponsored a number of "career preservation" initiatives aimed at eliminating negative career impacts on sexual assault victims by promulgating a number of personnel policies.

For example, sexual assault victims may request that the Commander, Personnel Services Center, the discharge authority for all administrative separations, review their proposed career intentions (discharge) package and receive an independent legal review prior to the victim making a final decision to leave the Service. In addition, sexual assault victims are authorized up to 30 days convalescent leave following a sexual assault, can request a no fault disenrollment from "A" school (initial occupational training) , and may request a no fault absence from the service wide advancement exam (test for advancement for enlisted members) eliminating missed opportunities for career advancement.

U.S. Department of Homeland Security
United States Coast Guard

Commander
United States Coast Guard
Seventh District

909 SE First Avenue, Suite 432
Miami, FL 33131
Staff Symbol: dpb
Phone: (305) 415-6743
Fax: (305) 415-6763

DEC 3 2014

Mr. John Winkle
Federal Railroad Administration
1200 New Jersey Ave SE, Room W38-311
Washington, DC 20590

Dear Mr. Winkle,

The Coast Guard Seventh District Bridge Branch completed its review of the September 2014 All Aboard Florida Draft Environmental Impact Statement (AAF DEIS).

The navigational conditions at the New, Loxahatchee, and St Lucie River bridge sites consist of strong currents, constrained channels, and a heavy volume of boats. Given the proposed AAF operating schedule, it is very likely that future regulatory action will be required for these bridges. Details of navigational impact are borne out of studies associated with that rulemaking. Because we have not entered into that rulemaking process for the AAF proposal, the Coast Guard has not made a reasonable needs of navigation determination.

With regard to navigation, the Coast Guard does not typically consider navigational impacts to be environmental impacts that must be studied under the National Environmental Policy Act. The Coast Guard does not adopt the conclusions and assertions encompassed in the Navigation Discipline Report (NDR) included with the AAF DEIS for the purposes of rulemaking that will likely occur in order to alter existing bridge schedules. In a general sense, we consider the NDR inconclusive but will consider it as supporting information for taking future Coast Guard actions. In the enclosed document we have included comments regarding the NDR and other navigational related statements in the AAF DEIS.

If you have any questions about this matter please contact Mr. Barry Dragon at 305-415-6743.

Sincerely,

W. R. REAMS
Captain, U. S. Coast Guard
Chief, Prevention Division

Enclosure: Coast Guard Comment Matrix to Sep 2014 AAF DEIS

USCG Comments on September 2014 AAF Draft Environmental Impact Statement

Location	Statement	CG Comment
4-18	The videos contain approximately two to three weeks of data from the peak vessel traffic season, and in some instances a holiday, and were used to quantify the number and types of recognizable vessels that pass under the bridges under existing conditions.	Coast Guard studies evaluate vessel traffic data that encompasses all seasonal variations. This can be, and is often inclusive of 12 months of data.
4-19	Concerning the New River: This effort was conducted for five days during the peak season for vessel traffic, including weekdays and one full weekend.	The New River is the busiest waterway potentially impacted. See comment in 4-18.
4-21	St. Lucie: The vessel traffic data show an average of 102 vessel crossings per day (Min=28; Max=263) from Monday to Friday, compared to about 315 vessels (Min=157; Max=413) per day on a weekend. Sundays had the most vessel activity, with a range of 296 to 395 vessel counts (AMEC 2014a).	Notwithstanding the above comments on traffic data. The Coast Guard would avoid drawing conclusions based on average vessel crossings when data indicates a wide range of traffic, as indicated here.
4-23	Loxahatchee: The vessel traffic data show an average of 108 vessels per day (Min=5; Max=335) from Monday to Friday, compared to about 271 vessels (Min=119; Max=502) per day on a weekend.	
4-24	New River: Based on the January 2014 FECR video, an average of 157 vessel crossings occurred at the New River Bridge (Min=99; Max=289) on a daily basis (6:00 AM to 6:30 PM) from Monday through Friday compared to an average of 356 vessels (Min=262; Max=508) per day on a weekend day.	
Table 7.2-2, pg 7-3	Develop a set schedule for the down times of each bridge location. This schedule will include both freight and passenger rail service. Provide that schedule of bridge closures in an internet-accessible format to offer the public with access to that information, including the boating community and marinas. This will be posted on the AAF website and/or the US Coast Guard website.	Changing the operating schedule of a movable bridge requires a Coast Guard rule making process. Bridge operating schedules are not posted to a Coast Guard website, they are codified in 33 CFR 117.
7-4	Local mariners should be able to predict approximate crossing times once they are familiar with the passenger rail schedule, which will be consistent and unchanging from week to week. Mariners will be able to plan travel times and avoid unnecessary wait times according to the posted schedule.	All three moveable bridges are currently open on demand and any change to that will require a change to the current CG regulations through the rulemaking process.
7-4	Schedules for each bridge will be posted on the AAF website and/or the United States Coast Guard (USCG) website.	Schedules are posted within regulations located within 33 CFR 117.

7-4/5	Develop a coordination plan between AAF and the USCG to communicate bridge operating schedules to the commercial and recreational boating communities. Such a plan will allow updates to the bridge operating schedule to be disseminated throughout these communities. Communication will be through the USCG, local marinas, and on the official scheduling website.	Placing the bridges on a schedule will require a change to existing CG regulation through the rulemaking process. See previous comments related to bridge operating schedules.

Comments concerning Navigation Discipline Report

Location	Statement	CG Comment
Table ES-4	Summarized impacts to navigation after mitigation.	Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.
2-7	Concerning the New River traffic survey: This effort was conducted for five days during the peak season for vessel traffic (as characterized by previous studies, see Table 3.3-1), including weekdays and one full weekend.	The New River is the busiest waterway potentially impacted. Coast Guard studies evaluate vessel traffic data that encompasses all seasonal variations. This can be, and is often inclusive of 12 months of data.
3-20	However, it is worth mentioning that the number of vessels observed in this study only reflect traffic east of the New River Bridge and not the number of vessels directly crossing New River Bridge.	
3-22	This study also conducted aerial flight surveys to assess vessel traffic trends for all of Broward County.12 Aerial surveys were conducted from May 2004 to January 2005 to estimate weekday and weekend vessel trends as well as trends throughout the week separated by morning and afternoon	
3-23	Video recordings from a camera placed by the New River Bridge were provided by FECR. These videos consist of two full consecutive weeks of the peak season for vessel traffic, from January 14th to the 27th, 2014 and were assessed to extract data of vessel traffic traversing the New River Bridge during daylight hours (from 6:00 am through 6:30 pm each day).	
3-28	Even the largest vessels (e.g., Jungle Queen) will not take more than 5 to 6 seconds to cross the bridge, thus shorter periods of bridge opening (e.g., 5 minutes) should be enough to clear queue vessels at both sides of the bridge.	The Coast Guard points out that vessels do not maneuver in the same fashion as roadway traffic. While it may only take only 5-6 seconds for the vessel to physically pass through the bridge opening if at constant speed and without obstruction, it may take some time to wait for vessels ahead to pick up speed, and pass through the bridge. The bridge thereby may

		create a choke point on the waterway due to the fact that the opening is very narrow, and will often only allow for one vessel to pass through the opening at a time. Time must also be afforded for bridge cycle time.
Table 3.4-5	Summary of Operation at New River Bridge.	The proposed schedule indicates bridge closures increasing by roughly 3.4 hours per weekday and 2.78 hours per weekend day from the current state due to project. The Coast Guard is concerned that this is a significant increase in closure time which will result in increased time that queed vessels spend maintaing position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process
3-31	For commercial vessels that wait, the average wait time is expected to decrease from 7.3 minutes under the No-Build Alternative to 6.3 minutes under the Combined Effect. For recreational vessels that wait, the average wait time is expected to decrease from 8.1 minutes under the No-Build Alternative to 6.3 minutes under the Combined Effect.	The total number of vessels that experience a delay increased from 23% to 36%. The Coast Guard is concerned that this is a significant increase in closure time which will result in increased time that queed vessels spend maintaing position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process
`4-19	There were more vessels observed during the summer as compared to all other seasons, with an average of 113 vessels during weekdays and an average of 851 vessels observed during weekends.	This statement appears to contradict an earlier statement that peak boating traffic occurs during winter months. Coast Guard studies evaluate vessel traffic data that encompasses all seasonal variations. This can be, and is often inclusive of 12 months of data.
4-20	Data gathered through a three week video assessment of the Loxahatchee Bridge during winter, shows an average of 108 vessel crossings per day occurred (Min=5; Max=335) from Monday to Friday, compared to about 271 vessels (Min=119; Max=502) per day on a weekend (Table 4.3-6).	The Coast Guard is concerned about the sample size being too small and the range of data is too large to draw accurate conclusions from this data. Also, it is noted that summer months are peak traffic times for this waterway according to the aerial study mentioned previously.
4-24	Although the Proposed Action (2016 Passenger and upgraded infrastructure) will add to the total daily bridge closure time (about 5.53 hours during the weekdays and 5.41 hours during weekends), improvements to the rail infrastructure are expected to increase the speed of rail traffic, reducing the Proposed Action average time of single closures (11 minutes) by approximately 8 minutes when compared to Existing Conditions (19 minutes) or about 9 minutes when compared to the No-Build Alternative respectively (20 minutes).	The proposed action more than doubles the total current closure times. Even if the average wait is decreased, the number of vessels experiencing a wait increases significantly. The Coast Guard is concerned that this is a significant increase in closure time which will result in increased time that queued vessels spend maintaining position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.
4-26	When comparing Case 2a (2016 No-Build	A 17% increase in vessels experiencing a wait is a

	Alternative) to Case 3 (2016 Freight and Passenger, Combined Effect) an increase in the percentage of vessels experiencing a wait from 25% under the No-Build Alternative to 42% under the Combined Effect is observed.	significant increase. The Coast Guard is concerned that this is a significant increase in closure time which will result in increased time that queued vessels spend maintaining position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.
Table 4.5-1	Simulation results	Currently, 7% of vessels experience a wait. The report predicts that 25% will experience a wait in 2016 without the project. The proposed action will cause 42% of vessels to experience a wait. The Coast Guard is concerned that this is a significant increase in closure time which will result in increased time that queued vessels spend maintaining position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.
5-11	No commercial barge traffic occurs in the St. Lucie River. Inland commercial vessel activities are primarily associated with water taxi/bus, restaurant, and touring operations.	The St. Lucie River connects to the Okeechobee waterway. Barges and other commercial traffic do continue to utilize the waterway.
5-17	Data gathered through a two-week video assessment of the St. Lucie River Bridge during winter shows an average of 102 vessel crossings per day occurred (Min=28; Max=263) from Monday to Friday, compared to about 315 vessels (Min=157; Max=413) per day on a weekend (Table 5.3-1). Sundays had the most vessel activity, with a range of 296 to 395 vessel counts.	Coast Guard studies evaluate vessel traffic data that encompasses all seasonal variations. This can be, and is often inclusive of 12 months of data. Notwithstanding this, the Coast Guard would avoid drawing conclusions based on average vessel crossings when data indicates a wide range of traffic, as indicated here.
Table 5.4-2	Summary of existing and project operation for St. Lucie River Bridge	The proposed action significantly increases closure time. Currently the bridge is closed for 4.01 hours during weekdays and 2.74 hours during weekends. The proposed action increases closure times to 9.79 and 7.63 hours, with the majority of the waterway closure time occurring during peak vessel transit periods. The Coast Guard is concerned that this is a significant increase in closure time which will result in increased time that queued vessels spend maintaining position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.
Table 6.0-5	Intervals of peak traffic with closure periods over 30 mins.	The St. Lucie River will experience 5 closures of over 30 mins during peak traffic periods per week. The Coast Guard is concerned that this is a significant

		increase in closure time which will result in increased time that queued vessels spend maintaining position while waiting for bridges to open. Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.
6-13	Develop a set schedule for the down times of the bridge for passenger rail service.	The Coast Guard is responsible for setting bridge closure schedules as part of the rulemaking process.
Table 6.7-1	Summary of impacts	Coast Guard has not made the determination that the proposed increases in waterway closures would meet the reasonable needs of navigation. Any such determination will happen through a separate rulemaking process and not as part of the NEPA process.

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 2016 BUDGET REQUEST

February 25, 2015

Good morning, Chairman Hunter, Ranking Member Garamendi and Members of the Subcommittee. I appreciate this opportunity to discuss the President's vision for Fiscal Year (FY) 2016 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.

FY 2016 BUDGET REQUEST

The President's Fiscal year 2016 Budget for the Department of Transportation (DOT) provides a total of $94.7 billion to make the critical investments we need in infrastructure to promote long-term economic growth, enhance safety and efficiency and support jobs for the 21st Century. The Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change.

MARAD's portion of the FY 2016 Budget Request is $406.8 million, which funds activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, environmental sustainability, safety, and education. One highlight of the budget request is an increase for our mariner training programs to ensure that we can 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. A summary of the FY 2016 request is provided below.

SECURITY AND PREPAREDNESS

Maritime Security Program (MSP)

For FY 2016, $186 million is requested for the MSP, which is the level of funding authorized in the National Defense Authorization Act of FY 2013, P.L. 112-239. Funding at this level will enable DOT to continue 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.

The MSP provides operating assistance funds to a fleet of 60 commercial privately-owned, militarily useful, U.S.-flagged, and U.S.-crewed ships. 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 2,400 U.S. merchant mariners, creating a reliable pool of mariners ready to support the activation of the government's sealift fleets. Without MSP, there would likely be a significant reduction in the number of U.S.-flag vessels and U.S. mariner jobs. The result would be fewer U.S. mariners available to crew the U.S. Government's (Ready Reserve Fleet) surge sealift vessels.

The most significant challenge facing the MSP is the declining Department of Defense (DoD) cargo due to the drawdown of operations in Iraq and Afghanistan coupled with the over 80 percent reduction in personnel and military bases overseas since 1990. Current levels of DoD-impelled cargos appear to be returning to levels of the late 1990s.

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

MARAD manages and maintains a fleet of government-owned merchant ships in the NDRF, which includes a component of 46 RRF vessels that are maintained in an advanced state of surge sealift readiness for the ocean transport of cargo to a specific area of operation to satisfy Combatant Commanders' critical war fighting requirements. The level of surge sealift readiness maintained allows MARAD to complete RRF vessel activation in five days or less to support military requirements. The RRF vessels and NDRF school ships may also be called upon to provide relief effort and humanitarian assistance in times of national emergency, as was the case when one of the RRF ships was activated to provide support relief efforts following the November 2012 Hurricane Sandy and to support the medical mission to Liberia for the Ebola Virus response in late 2014. Additionally, each vessel can be configured to support other emergent situations as was the case in

mobilizing the CAPE RAY for use in the international effort to destroy the Syrian Government's declared chemical weapons, which was completed in August of 2014.

Funding provided by a reimbursable agreement from DOD will allow MARAD to continue to provide ready surge sealift support in FY 2016 in the areas of activating, operating, deactivating and special mission requirements for RRF vessels and maintaining MARAD's NDRF fleet sites.

OTHER PROGRAMS

Food Aid Reform

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. If the reform is enacted, the vast majority of P.L. 480 Title II food aid would continue to be sourced and shipped from the U.S. 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.

Maritime Training Programs

MARAD's training programs (U.S. Merchant Marine Academy and the State Maritime Academies) provide highly trained, USCG-credentialed officers for the U.S. Merchant Marine. These programs graduate the majority of new highly skilled, merchant marine officers who hold a USCG credential with the highest entry-level officer endorsement available to support our national maritime industry infrastructure. These graduates ensure our nation has 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 (USMMA or Academy)

The President's FY 2016 Budget Request includes $96 million for USMMA. Of this, $71.3 million will support Academy operations and $24.7 million will fund major capital improvements and repairs to the Academy's physical campus. The FY 2016 request will maintain a sufficient base budget to support mission-essential program requirements and security priority areas. Funding includes an increase to support necessary simulator program upgrades, physical and information technology security enhancements, and Academy training ship maintenance and repair. 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 anticipates graduating 235 licensed merchant marine officers for service in the maritime industry and the U.S. Armed Forces in 2016. Nearly all of USMMA graduates receive either an active duty or reserve commission in the U.S. Armed Forces or one of the uniformed services (National Oceanic and Atmospheric Administration or Public Health Service) and provide a guaranteed source of mariners to crew government surge sealift vessels.

There has been significant progress made to improving institutional management and oversight, and strengthening internal controls at the Academy, over the last several years. A broad range of corrective actions, controls, and process improvements were implemented at the Academy, in addition to an organizational restructuring and leadership changes. Of note, the Government Accountability Office (GAO) has confirmed that all 47 recommendations in the 2009 audit report have been closed. Strengthening internal controls at the Academy will continue to be an area of priority emphasis in FY 2016.

In addition, Academy leadership has taken a number of actions to prevent and respond to incidents of sexual harassment and sexual assault at the Academy, including hiring a new Sexual Assault Response Coordinator, establishing an Action Plan to address sexual harassment and sexual assault, and improving oversight of the implementation of that plan. Academy procedures for reporting incidents that occur while Midshipmen are at sea have also been updated, as well as improving campus security and establishing a 24/7 reporting hotline.

State Maritime Academies (SMA)

The President's FY 2016 Budget Request includes $34.6 million for the SMA program. This request includes $5 million for National Security Multi-Mission Vessel (NSMV) planning and design to support the replacement of the 53-year-old training vessel EMPIRE STATE and $22 million to fund maintenance and repair costs for federally owned training ships on loan from MARAD to the SMAs. Additionally, the request provides $2.4 million to fund the Student Incentive Payment (SIP) program, enabling enrollment of 300 students per year (75 graduates annually) who maintain a USCG Mariner Credential 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 training ship fuel.

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 careers as merchant marine officers. MARAD anticipates approximately 660 students in the license program will graduate from the SMAs in 2016. The SMA program contributes more than two thirds of the entry-level

licensed mariners trained annually that begin working in various positions within the maritime industry.

Maritime Guaranteed Loan Program (Title XI)

The Maritime Guaranteed Loan Program, commonly referred to as Title XI, encourages investment in the maritime sector. The primary purpose of the program is to promote the growth and modernization of the U.S. Merchant Marine and U.S. Shipyards. Title XI offers loan guarantees for shipyard modernization projects and for building vessels in U.S. shipyards. The loan guarantees enable applicants to secure long-term financing at favorable interest rates, thereby sustaining facilities for shipbuilding and ship repair within the U.S., and promoting system capacity and jobs.

The current portfolio is $1.5 billion in Title XI outstanding loan guarantees and 38 individual loan guarantee contracts, representing 21 companies covering approximately 250 vessels. The loan guarantees are intended to foster efficiency, competitive operations, and quality ship construction, repair, and reconstruction. The President's FY 2016 Budget Request includes $3.1 million for administration of the loan portfolio to ensure agency compliance with the Federal Credit Reform Act requirements, borrower compliance with loan terms, and to process new loan applications. The current Title XI subsidy balance for new loan applicants is $42 million. This will support approximately $454 million in shipyard projects, assuming average risk category subsidy rates.

ENVIRONMENTAL SUSTAINABILITY

Ship Disposal

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.

The FY 2016 Budget Request for the Ship Disposal Program is $5 million to support the continued priority emphasis on the disposal of non-retention NDRF vessels in the worst condition. MARAD currently has 19 obsolete vessels not yet under contract for disposal, which is a historic low. During FY 2015, we anticipate removing 10 obsolete vessels from the Reserve Fleet sites. With the requested funding level in FY 2016, MARAD plans to remove up to eight additional obsolete ships through competitive vessel sales from the James River, Beaumont, and Suisan Bay Reserve Fleets (SBRF). The level of competition and available capacity, however, have decreased significantly as a result of the U.S. Navy award of recycling contracts for four

aircraft carriers in FY 2014 and FY 2015. Currently, three aircraft carriers are undergoing dismantlement, with the fourth carrier scheduled to arrive for disposal in June 2015. The contracts for dismantlement of the aircraft carriers have a two-year period of performance and, as such, will take up capacity at qualified recycling facilities, which is expected to increase MARAD's cost to dispose of ships in FYs 2016 and 2017.

MARAD is currently two years ahead of the SBRF vessel removal schedule required by the court-ordered settlement with California. With 52 of the 57 vessels already removed, MARAD expects to dispose of an additional three vessels from the SBRF in FY 2015 primarily with carryover funding. The requested funding in FY 2016 will allow MARAD to dispose of the two remaining SBRF vessels. Funding in the President's FY 2016 Budget Request will also cover the costs related to risk mitigation for compliance with the National Invasive Species Act and Clean Water Act, as well as lessen the environmental risk at the fleet sites and recycling facilities.

Nuclear Ship SAVANNAH

The President's FY 2016 Budget Request includes $3 million for the inactive Nuclear Ship SAVANNAH (NSS), providing for the continuation of support activities, including nuclear license compliance, radiological protection, ship maintenance and custodial care, and planning and preparation for decommissioning.

Maritime Environment and Technology Assistance

The President's FY 2016 Budget Request includes $4 million for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. The program will focus on ongoing research initiatives in areas such as reducing air pollution from vessels and port operations, invasive species control through ballast water treatment and underwater hull cleaning and inspection, improved and diversified marine propulsion systems, and increased energy efficiency at sea.

CONCLUSION

The above items represent the key policy proposals and initiatives highlighted in the President's FY 2016 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 2016 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 am happy to respond to any questions you and the members of the Subcommittee may have.

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Committee on Transportation and Infrastructure
Subcommittee on Coast Guard and Maritime Transportation
Hearing on the President's Fiscal Year 2016 Budget Request
for Coast Guard and Maritime Transportation Programs
Wednesday, February 25, 2015

Question for the Record to
Maritime Administrator Chip Jaenichen

Question from the Honorable Duncan Hunter (R-CA):

As you know, there was recently an effort in the Senate to repeal the U.S.-build requirement under the Jones Act. Could you describe the impact that repeal would have on our economy and national security?

Answer: If there was a repeal of the U.S.-build requirement, Jones Act operators may not be able to secure loans to support all planned ship building projects that are currently on the order book. MARAD's experience in analyzing the risk of Title XI loan guarantee applications has shown that the solvency of applicants seeking to construct vessels in the United States for operation in Jones Act trade is dependent upon the continued existence of the U.S.-build requirement. This possible negative effect on available financing could result in the cancellation of planned projects and directly impact shipyard production, resulting in the layoff of employees, even without an actual repeal of the Jones Act shipbuilding requirement.[1] The U.S. shipbuilding industry directly employs more than 100,000 people and supports another 300,000 indirect and induced jobs across the country—contributing more than $36 billion to the U.S. Gross Domestic Product (GDP).[2] Of particular concern, civilian shipyards and related industries are part of the Federal shipbuilding and repair industrial base that ensures adequate American expertise and capacity to meet National Security needs, especially during those cycles when the Federal Budget supports few ships on order or under construction.[3]

MARAD's experience in evaluating Title XI loan guarantee applications, and associated analysis of the marine lending market, has shown that eliminating the U.S.-build requirement would also directly impact on-going ship construction contracts, which are premised on the U.S.-build

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[1] *Final Report Shipbuilding Industry Study*, Industrial College of the Armed Forces, National Defense University (Spring 2011) at 6-7, ("An adequate, skilled labor pool to support the U.S. shipbuilding industry is a strategic, national interest. The industry is currently threatened by a looming shortage of skilled domestic labor due to factors such as an again labor force and inconsistent employment opportunities **due to frequent layoff**.")

[2] *Economic Importance of the U.S. Shipbuilding and Repairing Industry*, Maritime Administration (May 2013), http://www.marad.dot.gov/wp-content/uploads/pdf/MARAD_Econ_Study_Final_Report_2013.pdf. *See also National Security Assessment of the U.S. Shipbuilding and Repair Industry*, U.S. Dept. of Commerce (May 2011) at 26-7 ("Declining military order have forced American shipyards to explore commercial ventures and export opportunities.").

[3] *Final Report Shipbuilding Industry Study*, Industrial College of the Armed Forces, National Defense University (Spring 2011) at 6-7.

requirement of the Jones Act. Applicants have indicated that even the discussion of a repeal of the U.S.-build requirement could make maritime financing organizations and banks view Jones Act operator loans as having greater risk, ultimately leading to higher interest rates which would increase the total cost of the vessels.[4]

It would also impact "traditional" Jones Act operators, who have premised their business models on current market conditions, including the U.S.-build requirement. An influx of foreign-built vessels, particularly tankers, could lead to a decrease in daily charter rates given that new market entrants would possess a competitive advantage due to the reduced capital costs associated with foreign-built vessels.[5] This could have negative financial impacts on existing Jones Act operators who may be unable to meet their debt obligations associated with their existing U.S.-built vessels. MARAD's risk analysis of Title XI loan guarantee applications, including charter rate financial stress tests performed by MARAD and independent financial advisors, has shown that the solvency of applicants seeking to construct vessels in the United States for operation in the Jones Act trade is dependent upon the continued existence of the U.S.-build requirement.

The Jones Act requirement for U.S.-built commercial vessels provides added support for U.S. shipyards and ultimately helps mitigate the cost for the Federal vessel construction programs at the same shipyards, both in peacetime and in time of crisis. Eliminating the U.S.-build requirement could increase the cost to build vessels for the U.S. Government in a period of constrained budgets.[6]

There are a total of 41 different shipyards that currently have Federal (U.S. Army, U.S. Navy, U.S. Coast Guard or National Oceanic and Atmospheric Administration) and/or commercial contracts to build vessels. Some of the yards are highlighted below:

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[4] Tom Crowley, Chairman and CEO of Crowley Maritime, "Damage occurs from just discussing it (changing the U.S.-build requirement). It makes it difficult to make the financial investments that have to be made. This uncertainty and lack of stability would damage the industry." The Navy League of the United States Sea Air Space Exposition panel discussion, *Framework for the Future: National Maritime Strategy* (April 14, 2015). http://maritime-executive.com/article/navy-league-sea-air-space-expo-panel (minute 50:15 to 51:55).

[5] Wakil Oyeleru Oyedemi, *Cabotage Regulations and the Challenges of Outer Continental Shelf Development in the United States*, 34Hous. J. Int'l L 608, 638-9 (2012) ("The United States stands at a disadvantage if it should open its coastwise trade to vessels built abroad. There is an enormous fair trade and dumping issue caused by the actions of South Korea, China, and some members of the European Union. These countries' vessels are heavily subsidized by the respective governments. In the case of South Korea, no one can tell where the government hand starts and stops. It was not joke when that nation's foreign affairs ministers said South Korea will dominate the coastwise trade 'by the billions' if the Jones Act was repealed.")

[6] See statement of the Navy League of the United States regarding Sen. McCain's bill, "Its immediate impact would be a reduction in the number of ships built in U.S. shipyards, which would result in a loss of jobs, a loss of industrial knowledge and skills, and a loss in America's edge in shipbuilding quality and technology… **This would mean all ships used by our U.S. Navy, Marine Corps and Coast Guard — which of course will be built in the United States — would have a higher cost per ship due to increased overhead costs**, and would have a less reliable industrial base." Hugh Lessig, *McCain Move Sparks Furor from Shipping Industry*, Daily Press (Jan 16, 2015), http://www.dailypress.com/business/dp-nws-jones-act-repeal-20150116-story.html. *See also* statement of General John Selva, U.S. Transportation Command, "If asked about the Jones Act – I am an ardent supporter of the Jones Act. [The Act] supports a viable ship building industry, cuts cost and produces 2500 qualified mariners." *Four Star General Ardent Supporter of Jones Act*, Maritime Executive (April 15, 2015). http://www.maritime-executive.com/article/four-star-general-ardent-supporter-of-jones-act.

Austal USA – Mobile, AL
Bollinger Shipyards – Lockport, LA
C&G Boat Works – Mobile, AL
Dakota Creek Industries – Anacortes, WA
Kvichak Marine – Seattle, WA
MetalShark Boats – Jeanerette, LA
General Dynamics/NASSCO – San Diego, CA
VT Halter – Pascagoula, MS

Committee on Transportation and Infrastructure
Subcommittee on Coast Guard and Maritime Transportation
Hearing on the President's Fiscal Year 2016 Budget Request
for Coast Guard and Maritime Transportation Programs
Wednesday, February 25, 2015

Question for the Record to
Maritime Administrator Chip Jaenichen

Question from the Honorable Lee Zeldin (D-NY-1):

The U.S. Maritime Administration has requested funding for a new class of National Security Multi-Mission Vessels for the nation's State Maritime Academies.

Q: How important is this pipeline of new officers from the State Academies to our merchant marine and to national security?

Answer: The Maritime Administration (MARAD) provides support to six State Maritime Academies (SMAs), which provide the high quality education and necessary training to become U.S. Coast Guard (USCG) credentialed Merchant Marine Officers. Collectively, the SMAs graduate more than two-thirds of the entry-level merchant marine officers annually. This pipeline of USCG credentialed officers ensures a consistent supply of well-educated and highly-trained U.S. Merchant Mariners are available to crew U.S.-flag vessels and meet national economic needs, respond to national emergencies, and support defense strategic mobility with commercial and government sealift vessels.

Q: How necessary are these training vessels for these Academies?

Answer: The training ships play a critical role in providing the necessary sea time that cadets and midshipmen need to qualify for both their domestic USCG Merchant Mariner Credential (MMC) and their international Standards of Training Certification and Watchkeeping (STCW) training endorsements. Each Cadet and Midshipman in the unlimited license programs needs 360 days of sea time to qualify for their MMC. Half of this time must be on vessels of 4,000 Horsepower (HP)/3,000 kilowatts (kW) for engineers or on vessels of 1,600 gross registered tons (GRT) for deck officers.

The current training ships are the primary means by which the majority of the mariners who receive unlimited tonnage licenses each year are trained. They currently provide approximately 123,000 Cadet/Midshipman sea days per year, which is necessary training to produce entry-level licensed U.S. Merchant Marine officers. Approximately 75 percent of all entry-level Merchant Marine credentialed officers receive the required STCW sea time onboard these training vessels. The balance of credentialed officers, coming from the U.S. Merchant Marine Academy (USMMA), acquire sea time onboard commercial U.S.-flag merchant vessels—vessels which have declined by 25 percent in recent years, making it a challenge to meet USMMA Midshipmen sea time requirements.

Without training ships, the SMA programs would not be able to meet their mission of graduating USCG credentialed merchant marine officers due to insufficient commercial capacity for trainees. The loss of a single training ship (retired at end of service life) would require extensive vessel sharing between SMAs which would involve significant changes to the SMA academic curriculums, increased length of instruction to more than four years and alternatives for training on board the vessels in port would have to be identified for each SMA. Loss of more than one vessel, places the SMA program at risk and some SMAs may not be able to offer the curriculum or only able to offer it to a very limited number of students. Those students able to participate in the curriculum would incur increased tuition costs to support travel to training vessel locations.

Q: What is the current state of the training vessels at the Academies? I represent New York's first congressional district, where over 720 SUNY Maritime students, alumni, and employees reside.

Answer: The current state, or "material condition," of the six SMA training ships can be categorized overall as "good" with some significant concerns, noted as follows:

The average age of the vessel fleet is 37 years old. The oldest training ship is the TS EMPIRE STATE, berthed at SUNY Maritime College; at 54 years old, it is operating beyond its planned service life. The second oldest is the TS KENNEDY, berthed at Massachusetts Maritime Academy in Buzzards Bay, MA, at 48 years old. As these training ships age, the cost to maintain the vessels increases.

While all six training ships are serving their basic functions (to provide the primary means by which the majority of the mariners who receive unlimited tonnage licenses each year are trained in the United States), these ships have limited remaining service lives.

Given the age of the fleet, MARAD's FY 2016 request includes $5 million request to fund short-term planning activities, including study of requirements alternatives, cost-tradeoffs, cost analysis, schedule, acquisitions strategy, and vessel design; and long-term planning activities, including study of program delivery strategy and production timetables for the incremental replacement of the current academy training ships. MARAD is requesting funds for the planning and design of a National Security Multi-Vessel (NSMV). The proposed NSMV is intended to provide a modern, functional, environmentally compliant vessel.

All six training ships are classed and inspected periodically by the American Bureau of Shipping (ABS). They are all also inspected annually by the USCG. Upon completion of these annual inspections, the USCG issues a Certificate of Inspection document to the vessel, providing evidence that the vessel is being operated and maintained in a safe manner and in full accordance with the U.S. Code of Federal Regulations.

I understand these vessels (Academy Training Ships) are owned by the federal government and could be used for disaster and emergency relief efforts as well.

Q: Could you please elaborate on the importance of these vessels to disaster recovery and national security missions.

Answer: The training ships are owned by MARAD, within the Department of Transportation, and operated by the SMAs. The SMA training ships have provided rapid response for humanitarian assistance and disaster relief efforts since Hurricane Katrina.

The current SMA training ships can provide hotel services (accommodations, meals, laundry, and sanitary facilities) for first responders and other response personnel, at a great value to the Federal government. This support can save the cost of standard hotel and per diem fees, as well as the potentially better utilize the critical daylight hours that would otherwise be spent traveling to and from the area being supported.

As discussed earlier, MARAD is starting to explore the development of a NSMV. The NSMV could be readily deployed to support multiple Department of Homeland Security (DHS) national security missions and Department of Defense emergency and humanitarian missions while serving as a training platform.

Q: How were they helpful during Super Storm Sandy recovery?

Answer: The three ships housed each day an average of nearly 900 DHS or FEMA emergency responders—urban search and rescue teams, disaster medical assistance teams, FEMA Response Corps, sponsored Red Cross and Southern Baptist response teams, community relations teams, DHS surge personnel—and provided nearly 60,000 meals for these workers. Since the vessels are self-sufficient, they were not reliant on commercial electrical power and were unaffected by the power outages in the New York/New Jersey area which allowed around the clock food, berthing and IT support to the emergency responders. This support was proven cost effective to FEMA, at a fraction of the cost of housing response workers in commercial hotels. The Aviation Support Ship WRIGHT, Training Ship EMPIRE STATE and Training Ship KENNEDY provided 38,291 berthing nights and 74,540 meals to relief workers over the duration of the relief operation.

Subcommittee on Coast Guard and Maritime Transportation
Hearing on President's Fiscal Year 2016 Budget Request for Coast Guard and Maritime Transportation Programs

Wednesday, February 25, 2015

The Honorable John Garamendi
Witness Questions for the Record

The Honorable Paul "Chip" Jaenichen, Administrator, MARAD

LNG Transport

Last year's Coast Guard and Maritime Transportation authorization bill (P.L. 113-281) included amendments to clarify and strengthen the discretionary authority of the Secretary of Transportation to promote a program to encourage the use of U.S. flag vessels and U.S. mariners in the import and export of LNG in the U.S. market.

- ***What is Secretary Foxx planning to do to utilize this discretionary authority?***
- ***What can we be doing now to better align the imminent trade in LNG with the revitalization of our merchant marine? What can Congress do to help make that a reality?***

Response: As you are aware, legislation enacted in 2006 directed the Secretary of Transportation to develop and implement a program to promote the use of U.S.-flag vessels in the import of LNG. That mandate was broadened under the Howard Coble Coast Guard and Maritime Authorization Act of 2014, P.L. 113-281, requiring the Secretary to promote the use of U.S.-flag vessels in the export of LNG.

Pursuant to the 2006 mandate, the Department of Transportation (DOT) took a number of steps to promote the use of U.S.-flag vessels and U.S. mariners in the import of LNG, and to prepare the U.S. maritime industry for a future in which LNG would be prominently featured. Since 2007, the Maritime Administration (MARAD) has executed successful crewing agreements with deepwater port import licensees to provide training and employment opportunities for U.S. citizen Merchant Marine Officers and cadets serving aboard LNG vessels calling at our Nation's LNG deepwater ports. MARAD has also facilitated LNG opportunities for U.S. shipyards through its Title XI Federal Ship Financing Program. Notably, in September 2014, MARAD approved a Title XI financing project to build two U.S.-flag dual-fuel containerships at the GD/NASSCO Shipyard in San Diego, CA. The first vessel was launched on April 18, 2015 and began service in the Puerto Rico trade in November 2015. The second vessel was launched on August 29, 2015 and is expected to be delivered and begin service in the Puerto Rico trade in March 2016. These projects will provide additional experience for U.S. shipyards and U.S.

mariners in the utilization of LNG as a propulsion fuel which would also be applicable to LNG tankers.

As required by P.L. 113-281, DOT and MARAD will build upon current efforts to promote the transport of LNG imports on U.S.-flag vessels to include LNG exports as well, including: 1) promoting the use of U.S.-flag vessels with our allies and trading partners; 2) advocating for the construction of LNG vessels in the United States to carry LNG; and 3) granting priority processing of deepwater port export license applications that commit to utilize U.S. vessels and educate U.S. mariners and our Midshipmen/Cadets in the carriage of LNG from our Nation's deepwater ports. Additionally, we are continuing to collaborate with our Federal partners to ensure alignment of DOT, Department of Energy, and other Federal agency permitting processes for LNG exports.

National Maritime Strategy

The Congress also included in the Coast Guard bill a directive to the Secretary of Transportation to develop a National Maritime Strategy and to transmit said strategy to the Congress within 60 days after date of enactment. This due date has since passed by.

- ***What is the status of this clearance and release of new National Maritime Strategy?***
- ***When can we expect to see something transmitted to the Congress?***

Response: We are continuing to work on the National Maritime Strategy and will keep you apprised. We look forward to Congress' input and recommendations as we begin work on an implementation plan for the strategy.

Food Aid Reform/Maritime Security Program

The Maritime Security Program is authorized at $186 million; fortunately Congress appropriated the full amount for Fiscal Year 2015. Several MSP operators have requested that Congress increase appropriations for MSP because the present $3.1 million per vessel stipend is falling far short of compensating for the increased costs of operating under the U.S. flag. To supplement MSP operating stipends, USAID, OMB and the Departments of Agriculture and Transportation continue to discuss a proposal that would supplement MSP stipend funding and provide USAID with greater flexibility on how it spends its Food for Peace appropriation.

- ***What is the status of these negotiations and what are the remaining issues yet to be resolved? Is the administration planning to forward a legislative request to the Congress?***

Response: The Administration's current proposal on food aid reform was provided in the FY 2016 President's Budget. The Administration is prepared to work with members of Congress

and other stakeholders on other legislative approaches to achieve the Administration's goals for food aid reform. These goals include providing additional statutory flexibility that would allow us to feed more starving people for no additional cost, while addressing the potential impact of food aid reform on maritime capacity for national security purposes and with minimal harm to domestic agricultural interests. Separately, MARAD and USAID reached agreement on actions that could provide greater flexibility in the use of Food for Peace funding while supporting long term sustainability of the 60 vessels in the Maritime Security Program and providing increased subsidies largely related to the recent decline in Department of Defense (DOD) cargo shipments from the height of the wars in Iraq and Afghanistan as overseas base support and troop levels abroad decrease.

- ***Is the increased amount of the stipend sufficient to alleviate concerns that MSP enrolled operators may flag out?***

Response: At the end of FY 2015, 58 vessels were enrolled in MSP, and one vessel suffered a catastrophic fire and is currently inoperable, leaving only 57 vessels to meet DOD requirement of 60 vessels. In November 2015, MARAD published a *Federal Register* Notice seeking information regarding eligible vessels to potentially enroll in one or more available MSP Operating Agreements. Ten operators offered vessels, and MARAD expects all of the current vacancies to be filled.

Cargo Preference Mitigation

The administration's restructuring of the P.L. 480 Program has again been carried forward MARAD's Fiscal Year 2016 request. The administration has once again requested $25 million to establish a multi-year program to mitigate some of the potential impact on sealift capability and to devote resources to provide direct stipend payments to operators of vessels in the U.S. foreign trade, separate from MSP payments.

- ***What specific trades or cargoes warrant providing MSP carriers with an additional stipend? Why should MSP carriers be allowed to "double dip" and receive additional subsidization?***

Response: The FY 2016 request is not necessarily related MSP, as most MSP carriers carry little food aid. The Budget proposal is intended as additional support to vessel operators that rely on food aid, which could include those that are not in the MSP program. MARAD estimates that Title II currently sustains 7 to 10 liner type U.S.-flag ships, with over half of Title II tonnage shipped on two dry bulk vessels that do not transport DOD preference cargoes.

- ***You also reference that some of this funding would support mariner training programs to retain and educate U.S. mariners. How would these training programs be different from training programs offered at Kings Point, State Maritime***

Academies, or at training centers sponsored by maritime unions? What is the value added for the Federal investment?

Response: MARAD's FY 2016 budget request included $25 million as a component of Food Aid reforms proposed for P.L. 480 Title II Food Assistance, to mitigate the impact these reforms could have on sealift capacity and mariner jobs. If it had been enacted, this new initiative would provide funds to preserve mariner employment on U.S.-flag vessels and identify other innovative means to encourage retention of U.S. mariners and vessels. Of the request, $24 million would be used to provide direct stipend payments to operators of vessels in international trade, separate from MSP payments, and $1 million will be used to support training programs to retain and advance U.S. citizen mariners for critical occupations.

Title XI Maritime Loan Guarantee Program

The administration has proposed only $3.1 million for administration of the portfolio of loan guarantees under the Title XI Maritime Loan Guarantee Program. At a time when we should be expanding economic opportunities and job growth in the maritime sector of our economy, it remains a mystery why the administration has decided to curtail MARAD's ability to underwrite new loan guarantees when new maritime markets and investments in shipbuilding are solid and growing.

- *Can you please provide a breakdown of all outstanding loan guarantees, the remaining terms before they are paid off, and the types of vessels supported by the loan guarantee?*

Response: The Administration's FY 2016 request would support maintenance of the current portfolio. MARAD's Title XI portfolio presently contains $1.52 billion in outstanding debt obligations, with various maturity dates occurring between May 1, 2015, and January 30, 2038. Vessel types supported by the existing guarantees include articulated tug-barges, barges, container vessels, drilling rigs, passenger ferries, platform supply vessels, product tankers, roll-on roll-off vessels, and tugs. Additional project information is available at www.marad.dot.gov/documents/Current_Approved_List.pdf.

- *Also, are there specific classes of vessels or emerging specific trades – such as the export of LNG or the coastwise trade in LNG – where it might make sense to use the Title XI Program to allow the Federal Government to share the risk with the private sector in developing these markets?*

Response: MARAD would consider applications for any trade or class of vessel, including LNG carriers, except fishing vessels which are financed through the National Oceanic and Atmospheric Administration (NOAA). The length of the loan term and interest rates for any project with Title XI financing may have the effect of lowering the barrier of entry into an emerging trade by lowering overall capital costs, but ultimately each project must demonstrate economic viability before it can be approved for a Federal guarantee.

Ship Recycling Revenue and Accountability

1. I have learned recently that people seeking information from MARAD about its ship recycling program – information that should be publicly available – have had to file Freedom of Information Act requests or pay fairly stiff fees to extract information from the agency.

- ***Does MARAD have sufficient resources to handle these information requests, and if not, why has the administration not requested additional funding to support this administration function?***

Response: MARAD has sufficient resources to process Freedom of Information Act (FOIA) requests and is not aware of any records relating to its ship recycling program that should be publicly available that have not been made available to the public. MARAD did receive one complaint about a document that was requested under FOIA, which the requester believed should be made publicly available. In that particular case, the requester also appealed the fee charged for the FOIA processing after the requested document was provided. That appeal was denied.

In general, MARAD may request the payment of fees to compensate for the services performed in response to FOIA requests. Per 5 U.S.C. § 552, these fees may be waived or reduced "if disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government and is not primarily in the commercial interest of the requester." MARAD determined that a fee waiver was not appropriate in this case because the requester's commercial interest in the document outweighed the public interest in disclosure. Any fees assessed by MARAD as they relate to FOIA requests are set by regulation, 49 C.F.R. § 7.42, and are consistent with Department of Justice Office of Information Policy guidance.

MARAD has placed an emphasis on the efficient administration of the FOIA. In so doing, it has seen a reduction in backlogged cases, improved response times to requesters, and modernized FOIA processing methods. These improvements to the MARAD FOIA office have allowed the agency to better administer the FOIA including its provisions for the assessment of fees where authorized.

- ***What actions are you taking to improve MARAD's accessibility and accountability to its stakeholders and the general public?***

Response: To ensure transparency in the process, MARAD has done the following: (1) revised its ship recycling solicitation to update and streamline sale contracts and provide a better explanation of the best value process; (2) conducted industry outreach sessions to explain the revised solicitation, including the best value process; (3) added additional information to our ship

recycling solicitation further explaining how price and non-price factors are evaluated; and (4) increased communication between industry and MARAD leadership and senior management, including visits to recycling facilities and meetings with company officials to discuss future MARAD ship disposal plans, over the past two years. In addition, MARAD posts all awarded contracts, including price and schedule of performance on its website: https://voa.marad.dot.gov/Solicitation_Awards/award_filter.aspx. All contractors participating in the competitive acquisition process can compare their price offer and schedule to the awarded price and schedule. MARAD also offers individual debriefings to any company who participates in the competitive acquisition process who requests it to discuss a solicitation in which their offer was not accepted.

2. MARAD has collected over $75 million from the sale of excess government vessels since 2005 under the Ship Recycling Program. Under current law, 25 percent should be distributed as maritime heritage grants through a joint program administered by MARAD and the Department of Interior, and 25 percent should be distributed to the State Maritime Academies, including Cal Maritime. MARAD is authorized to retain 50 percent to maintain the National Defense Reserve Fleet. To date, however, MARAD has not routinely awarded maritime heritage grants or come close to awarding the full amounts owed to the state academies.

- ***Please provide me with a complete accounting of all revenue generated by the Ship Recycling Program since 2005, the total amount of revenue retained for maritime heritage grants, and a list of all annual maritime heritage grant awards, including the respective recipients and grant amounts?***

Response: MARAD is the Federal government's disposal agent for surplus Federal government merchant type vessels of 1,500 gross tons or more. Proceeds from the sale of these vessels to qualified U.S. ship recyclers are placed in MARAD's Vessel Operations Revolving Fund (VORF). From 2005 through 2015, MARAD collected nearly $75.8 million from sales and distributed or obligated $52.6 million of the sales proceeds.

Use of these funds is governed by 54 U.S.C. § 308704, which provides that:

- 50 percent be available to the Maritime Administrator for support of National Defense Reserve Fleet (NDRF) vessels;
- 25 percent be available for distribution to the six State Maritime Academies or the U.S. Merchant Marine Academy; and
- 25 percent be available for maritime heritage preservation.

Funds generated by ship disposal sales vary year-to-year depending on the market price for scrap steel.

Funding from Fiscal Year (FY) 2005 through 2015

DEPARTMENT OF TRANSPORTATION
MARITIME ADMINISTRATION
FY 2005 - FY 2015 SHIP DISPOSAL COLLECTIONS

FISCAL YEAR	Collections	50% NDRF	25% Merchant Marine Academies	25% Maritime Heritage Preservation	
				12.5% MARAD	12.5% National Park Service
2005	$ 1,000	$ 500	$ 250	$ 125	$ 125
2006	151,667	75,833	37,917	18,958	18,958
2007	987,502	493,751	246,876	123,438	123,438
2008	7,390,257	3,695,129	1,847,564	923,782	923,782
2009	260,091	130,045	65,023	32,511	32,511
2010	-	-	-	-	-
2011	7,793,183	3,896,591	1,948,295	974,148	974,148
2012	22,196,658	11,098,329	5,549,164	2,774,582	2,774,582
2013	21,446,152	10,723,076	5,361,538	2,680,769	2,680,769
2014	9,503,045	4,751,523	2,375,761	1,187,881	1,187,881
2015	6,154,847	3,077,424	1,538,712	769,356	769,356
TOTAL COLLECTIONS	$ 75,884,401	$ 37,942,201	$ 18,971,100	$ 9,485,550	$ 9,485,550

NDRF: As provided by statute, 50 percent of sales proceeds have been used for acquisition, maintenance, repair, reconditioning or improvement of vessels in the NDRF. Approximately $37.9 million of the funds collected were available for the NDRF. Of that total, $29.7 million has been obligated, leaving a balance of $8.2 million. The majority of the remaining balance will be used for NDRF requirements in FY 2016. In FY 2016, MARAD plans to dispose of eight non-retention ships. Due to the current depressed prices for scrap steel and non-ferrous metals, it is unlikely there will be any sales offers for these ships. Thus, appropriated funds may be necessary to contract for dismantling services, in which case there will be no infusion of additional VORF funds.

Maritime Academies: As provided by statute, 25 percent of sales proceeds have been used for facility and training ship maintenance, repair, and modernization, and for the purchase of simulators and fuel for the six State Maritime Academies and the U.S. Merchant Marine Academy. Approximately $19 million of the sales proceeds have been available for distribution to the Academies and more than $17 million of that funding has been distributed. (See table below.)

Maritime Heritage: As provided by statute, 25 percent of sales proceeds have been used for National Maritime Heritage Grants, administered by the National Park Service (NPS), *or* for preservation or presentation of maritime heritage property belonging to MARAD.

Approximately $19 million of the funds collected have been available for maritime heritage preservation. Of that amount, the following has been obligated:

- $1.6 million for preservation of maritime heritage assets belonging to MARAD. $4.8 million to the NPS for National Maritime Heritage Grants—$2.8 million for FY 2014 grant awards, announced on April 27, 2015, and $2 million for FY 2015 grant awards. The NPS received applications for the FY 2015 grants beginning May 15, 2015 through August 3, 2015 and is currently reviewing the applications. A list of 2014 grant awards can be found on the NPS website: http://www.nps.gov/maritime/grants/recipients.htm.

The remaining balance of approximately $12.6 million is designated as follows:

- At least $5.5 million will be provided to the NPS for the National Maritime Heritage Grants program for future year grants. Transfers of approximately $2 million will be made annually for the program for future rounds of grant awards until funds are expended.
- $7.1 million may be used for preservation or presentation of maritime heritage assets belonging to MARAD or may be transferred to the NPS for additional National Maritime Heritage Grants as determined by the Maritime Administrator. Of note, $839,096 of funding available for MARAD's use was transferred to NPS for the FY 2014 National Maritime Heritage Grant program for a total of $2.8 million that year. Additionally, the Maritime Administrator agreed to transfer an additional $967,863 of MARAD funding to NPS in January 2016, bringing the total of FY 2015 application grant awards to $2.8 million.

In September 2013, MARAD and the NPS entered into a Memorandum of Agreement (MOA) that established a cooperative partnership to promote and advance public awareness and appreciation for the nation's maritime heritage. The MOA provides that MARAD will give the NPS one half of the 25 percent (12.5 percent) of MARAD's maritime heritage preservation funds to be used for the National Maritime Heritage Grant Program. Additional funding may be provided to the NPS based on mutual consent.

MARAD's historic properties include the Department of Transportation's only National Historic Landmark, the nuclear-powered merchant ship, N.S. *Savannah*; the U.S. Merchant Marine Academy National Historic District; and the William S. Barstow mansion located on the U.S. Merchant Marine Academy's grounds, which serves as the American Merchant Marine Museum. The agency is also responsible for the management of more than 7,000 heritage assets, of which approximately 3,000 are housed in the museum. Additionally, more than 600 are on loan to maritime museums and other organizations throughout the country.

- ***Please provide to me an accounting of the total amount of revenue generated for disbursement to State Maritime Academies since 2005, and an accounting of all annual disbursements made to the academies since 2005?***

Response: As provided by statute, 25 percent of the revenue generated by the sale of obsolete

vessels from the NDRF for scrapping is designated for the support of the U.S. Merchant Marine Academy and the six State Maritime Academies. Since 2005, approximately $19 million of the sales proceeds have been available for distribution to the Academies. Approximately $17 million of that funding has been distributed: $13.48 million to the six State Maritime Academies and $3.55 million to the U.S. Merchant Marine Academy. MARAD has provided funding to the State Maritime Academies or the U.S. Merchant Marine Academy each fiscal year since FY 2007, with the exception of FYs 2008 and 2013. Funding may be used for facility and training ship maintenance, repair and modernization, and for the purchase of simulators and fuel. Below is an annual breakdown of funding that has been distributed to the academies.

SHIP SALES - USMMA and STATE MARITIME ACADEMIES 25% DISTRIBUTION WORKSHEET								
	FY 2007	FY 2009	FY 2010	FY 2011	FY 2012	FY 2014	FY 2015	Total
USMMA	209,000.00	444,561.00	188,143.00	147,959.00	962,000.00	-	1,600,000.00	3,551,663.00
Maine Maritime Academy	10,000.00	300,000.00	-	60,537.00	940,055.50	1,000,000.00	-	2,310,592.50
Massachusetts Maritime Academy	10,000.00	300,000.00	-	20,180.00	940,055.50	1,000,000.00	-	2,270,235.50
NW Michigan College	10,000.00	50,000.00	-	20,180.00	940,055.50	1,000,000.00	-	2,020,235.50
Texas A&M	10,000.00	-	-	20,180.00	940,055.50	1,000,000.00	-	1,970,235.50
California Maritime Academy	10,000.00	450,000.00	-	131,165.00	940,055.50	1,000,000.00	-	2,531,220.50
SUNY	10,000.00	300,000.00	-	131,165.00	940,055.50	1,000,000.00	-	2,381,220.50
Total Distributions	**269,000.00**	**1,844,561.00**	**188,143.00**	**531,366.00**	**6,602,333.00**	**6,000,000.00**	**1,600,000.00**	**17,035,403.00**
							USMMA	3,551,663.00
							SMAs	13,483,740.00
Note: No Distributions were made in FYs 2005, 2006, 2008 and 2013.								

- ***Please provide me with an accounting of all annual administrative expenses to administer the ship recycling program since its inception in 2005?***

Response: Below are the administrative expenses for MARAD's ship recycling program.

SHIP RECYCLING PROGRAM - ADMINISTRATIVE EXPENSES											
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Admin Expenses	$964,013	$1,216,918	$982,194	$1,299,490	$1,476,972	$1,942,495	$1,664,087	$2,173,094	$2,066,410	$1,932,107	$2,004,734

Small Shipyard and Marine Highway Grants

I am disappointed that the administration has again decided to not request any funding in its Fiscal Year 2016 budget for the Assistance to Small Shipyards Grant Program and for the administration's Marine Highways Initiative.

- ***If MARAD's mission is to "strengthen the U.S. maritime transportation system – including infrastructure, industry and labor – to meet the economic and security needs of the Nation," how can the administration justify not requesting any funding for these worthy and needed programs?***

Response: The $406.8 million requested in the Presidents FY 2016 Budget for MARAD funds activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, environmental sustainability, safety, and education—all of which support MARAD's mission to foster, promote and develop the merchant maritime industry of the United States.

For Small Shipyard Grants, the focus in FY 2016 will be on awarding and administering the $5 million provided in the Consolidated Appropriations Act, 2016, Pub. L. 114-113, as well as the administration and oversight of the existing grant portfolio, which includes four on-going grants totaling $2.1 million. Congress has provided approximately $177 million between FY 2008 and FY 2016 for the Assistance to Small Shipyards program supporting 160 grants. MARAD issued a Notice of Funding Availability on January 6, 2016, and intends to award grants no later than April 18, 2016, as required by statute.

Our current emphasis for the Marine Highway Program is on identifying markets and potential new services through planning and pre-planning efforts to inform future investment, both public and private. We recently initiated an ongoing six-month review cycle which will extend through June 2016 to solicit applications for potential Marine Highway Projects, and our third cycle will begin on July 1, 2015. As a result of this initiative, Secretary Foxx designated three new Marine Highway Projects as having strong potential to create new marine transportation options for shippers in New York; the Washington, D.C. metropolitan area; and along the Mississippi River. We are working with those project sponsors to identify markets, develop operational plans, identify and address infrastructure gaps, and minimize service costs to develop alternative supply chains that utilize the excess capacity of our Marine Highway System. For that reason, there is no separate line item for the Marine Highway Grant Program in this year's budget request, but these Marine Highway Project applications are providing data that will be used to inform future requests.

- ***Does the Department of Transportation intend to utilize any funding available in the next round of TIGER grants to support projects under these two initiatives, especially Marine Highways?***

Response: Yes. MARAD is currently overseeing more than $122 million in TIGER grants awarded by DOT to help develop facilities and capabilities at our Ports to support new services on designated Marine Highway Routes (this does not include the $7 million in Marine Highway grants funded in 2010).

- ***Does the Department of Transportation support broadening the eligibility of the TIFIA credit assistance program to include maritime projects?***

Response: Projects within port facilities that directly facilitate the intermodal transfer of freight are eligible for TIFIA credit assistance. DOT is working with ports to determine the full scope

of that eligibility and to identify projects that would qualify for TIFIA credit assistance. Of note, the Port of Newark has submitted the first port TIFIA letter of inquiry to begin the application process.

STATEMENT OF
MARIO CORDERO,
CHAIRMAN, FEDERAL MARITIME COMMISSION
800 NORTH CAPITOL ST., N.W.
WASHINGTON, D.C. 20573
(202) 523-5911
www.fmc.gov

BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES

February 25, 2015

Mr. Chairman, Ranking Member Garamendi, and members of the Subcommittee, thank you for this opportunity to discuss the Federal Maritime Commission's (Commission or FMC) important accomplishments and our planned activities within the funding provided in the President's Fiscal Year (FY) 2016 budget.

Commission Activities

The Commission continues to play an integral role in implementing a regulatory system that ensures a competitive playing field, facilitates commerce, and encourages reliable service to U.S. exporters and importers, while minimizing government intervention and costs. The Commission is focused on supporting U.S. exports and the country's continued economic growth. In its role as a regulator of marine terminal operators, ocean common carriers, and ocean transportation intermediaries, the Commission's mission is to foster a fair, efficient, and reliable international ocean transportation system, and to protect the public from unfair and deceptive practices. The international industry that the agency oversees is responsible for moving approximately $900 billion annually worth of containerized goods to and from American shores. In this regard, the Commission provides an exceptional return on the taxpayer's investment.

I believe that the three most important ways the Commission promotes economic growth are: (1) working to facilitate the competitiveness of our Nation's ports and maritime transportation system to support growth in exports; (2) ensuring that cargo moves as efficiently as possible, and addressing nationwide issues such as port congestion; and (3) providing regulatory relief so businesses and their customers can hire more American workers.

The Commission remains alert to foreign activities that have the potential to harm the U.S. maritime industry, American importers, exporters, and consumers. The Commission acquires information not only through its own monitoring responsibilities and constant contacts

with the industry, but also from its relationships with other Federal agencies including the U.S. Coast Guard, the Maritime Administration, the U.S. Customs and Border Protection and other Department of Homeland Security components.

The Commission also continues to look for opportunities, consistent with the Commission's statutory authority, to work with all sectors and users of the international maritime industry to encourage efficient and sustainable growth.

The Commission's strategic plan provides a roadmap to achieve its statutory mission and sets forth two broad goals: (1) to maintain an efficient and competitive international ocean transportation system; and (2) to protect the public from unlawful, unfair, and deceptive ocean transportation practices, and to resolve shipping disputes. Each of my fellow Commissioners understands the importance of the agency's objectives, and we will continue working in an efficient, cooperative, and bipartisan manner to accomplish them. I will continue to lead the agency to address those goals while making sure the agency's resources are used efficiently.

During the past year, the Commission has taken several important actions to accomplish these goals:

1. Supporting U.S. Exports and Economic Growth

Two of the Shipping Act objectives call for the Commission 1) to foster an efficient and economic transportation system in the ocean commerce of the U.S. and 2) to promote the growth of U.S. exports. The competitiveness of our Nation's ports rests upon an efficient transportation system, which includes entities the Commission regulates: marine terminal operators, ocean common carriers, and ocean transportation intermediaries. The vast majority of our nation's exports and 80% of global trade, in goods by volume, move via ports.

The Commission monitors the Nation's ports, including marine terminal operators' efficient stewardship of resources and their focus on productivity. For example, the Commission has made the ongoing congestion troubling the West, East and Gulf coast ports a particular focus during 2014. The Commission will continue that focus during 2015. Congestion at our ports has had severe adverse effects on U.S. exports, including shipping delays, lost export sales and increased costs for cargo that is moved. U.S imports have also been seriously affected. As you will recall, U.S. imports for the holiday peak season were delayed at U.S. West Coast ports due the inability of the ports to handle the large number of containers that are unloaded from vessels that are able to be carried on 16,000 TEU vessels. The holiday season delays resulted in lost retail sales or sales at reduced prices.

This past fall, the Commission held four congestion forums at major gateway ports to foster dialogue between industry stakeholders, regulators, and the general public on the causes, impacts and possible solutions for the current port congestion experienced around the country. In September 2014, I hosted a forum in Los Angeles. In October, Commissioners Lidinsky and Doyle hosted a forum in Baltimore and Commissioner Khouri hosted one in Charleston, South Carolina. Commissioner Dye held the final forum in New Orleans in November.

There are many factors contributing to the current congestion, including the unavailability of chassis at the ports. Ocean carriers serving Los Angeles-Long Beach, New Your-New Jersey, Baltimore, and other ports have been withdrawing from owning and providing chassis in order to reduce costs. Other companies have been buying chassis and leasing them to merchants or truck drivers. This has led to increased focus on chassis pools and equipment sharing agreements at U.S. ports and inland terminals. Tour many of the nation's ports, and you will hear that there are issues in finding available chassis.

Equipment sharing agreements filed with the Commission such as the Consolidated Chassis Management Agreement (CCM), facilitate chassis pools that aim to enhance the efficiency of intermodal chassis operations in the United States. CCM, which is comprised of ocean common carriers, operates six cooperative chassis pools in the South and Midwest sectors of the United States. Chassis leasing companies, motor carriers, and others can contribute chassis to the CCM pools, but the pools themselves are managed by the ocean common carriers. At this stage of the transition, leasing companies are the primary owners and contributors of chassis in the CCM pools. The Commission will continue to monitor the availability of chassis in the marketplace with an eye toward whether the structure of chassis ownership and management is contributing to congestion.

At the Port events, and through additional discussions, the Commission has heard significant concerns with how marine terminal operators and ocean common carriers are assessing demurrage charges when shippers are not able to retrieve containers from the terminals due to congestion delays through no fault of their own. With disappointing frequency, the Commission is receiving complaints by shippers about how shippers are repeatedly told that they may not retrieve a container due to on-dock congestion or delays at the gate. Worse yet, some shippers find out that once the container is finally made available, the carrier and marine terminal operator will not release it until the shipper pays demurrage for not picking up the container before free-time expires. The Commission is currently evaluating these practices, which many shippers allege are unfair, and will continue to watch out for American shippers and consumers.

The Commission monitors some agreements that aim to drive industry innovations in the operations of the Nation's international ocean ports. As an example, PierPASS is an agreement originally created in 2005 among marine terminal operators in the ports of Los Angeles and Long Beach. Filed with the FMC, PierPASS addresses multi-terminal issues such as congestion, security, and air quality. Under this program, all international container terminals in the Nation's largest port complex established new gate hours, with the incentive to use off-peak shifts and to cover the added cost through a traffic mitigation fee collected from peak shift cargo movement. A few months ago, I met with PierPASS executives to discuss congestion issues at the Ports of Los Angeles and Long Beach. The managers of PierPASS are aware of the Commission's interest in how the agreement operates and the impact it has on truck congestion in Southern California, and my fellow Commissioners and I will further examine PierPASS in 2015.

We will also continue our efforts to assist U.S. exporters. The Commission will monitor rate discussion agreements in the Transpacific, the nation's largest trade lane, to ensure that those agreements do not impede U.S. exports and imports through anticompetitive practices that

impact rates or services. The Commission will likewise continue to coordinate efforts with the United States Department of Agricultural (USDA) Ocean Shipping Container Availability Report (OSCAR) to provide shippers, particularly those in the agriculture sector, with the participating carriers' estimates of equipment availability for the current week, and projected weekly container availability for the subsequent two weeks.

The Commission's Office of Consumer Affairs and Dispute Resolution Services (CADRS) assists parties to informally resolve shipping disputes including those arising from congestion issues at ports. These services are available to the public without charge and can assist parties in disputes relating to commercial shipments, shipments of household goods, privately-owned vehicles and effects, as well as problems that may arise between passengers and cruise lines. During Fiscal Year 2014, CADRS handled 1,664 requests for ombudsman services, an increase of 453 such requests from Fiscal Year 2013. These included 77 passenger complaints about cruise line issues, 1,449 complaints with respect to household goods shipments, 136 complaints involving other cargo shipment matters, and 2 matters involving other maritime related issues. Cargo shipment complaints continued to be of increasing complexity, especially those involving specific shipments affected by port congestion issues. It is a pleasure to report that the industry has embraced our CADRS objectives.

2. Reducing Regulatory Burdens

The Commission has made regulatory relief and modernization pursuant to the President's Executive Order 13563 a top priority. During the past year, we re-evaluated several of our regulations in the interest of reducing regulatory burdens and identifying potential cost savings and flexibility to the shipping industry and the customers they serve.

I am happy to report that the Commission revised provisions from its Advance Notice of Proposed Rulemaking (ANPRM) to its Ocean Transportation Intermediary (OTI) rules, following the comments from industry regarding the ANPRM and members of Congress. Based on that feedback, the Commission issued a Notice of Proposed Rulemaking that would lengthen the time period for OTIs to renew their licenses to three years, free of charge.

The Commission plans to review its Marine Terminal Operator regulations in FY 2015 and review its Carrier Automated Tariff regulations in FY 2016. In the meantime, Commission staff is working on developing recommendations on its regulations governing service contracts and Non-Vessel-Operating Common Carrier service arrangements for Commission review.

3. Foreign Shipping Practices, International Activities, and Global Alliances

The Commission continues to watch for restrictive or unfair foreign shipping practices pursuant to Section 19 of the Merchant Marine Act, 1920; the Foreign Shipping Practices Act (FSPA) of 1988; and the Controlled Carrier Act of 1978. Section 19 empowers the Commission to issue rules and regulations to address conditions unfavorable to shipping in our foreign trades; FSPA allows the Commission to address adverse conditions affecting U.S. carriers in our foreign trades that do not exist for foreign carriers in the United States. The Commission has had

substantive discussions regarding activities that may raise concerns under Section 19 and the FSPA, and will continue to pursue informal solutions to potential problems.

Four large carrier operational agreements were established or expanded in 2014. These agreements include the six-member *G6 Alliance Agreement* (G6); the two member *2M Vessel Sharing Agreement* (2M); the three member *Ocean 3 Vessel Sharing Agreement* (Ocean 3); and the five member *CKYHE Vessel Sharing Agreement* (CKYHE).[1] The Commission will continue to closely monitor the impacts of these and other agreement on ocean commerce and the American shipping community.

4. Protecting American Consumers

As noted above, the Commission's mission includes ensuring service and providing protection for members of the public. The Commission seeks to provide this protection to all participants in the transportation system — including those who are not sophisticated shippers, or those who may travel on cruise ships or deal with international shipping only infrequently, for example, when they ship personal belongings or household goods abroad. Aggrieved parties can file complaints with the Commission that are heard by Administrative Law Judges, and ultimately reviewed by the Commission. Thus, if parties believe that they have been harmed and the conduct runs afoul of the prohibited acts in the Shipping Act of 1984, the Commission provides a forum for the parties to seek review of the complaint. Through the formal complaint process, and the informal complaint resolution process administered by CADRS, the Commission serves as a knowledgeable, respected source for resolving complaints relating to ocean shipping practices.

CADRS also receives a significant number of requests from passengers and from members of Congress on behalf of their constituents for assistance with cruise lines. Though not a compulsory process, CADRS facilitates discussions between consumers and the cruise lines to resolve such disputes. The most common examples of these complaints are cruise cancellations, changes of itinerary, difficulties encountered with connecting transportation (*e.g.*, flight

[1] *G6* consists of American President Lines, Hapag Lloyd, Hyundai, Mitsui O.S.K Lines, Nippon Yusen Kaisha, and Orient Overseas Container Line and serves the transatlantic and transpacific U.S. East and West Coast trades, as well as the U.S. Mediterranean trades. *G6* accounts for 32.6 percent of the U.S. West Coast/Asia trade, 30.7 percent of the U.S. East Coast/Asia trade, 39.9 percent of the U.S./North Europe trade, and 20.1 percent of the U.S./Mediterranean trade.

The *2M* Vessel Sharing Agreement is comprised of Maersk Line and Mediterranean Shipping Company, the top 2 largest container carriers in the world, and accounts for 15.2 percent of the U.S. West Coast/Asia trade, 23.5 percent of the U.S. East Coast/Asia trade, 31.4 percent of the U.S./North Europe trade, and 48 percent of the U.S./Mediterranean trade. *Ocean 3* is composed of CMA CGM, China Shipping Container Line, and United Arab Shipping and accounts for 12.1 percent of the U.S. West Coast/Asia trade, 13.6 percent of the U.S. East Coast/Asia trade, 5.8 percent of the U.S./North Europe trade, and 12.6 percent of the U.S./Mediterranean trade. *CKYHE* contains China Ocean Shipping Company, K-Line, Yang Ming, Hanjin, and Evergreen and accounts for 36.9 percent of the U.S. West Coast/Asia trade, 27.4 percent of the U.S. East Coast/Asia trade, 8.6 percent of the U.S./North Europe trade, and 4.2 percent of the U.S./Mediterranean trade.

cancellations), reports of discrepancies in cruise advertising, and problems with passenger documentation (*e.g.*, refused boarding due to failure to have appropriate type of personal identification).

5. Sustainability and Efficiency

Environmental sustainability concerns continue to play an important role in the agreements and shipping practices the Commission regulates. As ports and ocean common carriers modernize their business practices, equipment, and facilities to increase efficiency and grow in a sustainable manner, the Commission will work diligently to be a helpful partner.

Today, "slow steaming" continues as a widespread industry practice that is beginning to affect future engine designs and carriers' service network configurations. Sustainable practices are part of a business model in the maritime industry. As a result, the Commission has monitored changes to fuel surcharges made by the major rate discussion agreements in the Transpacific trades. The Commission's internal Maritime Environmental Committee continues to seek best practices and environmental initiatives in the industry to highlight innovation in this area that benefit the bottom line.

6. Enforcement: Stopping Fraud, Market Distortions, and Threats to Safety and Security

The Commission's Bureau of Enforcement, Area Representatives, and investigative staff continue to address shipping practices that are unfair, unlawful or deceptive. Targeted violations have included illegal or unfiled agreements among ocean common carriers; unfair or fraudulent practices affecting household goods shippers; and misdescription of cargo, which not only affects shipment costs, but can also pose a serious safety and security risk by preventing vessel operators and port officials from knowing what goods are being transported on vessels into the United States. In FY 2014, the Commission collected approximately $3,000,000 in civil penalties for Shipping Act violations.

7. National Security

The Commission's oversight of ocean common carriers, ocean transportation intermediaries, and marine terminal operators is an important element in the effort to protect our Nation's seaports. Unique among federal agencies, the FMC regulates virtually all entities involved in liner shipping that receive, handle, and transport cargo and passengers in foreign commerce. The FMC's central mission affords it the opportunity to assist front-line security efforts by providing information regarding the backgrounds of parties using our Nation's supply chain, including those with direct access to our seaports.

The FMC continues to share Automated Commercial Environment-International Trade Data System (ACE-ITDS) data pursuant to the memorandum of understanding it signed with U.S. Customs and Border Protection (CBP) in 2013. The data sharing between the FMC and CBP strengthens the balance of facilitation of commerce with enforcement of the regulation of

ocean carriers and other entities involved in ocean trade and ensure compliance with the SAFE Port Act.

The FMC is a also partner with the National Intellectual Property Rights Coordination Center, a Department of Homeland Security lead partnership comprised of 21 Federal and international agencies targeting crimes related to intellectual property and trade. Counterfeit goods can cause serious, life-threatening consequences to American consumers, and the Commission is proud to play a role in attempting to combat these issues with our partner agencies.

Cooperation with other agencies has expanded into joint field operations to investigate entities suspected of violating both agencies' statutes and regulations. Such cooperation often involves local police, U.S. Citizenship and Immigration Services officers, Immigration and Customs Enforcement officers, the Federal Bureau of Investigation and the U.S Coast Guard.

8. Modernization and Technology

On behalf of the Commission, I thank Congress for providing the Commission with funds allowing it to update its outdated computer systems. Increased funding for fiscal years 2014 and 2015 allowed the FMC to make significant progress in enhancing cybersecurity and information technology infrastructure. The Commission's dated systems were taking a toll on its ability to communicate and interact with regulated entities and the shipping public. With Congress' support, we have been able to take the first steps toward creating a modern, user-friendly, and (most importantly), efficient system that can make the agency more productive. As reflected in the Commission's FY2016 Budget Request, in fiscal years 2015 and 2016, the FMC will continue the multiyear enhancement of its IT systems. Much of this work involves a transition to the use of Enterprise Content Management or ECM technology. The new technology will greatly streamline the Commission's internal business processes, research and analysis capabilities, external user's filing processes, and public access to FMC information. In connection with increasing the public's accessibility to FMC information, the Commission will begin implementing a plan to upgrade its website and document repository in fiscal year 2015.

Planned FMC IT actions for FY 2015 and 2016 include efforts to:

- Continue transitioning infrastructure components to a cloud environment;
- Further develop and deploy ECM technology, which will enhance the ability of applicants to file electronically, which will result in faster processing times for license applications;
- Build and deploy a new Service Contract Filing System;
- Design and deploy an updated Automated Tariff Registration System (Form-1);
- Automate the filing of applications for certificates by passenger vessel operators;
- Continue to implement an updated CADRS case tracking system for responsive handling of consumer complaints;
- Migrate IT security standards from the Certification and Accreditation process to the FedRAMP process for all applicable systems;

- Streamline internal business processes with enhanced IT systems with respect to agreement filing and trade monitoring programs; and
- Establish the FMC Disaster Recovery (DR) infrastructure in order to meet recovery points, times, and objectives.

9. Human Capital Management

Like all agencies, we understand that employees are a critical asset. Over half of FMC's executives are eligible for optional retirement. Accordingly, our Human Capital Plan is vital in order to guide our actions in planning for succession. In addition to providing training opportunities to develop a new generation of leaders, the proposed 2016 funding level will allow the Commission to provide training opportunities to all employees in order to provide better service to regulated parties, and increase the efficiency of each employee's work.

Vacancies, which currently represent about 8% of the current staff, have compromised the Commission's ability to carry out many of its functions, including responding to shipping disputes, resolving complaints, and addressing industry concerns. Filling those positions will also allow the FMC to provide oversight of the economic impact of Marine Terminal Operators and ocean common carriers, including anti-competitive effects such as higher transportation costs and reductions in transportation service.

Funding

The President's Budget for the Commission provides $27,387,000 for FY 2016. This figure includes funds for salaries and benefits for 135 full-time equivalent employees as well as mandatory rent, interagency services, and critical commercial services. Our FY 2016 budget request contains $19.8 million for salaries and benefits to support the Commission's programs.

Official travel has been held at the 2015 enacted level of $200,000. The ability of our staff to travel is essential to accomplish our oversight, investigation, and enforcement duties more effectively. Travel also enables the Commission to engage with our foreign counterparts, which is an essential part of our effort to provide better service to the ocean transportation industry.

Administrative expenses are funded at $7.4 million in FY 2016 to support our usual and customary business expenses, such as rent, security, telephones, postage, commercial and government contracts, and supplies. This represents a net increase of just $84,000 over 2015. The requested funding level includes slight increases for office space, and commercial and government contracts, including the cost of facilities and data security, shared government services. These increases are offset partially by reduced funding for consulting services. The Commission is improving technology to enhance Commission services and facilitate public interaction while adding greater efficiencies to Commission business practices.

In summary, the Commission's budget represents minimal spending levels necessary to conduct the Commission's basic day-to-day operations and to meet the responsibilities Congress

has entrusted to the agency. The continued growth in international trade, the size and complexity of agreements among the largest container carriers in the world, and in the number of Ocean Transportation Intermediaries, present correspondingly greater challenges on the manpower resources of the Commission. The President's Budget for 2016 would allow the Commission to create staff efficiencies in order to operate at the authorized 135 FTE level. The Commission will continue to use its limited resources wisely.

State of the U.S. Liner Trades

Since 1916, the Commission and its predecessor agencies have effectively administered Congress' directives for oversight of the liner shipping industry. The Commission was established as an independent agency over fifty years ago. Throughout those years, we have worked to develop a regulatory system that ensures competition, facilitates commerce, and ensures reliable service for U.S. exporters and importers, while minimizing government intervention and regulatory costs. To recognize the impacts of global commerce, I would like to give a brief overview of the state of major U.S. foreign oceanborne trades, and highlight significant developments.

The recovery in the U.S. liner trades continued in 2014 with U.S. container exports and imports worldwide reaching 31 million twenty-foot equivalent units (TEUs) in Fiscal Year 2014, as compared to 30.5 million TEUs in 2013. In Fiscal Year 2014, as compared to 2013, U.S. container exports worldwide rose slightly by 1 percent, and U.S. container imports grew by 4.7 percent.

The global containership fleet continued to expand in Fiscal Year 2014. The fleet's nominal capacity grew by approximately five percent. At the end of Fiscal Year 2014, 5,017 containerships, with a total fleet capacity of 18.1million TEUs, were available to serve the world's container trades. Globally, as of September 2014, there were orders for 488 new containerships with an aggregate capacity of 3.6 million TEUs, which is equivalent to 19.7 percent of the existing fleet capacity.

As Fiscal Year 2014 came to a close, 131 containerships lay idle, representing 1.1percent of the total fleet capacity measured in TEUs. In comparison, 235 ships representing 4.5 percent of the containership fleet capacity lay idle at the end of 2013. In terms of concentration, at the close of Fiscal Year 2014, the top ten container carriers controlled 64 percent of the world's containership capacity, the top five controlled nearly 47 percent; and the top three controlled 37 percent.

In the U.S. trades, several major alliance agreements were filed in 2014, which represent a substantial amount of service cooperation between carriers. Carrier members of the Grand Alliance and the New World Alliance agreements continued the *G6 Alliance Agreement* to collectively operate six liner services between the U.S. Atlantic Coast and Asia. In December 2014, *CKYHE Vessel Sharing Agreement*, comprised of five large carriers formed to operate liner services between the U.S. and Asia, Northern Europe, and the Mediterranean.

The Commission is also monitoring the growth of chassis agreements, which impact the movement of cargo from vessels to the trucks or rails, and ultimately impacts U.S. exports and imports. These chassis agreements supply chassis to marine terminals at nine ports and numerous inland terminals in the United States.

At the close of 2014 there were six such agreements on file with the Commission, several of which are specific to individual ports, states or pairs of states, and one of which operates six regional chassis pools

While experiencing growth overall, U.S. container ports saw very mixed results in 2014. Container volumes in the Port of Los Angeles in 2014 increased 6 percent compared with 2013 levels. At the neighboring Port of Long Beach year-over-year container volumes increased by 1.3 percent despite a 2.6 decline in December volumes. Import and export volumes for Seattle and Tacoma, combined, both declined in 2014. Combined exports fell by 1.6 percent from 2013 levels, while imports decreased by 4.1 percent. Serious concerns have been expressed by ports, the carrier industry, marine terminal operators, importers and exporters regarding the impacts of port congestion on the Nation's port gateways and on intermodal facilities at those gateways. The Commission will continue to assist efforts to find solutions to the current port congestion.

Transpacific Trades

In terms of container cargo volumes, Asia remains our primary trading region. In Fiscal Year 2014, Asia accounted for 62.3 percent of the total U.S. container cargo volume (export and import containers combined), amounting to 19.2 million TEUs. Northeast Asia accounted for 53.3 percent of the total U.S. container cargo, and Southeast Asia accounted for nine percent. In Fiscal Year 2014, compared to 2013, U.S. container exports to Asia increased by less than one percent, and imports from Asia also rose by 4.6 percent. Container imports exceeded exports by a ratio of two to one.

The *Transpacific Stabilization Agreement* (TSA) is the major discussion agreement in the trade. Under TSA, fifteen carrier members are authorized to discuss and agree voluntarily on ocean freight rates, charges and other terms.

Also notable is an agreement among the top 3 largest container vessel operators (Maersk, MSC and CMA-CGM) that was filed in 2014, but never implemented. The agreement formed the *P3 Network Vessel Sharing Agreement*. The P3 Network agreement provided for six services between the U.S. Pacific Coast and Asia, along with the four services between the U.S. Atlantic/Gulf Coasts and Asia via the Panama or Suez Canal. The P3 agreement would have also enabled the parties to share vessels and have cooperative working arrangements in the trades between the U.S. North Europe, and the Mediterranean.

The agreement was terminated on September 2, 2014, after taking effect March 24, 2014. Nonetheless, it provides an example of the carrier industry's continued desire to achieve further

efficiencies of scale that help them. These vessel operator efficiencies are also exacerbating the congestion problems I have highlighted.

U.S. – North Europe Trades

In Fiscal Year 2014, container exports and imports between the U.S. and North Europe both grew by five percent, compared to the preceding fiscal year. By the end of the fiscal year, vessel capacity in the trade also increased by approximately five percent in each direction, and the average utilization of capacity was reported to have been 83 percent in the outbound direction, and 94 percent in the inbound direction. The volume of container cargo amounted to 3.4 million TEUs, and accounted for approximately 11 percent of the total U.S. container volume in Fiscal Year 2014.

In the transatlantic trade, the P3 operated three services between North Europe and the U.S. Atlantic and Gulf Coasts, in addition to a pendulum service between ports in Asia, the U.S. Pacific Coast, and North Europe, before the agreement ended on September 2, 2014. The G6 carriers expanded their service to North Europe and combined their operations to form three services between North Europe and the U.S. Atlantic and Gulf Coasts, and two pendulum services between ports in Asia, the U.S. and North Europe.

U.S. – Latin America Trades

Economic ties have strengthened between the U.S. and the region of Latin America, which includes nations in South and Central America. The U.S. has eight free trade agreements in the region representing an increase from five such agreements last year. These agreement involve Colombia, Chile, Peru, and several Central American countries. In Fiscal Year 2014, compared to 2013, U.S. container exports to South America declined by 5.7 percent. U.S. container exports to Central America fell by 2.3 percent. U.S. container imports from Central America declined by .16 percent and imports from South America fell by .46 percent. Overall, the volume of container cargo amounted to 3.1 million TEUs for 2014.

Trade between the U.S. and South America comprised about 58 percent of container cargo from the region, amounting to million TEUs. South America is divided into two distinct service sectors between the East and West Coasts. Ocean carriers serving the East Coast of South America do not participate in a dedicated discussion agreement for that service sector. In the West Coast service sector, eleven carriers participate in a discussion agreement with voluntary rate authority, the *West Coast of South America Discussion Agreement* (WCSADA).

U.S.-Mediterranean Trades

The liner trade between the U.S. and southern Europe was more robust than other trades. In Fiscal Year 2014, U.S. container exports and imports to and from the Mediterranean grew by

ten percent. Overall, the volume of container cargo amounted to 1.4 million TEUs, or 4.5percent of the total U.S. container volume for Fiscal Year 2014.

U.S. – Oceania Trades

The Oceania trade includes the nations and territories of Australia, New Zealand, and the Pacific Islands. In Fiscal Year 2014, as compared to 2013, container cargo growth improved. U.S. container exports improved by 3 percent, and imports from the region grew by ten percent. The ratio of export to import containers in the trade was 1.6 to one. The leading export commodities were auto parts, general merchandise, grocery products, paper and tires. The top two container import commodities were meat and wine. The volume of container cargo in the Oceania trade was 474,000 TEUs, which equated to about 1.5 percent of the total U.S. container volume for Fiscal Year 2014.

Carriers providing direct service in the trade are linked through agreements. Two main rate discussion agreements cover the trade. Six carriers participate in the *United States/Australia Discussion Agreement* (USADA) in the outbound direction, and six carriers participate in the *Australia and New Zealand-United States Discussion Agreement* (ANZUSDA) in the inbound direction. Most of the carriers that serve the trade directly operate collective services through several vessel sharing agreements. Further, a number of major carriers serve the trade through transshipment arrangements. In addition, five carriers serving the Pacific Islands participate in the *Pacific Island Discussion Agreement*. Given the extent of cooperation in agreements among a limited number of carriers, the Commission closely monitors the carriers' activities in this trade.

The Commission's responsibilities under the Shipping Act and its regulations require monitoring agreements among the world's largest container vessel operators and highlights the vital role the Commission plays in today's international trade and globalized world. The importance of this role is reflected in the fact that the four large vessel operator agreements discussed above, the G6 Alliance, 2M, Ocean 3 and CKYHE agreements, account for 96.8 percent of the containerized trade in the Asia – U.S. West Coast trades. The Commission is taking all appropriate steps to obtain information from the parties to these agreements that will provide early warning of adverse effects that may harm the public.

CONCLUSION

Mr. Chairman and members of the Subcommittee, I hope that these comments give you a clear indication of the state of the industry serving the Nation's foreign oceanborne trade, and the important mission of the Federal Maritime Commission. I thank the Subcommittee for its support of the Commission through the years and respectfully request favorable funding consideration for Fiscal Year 2016 and beyond, so that the agency may continue to perform these vital statutory functions, and so that the public and shipping industry may continue to be served reliably, efficiently and effectively.

Dear Representative Garamendi and the Subcommittee:

Thank you for the opportunity to address the Subcommittee during the February 25, 2015 budget hearing and to respond to the questions for the record related to the Subcommittee's consideration of the FMC's Fiscal Year 2016 budget request. The Commission is a small agency with a large mission: to maintain an efficient and competitive ocean transportation system while protecting the U.S. shipping public from unlawful, unfair and deceptive ocean transportation practices as well as resolving shipping disputes. The FMC actively responds to the challenges facing the U.S. ocean transportation system, such as the recent increase in congestion at the nation's ports, and the increasing trend among ocean carriers toward large alliances and agreements.

The FMC strives to manage its resources to accomplish its mandate, improve efficiency and provide greater public access to information. With the approval of the Commission's FY 2016 budget request, the FMC will be able to provide its mission critical functions and continue the progress it has made to improve its public facing web services and IT infrastructure. I look forward to the Subcommittee's further review of the FMC's FY 2016 budget request.

Sincerely,

Mario Cordero

FMC Responses to the Subcommittee's Questions for the Record

Subcommittee on Coast Guard and Maritime Transportation
Hearing on President's Fiscal Year 2016 Budget Request for Coast Guard and Maritime Transportation Programs - Wednesday, February 25, 2015

Justification for Funding Increase

1. The Fiscal Year 2016 budget request for the Federal Maritime Commission proposes a $1.7 increase over the Fiscal Year 2015 appropriation of $25.6 million.

- ***Were the Congress to provide the full requested amount of $27.4 million, what priorities would the Commission address with this increased funding?***

The FMC has the mission to foster a fair, efficient, and reliable international ocean transportation system, and to protect the public from unfair and deceptive practices. The FMC will continue to implement its Strategic Plan for FY 2014 - 2018[1] and meet its objectives and performance measures. Objectives in the Strategic Plan include: 1) enhancing efficiency in the trades through the use of asset-sharing authority under the Shipping Act of 1984; 2) identifying and taking action to end unlawful, unfair and deceptive practices; 3) preventing public harm through licensing and financial responsibility requirements; 4) enhancing public awareness of agency resources, remedies and regulatory requirements through education and outreach; and 5) impartially resolving international shipping disputes through alternative dispute resolution and adjudication.

The Commission's ability to meet its mandate and objectives depends upon attracting and maintaining a strong and dedicated workforce. The Commission is requesting an increase of $1.643 million for salary and benefits increases for its workforce, which is comprised of a highly experienced economists, attorneys and experts in ocean transportation. An additional $84,000 is also requested in FY 2016 to meet administrative expense needs.

- ***It is my understanding that the FMC could hire up to eleven new full-time staff positions. Can you please detail what these positions are and why they are needed? Would most of these new hires simply back-fill vacancies created by attrition, or would they be hired to undertake entirely new functions?***

The Commission's full-time equivalent (FTE) level has dropped from 127-128 FTEs in FY 2010 and FY 2011, respectively, to 113 FTEs in FY 2014, due primarily to attrition and budgetary circumstances such as sequestration. The FY 2014 FTE number was the lowest level since the late 1970s. The FMC's staff have worked diligently to maintain its mission-critical functions

[1] http://www.fmc.gov/assets/1/Page/StrategicPlan14-18draft.pdf

with stretched resources. The new hires will help the Commission fulfill its mission and provide for future sustainability. The requested hires are critical to succession planning as currently 29% of the FMC's employees are eligible for retirement.

The requested hires will be a crucial part of the FMC's efforts to maintain an efficient and competitive international ocean transportation system and protect the public from unlawful, unfair and deceptive practices. Specifically, the 11 requested FY 2016 FTEs will fulfill existing FMC functions: 1 additional Area Representative will provide customer service to the public and industry at the nation's ports; 2 additional analysts for the Bureau of Certification and licensing would process ocean transportation intermediaries (OTI) licenses and passenger vessel operators (PVO) certificates; 3 attorneys will contribute to the Office of the General Counsel and Office of the Chairman; 1 new hire would supplement the Bureau of Enforcement's Shipping Act compliance function; 1 economist in the Bureau of Trade Analysis will assist with economic analysis; and 3 of the proposed hires will serve in the FMC's administrative offices (human resources, budget and finance, and management services (contracting/building maintenance)) to support the FMC's program offices.

- ***Would the Commission be able to complete the necessary upgrades to modernize its IT infrastructure?***

During FY 2014 and 2015, the Commission made significant progress in modernizing its IT infrastructure through a new enterprise content management (ECM) system and user equipment modernization (UEM), replacing outdated hardware and software. Email is now hosted virtually and the Commission is in the process of deploying a number of virtual servers and other upgrades to its IT infrastructure. The requested FY 2016 budget would provide for the Commission's continued progress on its infrastructure projects, including upgrades to the Commission's databases, servers and information security measures. The Commission's disaster recovery center will be operational in FY 2015, and development of disaster recovery systems will be ongoing in FY 2016 to provide for continuity of operations in an emergency event or situation where the Commission's facilities are inaccessible. The Commission's Information Resources Management Strategic Plan for FY 2014 - 2018 provides comprehensive information about the FMC's efforts to modernize its IT infrastructure.

- ***The Commission has responsibility for the oversight of ocean carriers and ocean transportation intermediaries and marine terminal operators, which are all heavily involved in international trade. How is the Commission leveraging its knowledge and information with other agencies?***

The Commission works closely with its Federal partner agencies to leverage its knowledge and information, and to garner other agencies' information. The FMC participates in U.S. trade delegations handling the nation's maritime interests: last summer, Chairman Cordero participated in a U.S. – Japan Bilateral Maritime Meeting, which was hosted by the U.S. Department of Transportation, Maritime Administration (MARAD). The Commission also continues to share information and its expertise with other agencies on a regular basis. In October 2014, the FMC joined the U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations-led National Intellectual Property Rights Coordination Center (IPR

Center) to assist in a coordinated response to intellectual property and trade-related crimes. The Commission shares information from its confidential service contracts and amendment filing system with the U.S. Agency for International Development (USAID), the Department of Agriculture, and the U.S. Transportation Command (TRANSCOM). The FMC also utilizes U.S. Customs and Border Protection (CBP)'s commercial environment-international trade data system to ensure compliance with the SAFE Port Act and assist in enforcing the Shipping Act and information from the U.S. Census Bureau to monitor trade information. In addition, the FMC has signed a Memorandum of Understanding providing for cooperation and shared information with the Federal Motor Carrier Safety Administration (FMCSA) to protect consumers moving household goods. The Chairman and Commissioners also regularly reach out informally to our counterparts at the Federal Trade Commission (FTC), the Surface Transportation Board (STB), and other agencies to share information and best practices.

Cruise Industry Regulation/Consumer Protection

Last year the Commission approved measures that strengthened protections for cruise line customer deposits and prepayments, while reducing financial responsibility requirements imposed on smaller cruise lines. Both of these actions were helpful to ensure that cruise lines are held accountable when a voyage is cancelled or disrupted.

- ***In general, how is the Commission protecting the U.S. consumer?***

The agency ensures that adequate financial safeguards are in place to ensure that passenger vessels are adequately capitalized to provide refunds of deposits and prepayment, and provide compensation in the event of casualty. Millions of Americans book passages each year on cruise vessels covered under the Commission's passenger vessel program, and the Commission has ensured that those passengers will be protected in the event of disruptions or cancellations. At the same time, the Commission is cognizant of the potential burden placed on smaller vessel operators, and has struck a balance between ensuring that passenger vessel operators are able to return deposits, but also do not have large amounts of capital tied up unnecessarily.

- ***Are there additional steps that could be taken by the Commission in regulation, or by the Congress in legislation, to provide greater consumer protections for cruise ship passengers in those instances when voyages are cancelled or not completed?***

The Commission has stayed abreast of many issues faced by cruise passengers, and has been a resource for the cruising public and members of Congress who attempt to address constituent concerns. At this time, we are not aware of any additional steps that the Commission could take to provide greater consumer protections for cruise ship passengers under the current statutory scheme. In previous Congresses, members have introduced bills that would provide greater consumer protections for cancelled and disrupted cruises. Those bills have provided a role for the Commission, and would likely require additional modest appropriations.

- ***Has the Commission seen an increase in the frequency and total number of complaints from cruise ship passengers for inadequate compensation for cancelled or interrupted voyages?***

The Commission recently began tracking figures on the total number of complaints from cruise ship passengers for inadequate compensation for cancelled or interrupted voyages. Although the Commission has not noticed a significant increase in the frequency or total volume of complaints, the agency is aware that one cancelled voyage with 3,000 scheduled passengers could cause an overwhelming number of complaints. In other words, the cancelling of one average-sized voyage with inadequate reimbursement could inundate the agency with requests for assistance.

Port Congestion Study

In lieu of the Pacific Maritime Association and International Longshore and Warehouse Union contract dispute there is now greater public awareness about the problem of congestion at our ports. It is my understanding, however, that there are several other factors contributing to port congestion besides labor/management contract disputes.

- ***The Commission has undertaken a study to report on port congestion and what actions the FMC might take within its statutory authorities to help alleviate congestion at our ports. Can you better explain what potential actions the FMC is considering?***

The Pacific Maritime Association and International Longshore and Warehouse Union contract dispute in the West Coast drew significant media attention, showcasing container ships lined up waiting to berth in San Pedro Bay, and numerous shippers were unable to move their goods to market – let alone in a timely fashion. That dramatic situation, now returning to normal after the parties reached an agreement, demonstrates a more prevalent problem facing US ports: congestion and delays are increasing as imports and export markets continue to grow, and the nation's economy is negatively impacted by those delays. In 2014, the Commission held regional Port Forums across the United States to provide an opportunity for public comment and for industry stakeholders to share their views on the causes and challenges surrounding port congestion.

The FMC committed to conduct a detailed overview of the comments made at the Port Forums, and will ultimately synthesize the main issues, ideas, and potential lessons learned. The Commission will provide it to the public with a goal of shedding light root causes that can be identified, and potential solutions that may be ascertainable. Detention and demurrage issues surrounding port congestion were separately reviewed, and the Commission issued a staff report entitled *Report: Rules, Rates, and Practices Relating to Detention, Demurrage, and Free Time for Containerized Imports and Exports Moving through Selected United States Ports*, which is available on the FMC's website, www.fmc.gov. In FY 2015, staff will finalize an issues-based, in-depth synopsis of the comments and arguments provided at the Port Forums, and a research synthesis of U.S. port congestion causes, consequences, and challenges. There has been no

decision on a set course for future Commission action at this time – all options remain on the table.

- ***Would any of the additional funding requested for the Commission in Fiscal Year 2015 be applied to complete this analysis?***

No additional FY 2015 funding is being directly applied to this analysis; existing Commission resources and staffing are being utilized. In FY 2015, the Commission's Bureau of Trade Analysis added 2 FTEs, however, those hires were added to continue the Commission's mandate to monitor the trades, filed agreements, service contracts, and other necessary economic analysis functions.

- ***Do you anticipate that chassis will continue to be a source of delay and congestion?***

Numerous discussions at the Port Forums focused on chassis shortages and other chassis-related issues, which can lead to delays inside the terminal facilities at the ports. The chassis system has recently undergone a transformation: historically, carriers provided chassis for shippers and their motor carriers, building in the equipment charges into the overall transportation freight rates. Now, many carriers no longer own chassis, and instead rely on chassis pools and chassis leasing companies, which do not function uniformly across the nation. This chassis system transition continues to lead to challenges for the industry to overcome. Until participants to the chassis transaction develop concrete solutions, chassis issues will likely continue to be a source of delay and congestion. This will continue to be addressed by the Commission in both its monitoring of agreements filed with the Commission and its overall review and efforts to address this issue related to port congestion.

<u>Alternative Dispute Resolution Services</u>

It is my understanding that the Commission has initiated an alternative dispute resolution service for shippers, carriers and consumers as a less costly, and less time consuming alternative to litigation in court.

- ***What is the demand for this service? In general, have shippers and carriers and the consumers who use those services expressed growing interest?***

- ***Does the Commission expect to expand these services as part of its overall strategy to improve maritime trade moving into and out of the United States? If so, how much of the proposed increase for the Commission in Fiscal Year 2016 will go to support the expansion of this service?***

Demand for the Commission's ombuds and ADR services, some of the services provided by the Consumer Affairs and Dispute Resolution and the Commission's Area Representatives, has increased steadily from FY 2010, when the Commission received 532 requests for ombuds assistance, to FY 2014, when it received 1,024 such requests. The current fiscal year's ombuds and ADR totals may fall between the FY 2010 and FY 2014 reported numbers.

Requests for other types of ADR services may increase in FY 2015. Recently, the Baltic and International Maritime Council (BIMCO) and the Global Shipper's Forum have suggested that shippers might consider including provisions in their service contracts permitting arbitration under the arbitration rules of the Federal Maritime Commission. This may lead not only to greater use of the Commission's arbitration services, but increased interest in the other alternative dispute resolution services it offers, such as mediation and facilitation.

Finally, the Commission anticipates it may be called upon to provide facilitation services in response to industry requests to avoid the cost and hardship experienced over the past year as a result of congestion at the Nation's ports. The Commission should ensure it has the personnel and resources to serve the shipping public and the industry with these ADR services, as required and requested by its stakeholders.

The Commission hopes to be able to continue to serve the growing demand for ADR services. In FY 2014, the Commission's Office of Consumer Affairs and Dispute Resolution Services (CADRS) was staffed by 8 positions. In FY 2015, this decreased to 7 positions. The FY 2016 budget request maintains this level (7 positions) for CADRS; no additional funding is allocated for further expansion of services at this time.

The Area Representatives provide informal assistance to the industry in the region, in addition to the other enforcement and ombuds services. Formal ADR as well as ombuds services, education and outreach, however, is managed and provided through CADRS. In FY 2014, Area Representatives offices were staffed by 9 positions; this was increased in FY 2015 to 10, and the FY 2016 budget request would provide for 11.

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