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U.S. INTERNATIONAL FOOD AID PROGRAMS: TRANSPORTATION PERSPECTIVES

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON
LIVESTOCK AND FOREIGN AGRICULTURE

COMMITTEE ON AGRICULTURE

AND THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

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U.S. INTERNATIONAL FOOD AID PROGRAMS: TRANSPORTATION PERSPECTIVES

TUESDAY, NOVEMBER 17, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FOREIGN AGRICULTURE,
COMMITTEE ON AGRICULTURE;
JOINT WITH
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, D.C.

The Subcommittees met, pursuant to call, at 10:00 a.m., in Room 1300 of the Longworth House Office Building, Hon. David Rouzer [Chairman of the Subcommittee on Livestock and Foreign Agriculture] presiding.

Members present from the Subcommittee on Livestock and Foreign Agriculture: Representatives Rouzer, Hartzler, Newhouse, Kelly, Conaway (*ex officio*), Costa, Vela, Nolan, and Bustos.

Members present from the Subcommittee on Coast Guard and Maritime Transportation: Representatives Hunter, Gibbs, Graves, Curbelo, Garamendi, Cummings, and Hahn.

Staff present: Bart Fischer, Caleb Crosswhite, Haley Graves, Mollie Wilken, Stephanie Addison, Faisal Siddiqui, John Konya, Andy Baker, and Nicole Scott.

OPENING STATEMENT OF HON. DAVID ROUZER, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

Mr. ROUZER. This joint hearing of the Subcommittee on Livestock and Foreign Agriculture, of the Committee on Agriculture, and the Subcommittee on Coast Guard and Maritime Transportation, of the Committee on Transportation and Infrastructure, on U.S. international food aid programs will come to order. I want to thank each of you for joining us this morning. We are going to have two panels, and it is very important that we continue our review of international food aid programs.

To date, we have heard from USDA and USAID officials charged with implementing these vital programs. We have heard from those tasked with program oversight and accountability about what is working, and what could be improved. We have heard from those producing and processing the food used in our food aid programs, and we have heard from on the ground implementers. Today we will hear from those who are tasked with shipping that aid to those in need around the globe. To that end, we are holding this hearing in collaboration with our colleagues from the Transportation and

Infrastructure Committee. I want to thank my friend, Chairman Duncan Hunter, along with our other colleagues on the Coast Guard and Maritime Transportation Subcommittee, for their willingness to examine these issues with us.

While the agriculture and maritime communities have worked hand in hand for the past 60 years to deliver food to hungry people around the world, the vast majority of government-impelled cargo is military hardware. However, with the volume of military cargo declining, the availability of other government-impelled cargo, like food aid, has assumed greater significance in sustaining a viable U.S. merchant marine industry. Given this reality, I personally remain perplexed at USAID's continued push to move away from in-kind donations in exchange for more cash-based assistance. I am particularly concerned by the fact that they attempted to achieve this by driving a wedge between the agriculture and maritime communities, while using scarce food aid funding to do it. I look forward to exploring this, and confirming where things currently stand with our witnesses today.

Given the interconnectedness of our maritime security and food aid programs, undermining one ultimately jeopardizes both. As we move forward, we must work to maximize cooperation and program efficiency throughout all sectors to reach the maximum number of people in need, but we must do so in a way that does not jeopardize the long-term support and accomplishments these programs have achieved.

Again, thank you all for being here today.

[The prepared statement of Mr. Rouzer follows:]

PREPARED STATEMENT OF HON. DAVID ROUZER, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

I want to thank each of you for joining us this morning as we continue our review of international food aid programs. To date, we have heard from USDA and USAID officials charged with implementing these vital programs; we have heard from those tasked with program oversight and accountability about what is working and what could be improved; we have heard from those producing and processing the food used in our food aid programs; and we have heard from on-the-ground implementers. Today, we will hear from those who are tasked with shipping that aid to those in need around the globe.

To that end, we are holding this hearing today in collaboration with our colleagues from the Transportation and Infrastructure Committee. I want to thank my friend Chairman Duncan Hunter along with our colleagues on the Coast Guard and Maritime Transportation Subcommittee, for their willingness to examine these issues with us today.

While the agriculture and maritime communities have worked hand-in-hand for the past 60 years to deliver food to hungry people around the world, the vast majority of government-impelled cargo is military hardware. However, with the volume of military cargo declining, the availability of other government-impelled cargo—like food aid—has assumed greater significance in sustaining a viable U.S. merchant marine.

Given this reality, I remain perplexed at USAID's continued push to move away from in-kind donations in exchange for more cash-based assistance. I'm particularly frustrated by the fact that they attempted to achieve this by driving a wedge between the agriculture and maritime communities, while using scarce food aid funding to do it. I look forward to exploring this and confirming where things currently stand with our witnesses today. Given the interconnectedness of our maritime security and food aid programs, undermining one ultimately jeopardizes both.

As we move forward, we must work to maximize cooperation and program efficiency throughout all sectors to reach the maximum number of people in need, but we must do so in a way that does not jeopardize the long-term support and accomplishments these programs have achieved.

Again, thank you all for being here today. I now yield to Ranking Member Costa for any remarks he would like to make.

Mr. ROUZER. I now yield to Ranking Member Costa for any remarks he would like to make.

OPENING STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. COSTA. Thank you very much, Chairman Rouzer, and I want to also welcome Chairman Hunter, when he gets here, and Ranking Member John Garamendi, who I have worked with for years, not only in Congress, but in the California State Legislature, as we share a lot of common interests as it relates to California issues. It is, I believe, important that the House Committee on Transportation and Infrastructure, Subcommittee on Coast Guard and Maritime Transportation meet with our Subcommittee on this important issue. This hearing is the next part of the Committee's review of the international food aid programs that I have always taken an interest in, and I am glad that we have representatives from the maritime industry on the other panel that can also testify to the important role they play in transportation of food to countries and regions that are in need.

The United States established itself as one of the global leaders, and we have led for decades, in international food aid. My constituents in California's great Central Valley, the San Joaquin Valley, are proud that the fruits, vegetables, and dairy products that they produce are used by numerous agencies, and for food aid programs, such as U.S. Agency for International Development, USAID. It is food that is not only used for my constituencies, throughout California, it is used throughout the country, because we do have the ability to produce an abundance of food, and this is an area where we can be helpful. These programs, which operate throughout the world, in some of the most dangerous regions in the world, such as Syria and the South Sudan, perform incredible services to bring food to those most in need living in those areas. You have abject poverty, you have conflict, and it seems like constant conflict, civil wars, in which man's inhumanity to mankind is being exhibited. And this food, therefore, provides the sort of humanitarian support that our nation must, and can, provide.

The efforts also support countless jobs here in America, especially in the transportation and logistic side of these programs. That is why the reforms that have been made to our international food aid programs, for me, are troubling in some areas. It is clear that we need to have flexibility, and I don't think anybody argues against that, within programs on how the aid is delivered to these countries, and to the regions. However, let me be clear, the emphasis must remain on providing in-kind donations, such as these food products, whether they be fruits, vegetables, dairy products from my district, or other parts of the country, because, again, it is important that we provide the sustenance for these people most in need. I think that is far better than providing cash-based assistance. Cash-based assistance, in which we have, I believe, less control over, it is akin to when sometimes we see a person asking for a handout in our communities. I used to go into the store and buy

a sandwich and hand them something to eat, as opposed to giving them cash. I don't know what they are going to do with that cash.

So I understand there are challenges, but our mariners also provide security, relative to the Maritime Security Program. Military cargo accounts for the vast majority of the cargo preferences tonnage, and it has been successful, but we have a responsibility and the resources to do what we can for those who are struggling to feed themselves. And that is why, again, these international food aid programs are so important. In a more perfect world, we would not have to struggle to find the space on ships to transport food aid on military cargo, but that is not the reality. Again, I welcome my colleagues from the Transportation and Infrastructure Committee, and I look forward to hearing the testimony of these witnesses that we have here today. And, Mr. Chairman, I yield back the balance of my time. Thank you.

Mr. ROUZER. Thank you very much, and I recognize Chairman Hunter for a few remarks, if he has any to make.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. HUNTER. Thank you, Mr. Chairman. I have a little something to say, but let's focus on this right now. There is no peace dividend in terms of not having to move stuff around anymore. I think that we are seeing it is loud and clear, there is not going to be a time where we don't have to move military goods overseas somewhere. It is not going to happen. We are going to have to do it over and over, and it seems like a year or 2, or 3 years ago we reached a time where we thought it would be okay to start losing U.S.-flag ships, not having them ship the 75 percent cargo preference, moving that to 50.

I think it is clear now, at least with what happened in Paris, and what a lot of us have been talking about non-stop, things haven't gone away, the world is not a safer place. You are going to need these ships to move gear to our troops on the ground overseas. And that is it. I mean, that is what I am here for. This is not about helping people. It is, in a way, about helping people, and giving food to third world countries, but in the end it is about national security. It is about maintaining a U.S. fleet to serve our U.S. military. That is what it is about. It is about national security. And this is a way to subsidize the national security aspect of our maritime fleet without having to spend tens of billions of dollars to create a just sit there forever fleet in the Navy, just in case we need it sometime. We are saving tens of billions of dollars with MSP, with food aid, and we just need to figure out how we make it clear to the government, the Executive Branch, that, as long as they keep putting us into wars, because that is what the Commander-in-Chief can do, you are going to need ships to supply those wars.

So that is what I would like to get out of this today, is that we talk about MSP, talk about food aid, and how you can subsidize long-term the U.S.-flag cargo fleet to support our troops. That is it. And with that, I yield back. Thank you, Mr. Chairman.

Mr. ROUZER. Thank you, Mr. Chairman. I now recognize Ranking Member Garamendi, if he has any comments to make.

OPENING STATEMENT OF HON. JOHN GARAMENDI, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. GARAMENDI. Thank you, Chairman Rouzer. I appreciate your involvement in this. Mr. Hunter and I have been working on this for some time, and I know my good friend Jim Costa also. The international food aid program is perhaps mostly recognized as the P.L. 83–480 program. It is an issue of mutual strong interest between our two Committees. Regrettably, too much has been said in recent years to mischaracterize the program's multifaceted framework. I am pleased that we have this opportunity today to set this straight.

First and foremost, I want to make it very clear that I am not going to take a back seat to anybody when it comes to food aid. My wife and I have been in the famine camps. We were there in the 1980s, my wife in the 1990s, and we have seen what happens when the lorry arrives with American food in that lorry. We know that that is food. That is real food available. We also know when cash arrives, it disappears. There is a very, very real difference. And if you want to feed people, then you bring food. If you want corruption and chaos, bring cash. It is that simple.

Now, this is a multifaceted program. It is not just about delivering food to those who need it around the world. By the way, people say you can buy locally. That is where the famine is, folks. We are going to buy regionally? Sure, we can buy rice in Brazil, or grain in France. We could also buy it in America. Now, multifaceted it is. Emergency food assistance, yes, but it is also about the maritime industry, as our Chairman, Mr. Hunter, said. It is about the maritime industry, and the importance in the maritime industry being supported by impelled cargo. That is cargo that is required to be carried on American ships. It maintains our Merchant Marines. Lose that, and we lose the ability to deal with our national security issues around the world. We have a 60 year record of a successful P.L. 83–480 program, which provides food. It also provides the foundation for our Merchant Marines, for our ships and our sailors. It has been durable, it has been effective, and there are those who are determined in ways that lack understanding to somehow destroy that long established and successful program by cashing it out.

So, I want to commend you for these hearings. We are going to learn today what this is all about. Mr. Jaenichen is here, and also the Department of Defense is here. And I would like to know from them what they think about maintaining our capability to transport personnel and equipment around the world in times of national security issues. You might also just think about what happened with *Operation Desert Storm* back in the 1990s, when we didn't have a viable shipping capability of our own ships. And so I am going to ask that question as we get into it. What happened in the 1990s, when we allowed our Merchant Marine capabilities to atrophy? What was the result? It is a question we will get to later. Mr. Chairman, thank you.

Mr. ROUZER. The chair would request that other Members submit their opening statements for the record so the witnesses may begin their testimony, and to ensure there is ample time for questions. The chair would like to remind Members that they will be

recognized for questioning in order of seniority for Members who were present at the start of the hearing. After that, Members will be recognized in order of their arrival, and I appreciate the Members' understanding. Witnesses are asked to limit their oral presentations to 5 minutes. All written statements will be included in the record.

I would like to welcome our first panel of witnesses to the panel, Mr. David Berteau, Assistant Secretary of Defense, Logistics, and Material Readiness, Department of Defense, and the Honorable Paul Jaenichen, Administrator, Maritime Administration here in Washington. Gentlemen, thank you both for being here today. Mr. Berteau, we will begin with you.

STATEMENT OF HON. DAVID J. BERTEAU, ASSISTANT SECRETARY OF DEFENSE, LOGISTICS AND MATERIEL READINESS, U.S. DEPARTMENT OF DEFENSE, WASHINGTON, D.C.

Mr. BERTEAU. Thank you, Mr. Chairman. Chairman Hunter, Ranking Member Garamendi, Ranking Member Costa, distinguished Members of the Subcommittees, I appreciate the opportunity to testify today on behalf of the Defense Department on cargo preference, the U.S. Merchant Marine, and it is importance to us. My organization has the policy and oversight responsibilities for logistics and materiel readiness, as you noted, which includes sealift, air lift, transportation across the board. I ask, as you suggested, that my written statement in its entirety be included in the record, and I will summarize a little bit in my oral statement.

I must start out by saying I was born on a farm in Louisiana, and grew up picking strawberries, and later ran a farm in Texas. I grew up in the auto parts business, and married a car dealer's daughter, so the union of transportation and agriculture makes perfect sense to me. It has been true for my entire life. The success, however, of the Defense Department is much more than just that union. Our success depends on getting to the mission, and sustaining that mission, and that means we have to be ready. We have to have the national security readiness. Sealift capability is a major aspect of that readiness. We meet those requirements in part by maintaining our own surge sealift capacity, mostly roll-on, roll-off ships, by pre-positioning military equipment and supplies onboard ships located in key areas. But we also rely on the ships and the mariners in the commercial U.S. Merchant Marine as a contributor to our capacity to surge when needed.

We have a range of commercial sealift programs that we participate in across the government to support that role. My written statement covers some of those. I am sure we will discuss them today. They are important for the overall health of the Merchant Marine, as well as for providing the Defense Department with assured access to the capacity we need when we need it. The availability of mariners is at least as important as the availability of the number of ships for crewing both U.S.-flag commercial vessels, as well as for the Navy logistics support vessels, and the surge capacity. And as U.S.-flag ships decline in numbers, then the mariner jobs associated with those potentially also declines, and that is something that we watch carefully.

Ultimately, American depends on the Defense Department to be ready to execute its national security missions. That is why we are here. The availability of ships and mariners from the U.S. Merchant Marine is an important element of that readiness. With that, Mr. Chairman, I want to conclude my opening remarks. I thank you for holding this hearing, and inviting us to participate, and I look forward to answering any questions you may have. Thank you.

[The prepared statement of Mr. Berteau follows:]

PREPARED STATEMENT OF HON. DAVID J. BERTEAU, ASSISTANT SECRETARY OF DEFENSE, LOGISTICS AND MATERIEL READINESS, U.S. DEPARTMENT OF DEFENSE, WASHINGTON, D.C.

Chairman Hunter, Ranking Member Garamendi, Chairman Rouzer, Ranking Member Costa, and distinguished Members of the Subcommittees, I am David Berteau, Assistant Secretary of Defense for Logistics and Materiel Readiness, and I appreciate the opportunity to testify today on behalf of the Defense Department on the importance of the U.S. Merchant Marine and cargo preference.

National security readiness hinges on the success of the Department of Defense (DOD) in getting to the mission and sustaining that mission. Sealift capability is a major consideration. The Defense Department maintains surge sealift vessels (mostly Roll-On/Roll-Off) in a high state of readiness and maintains pre-positioning fleets with military equipment and supplies aboard ships located in key ocean areas to ensure rapid availability.

The commercial U.S. Merchant Marine, consisting of ships and mariners, is equally important to the Department's organic sealift surge capability. The Department relies on the U.S. Merchant Marine as a key element of its readiness to perform all of its national security missions, working through a wide range of DOD commercial sealift programs that support deploying and sustaining military forces around the world. One such program is the Voluntary Intermodal Sealift Agreement program that provides assured access to U.S.-flag commercial sealift capacity during contingency operations in exchange for priority for DOD cargo. Another is the Maritime Security Program that provides a Federal support stipend for up to 60 U.S.-flag commercial vessels in exchange for military access to vessel capacity and global intermodal networks. These programs are important for the overall health of the U.S. Merchant Marine and for providing the Defense Department with assured access to sealift capacity in time of national need.

U.S. Merchant Mariners are especially critical to the Department's ability to surge and sustain the mission. In addition to crewing U.S.-flag commercial vessels in support of DOD requirements, the Department depends on U.S. Mariners to crew Navy logistics support vessels and reserve (surge) sealift vessels. The Defense Department plans to use the pool of actively sailing U.S. Mariners for the surge ships. To mitigate the risk of insufficient numbers of licensed mariners for the surge fleet, the U.S. Navy also maintains a Strategic Sealift Officer program comprised of approximately 2,000 Naval Reservists who are licensed mariners that could be activated, but only in the event that a sufficient number of licensed civilian mariners did not volunteer to crew the surge fleet.

As U.S.-flag ship numbers in international trade decline, the number of U.S. Merchant Mariners employed in international trade also declines. If there are fewer job opportunities, there may be fewer U.S. mariners to crew the government-owned sealift ships if they are activated for a major crisis.

There are many factors that affect the viability of the U.S. Merchant Marine to keep the ships and mariners needed to meet Defense Department needs. These include not only demand to transport DOD cargo for day-to-day defense needs but also other potential options to maintain mariner licenses. These factors combined may affect the ability of the U.S. Merchant Marine to provide the required sealift surge and sustainment needed for potential national security missions worldwide.

The Administration continues to examine and propose policies to improve the balance of costs and benefits. The Department supports the reform of the P.L. 83–480 Title II food aid program and has assessed that the proposal will not impact its ability to crew the surge fleet and deploy forces and sustainment cargoes. The FY 2016 President's Budget food aid reform proposal improves the U.S. Government's ability to respond to humanitarian crises within current budget constraints.

Ultimately, America depends on the Defense Department to be ready to execute all of its national security missions. The availability of ships and mariners from the

U.S. Merchant Marine is an important element of that readiness. I thank you for holding this hearing and inviting DOD to participate.

Mr. ROUZER. Mr. Jaenichen?

STATEMENT OF HON. PAUL N. "CHIP" JAENICHEN, SR., ADMINISTRATOR, U.S. MARITIME ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION, WASHINGTON, D.C.

Mr. JAENICHEN. Thank you, Mr. Chairman, good morning. Chairman Hunter, Ranking Members Costa and Garamendi, and Members of the Subcommittees, I want to thank you for the opportunity to discuss the United States Merchant Marine and its relationship to U.S. international food aid programs. I would like to note that the U.S. Merchant Marine is one of the safest fleets in the world, however, there is some risk involved whenever you are exposed to the elements, as noted by the tragic loss of the *El Faro* during Hurricane Joaquin. And as I point that out, we commend the sacrifice of those mariners who lost their lives.

The U.S. Merchant Marine Act of 1936 declared that establishing an American Merchant Marine is a national priority. Over the course of their storied history, our nation's Merchant Mariners have made important contributions to a wide range of U.S. defense activities, and have provided critical support for both national emergencies and our economic security. To maintain a maritime presence in global trade, and assured ready access to ships and crews, to be able to move our armed forces when and where they are needed, the United States supports a fleet of privately owned and operated ships in international trade. The sufficiency of the mariner pool to support a large scale activation of the 61 ship government reserve sealift fleet, and the two vessels we have that support the Missile Defense Agency, directly depend upon the number of commercial U.S.-flag vessels that are actively sailing.

A fleet that is sufficiently sized provides an adequate pool of qualified Merchant Mariners to meet the crewing requirements of both the commercial and the government sealift fleets to meet national defense requirements, during both national emergencies, and normal peacetime operations. To encourage an active privately owned and operated U.S.-flag fleet, Congress has enacted several measures, known as cargo preference laws. These laws require that shippers use U.S.-flag vessels to transport certain government-impelled cargoes, meaning cargo that is funded or financed in any way by the Federal Government. Congress has also passed the Maritime Security Act, which established the Maritime Security Program, or MSP, which provides direct annual stipends for a 60 ship, active, commercially viable, militarily useful, privately owned U.S.-flag vessels in exchange for assured access by the Department of Defense. Of the 78 vessels that trade internationally currently today, 57 participate in the MSP program, although the authorized level is 60. This is the first time that I know of that a Maritime Administrator has testified before Congress where we had vacancies in this critical program. The MSP provides critical employment for up to 2,400 U.S. Merchant Mariners, creating a reliable pool of mariners ready to support the activation of the government's reserve sealift fleets.

With respect to U.S. food aid programs, and like other civilian cargoes under cargo preference, substantial food aid is shipped on U.S.-flag vessels. In 2014 over 800,000 metric tons of food aid were shipped on U.S.-flag vessels. The vast majority of that tonnage, nearly 600,000 tons, consisted of P.L. 83–480 Title II food aid. Further, over ½ of the Title II food aid cargo, 54 percent, is carried on dry bulk vessels, which, unlike most of the liner vessels, are not part of the MSP, and receive no active government support beyond cargo preference. Based on the recent levels of P.L. 83–480 Title II food aid shipments internationally, the Maritime Administration estimates that the food aid cargo preference laws sustains seven to ten liner-type ships and two dry bulk vessels in the U.S.-flag fleet, along with approximately 360 to 480 mariner jobs.

While the Fiscal Year 2016 President's budget includes the Administration's food aid reform proposal, we have been prepared to work with Members of Congress and other stakeholders on alternate legislative approaches to achieve the Administration's goal for food aid reform. These goals include providing additional statutory flexibility that would allow feeding more starving people for no additional cost, while addressing the potential impact on food aid reform on maritime capacity for national security, and the potential to ensure minimal harm to domestic agricultural interests. The number of vessels in the international trading fleet has declined from 106 vessels at the end of 2011 to 78 as of the 31st of October of this year. This decline can be directly attributed and related to the reductions in both DOD and agricultural cargoes, including food aid, in recent years. Vessel owners have taken into account a variety of factors before making a decision to leave the U.S.-flag fleet.

However, we do know that the primary reason that privately owned and operated ships remain in international trade under U.S.-flag is to carry cargo. We also know that reduction in our fleet of U.S.-flag vessels trading internationally means a reduction in mariner jobs. MARAD closely tracks every billet onboard active commercial ships and government U.S.-flag ships, and we believe the current number of available mariners is only sufficient to meet the initial sealift surge when government reserve ships are activated. However, it will be extremely challenging to sustain crewing requirements over an extended period that requires a rotation of those crew members. Given this assessment, I am working closely with the Department of Defense, the U.S. Transportation Command, the U.S. Navy, and commercial maritime industry to develop proposals to maintain the adequate number of trained mariners. In addition, we are currently developing a National Maritime Strategy that will consider a comprehensive range of options to preserve and grow the U.S. Merchant Marine. I am very glad to have the opportunity to discuss the important issues with these Committees, and I look forward to any questions that you might have.

[The prepared statement of Mr. Jaenichen follows:]

PREPARED STATEMENT OF HON. PAUL N. "CHIP" JAENICHEN, SR., ADMINISTRATOR, U.S. MARITIME ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION, WASHINGTON, D.C.

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

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

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

Under the Merchant Marine Act, it is U.S. policy that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States." The Jones Act requires the use of privately owned and operated U.S.-flag vessels for U.S. coastwise and non-contiguous commerce, including with Puerto Rico, Hawaii and Alaska.[1] In addition, to maintain a maritime presence in global trade and ready access to ships and crews to move our Armed Forces when and where they are needed, the United States supports a fleet of privately owned and operated ships in international trades. The sufficiency of this mariner pool to support a large-scale activation of the 63 ship government reserve sealift fleet—measured by their U.S. Coast Guard Merchant Mariner Credentials, availability, commitment and skills—directly depends upon the number of commercial U.S.-flag merchant fleet vessels actively sailing. A fleet that is sufficiently sized provides an adequate pool of qualified Merchant Mariners to meet the crewing requirements of both the commercial and government sealift fleets during national emergencies and during normal peacetime operations.

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

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

With respect to the Ready Reserve Force (RRF) government sealift reserve (the fleet of 46 former commercial vessels directly owned by the Department of Transportation), while there has not been a wartime activation of this reserve fleet in nearly a decade, U.S. merchant mariners supported *Operation Unified Assistance,* as the U.S. response to the Ebola crisis in West Africa, and a government reserve sealift ship that was converted to an Organisation for the Prohibition of Chemical Weapons

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

(OPCW) approved destruction facility and subsequently destroyed 600 tons of the Syrian Government's declared chemical weapons.

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

Under the food aid reform proposal in the FY 2016 Budget, the vast majority of P.L. 83–480 Title II food aid would continue to be sourced and shipped from the United States. The President's FY 2016 Budget Request includes $25 million as a component of food aid reforms proposed for P.L. 83–480 Title II food aid that would provide flexibility to deliver emergency food where appropriate such as in conflict situations and logistically difficult crises. The additional funding would mitigate the impact that such reforms could have on mariner jobs. Most of the request would be devoted to provide direct stipend payments to operators of vessels in foreign trade, separate from MSP payments. Additionally, some of the request would support training programs to retain and educate U.S. mariners for critical occupations to preserve mariner employment on U.S.-flag vessels.

With respect to U.S. food aid programs, in 2014, over 800,000 metric tons of food aid was shipped on U.S.-flag vessels. The vast majority of this tonnage—nearly 600,000 tons—consists of food aid provided under the program established under P.L. 83–480 Title II.[2] Further, over ½ of the Title II food aid cargo—54 percent—is carried on dry bulk vessels, which, unlike most of the liner vessels, are not part of the MSP and receive no government support beyond cargo preference. The three internationally trading dry-bulk ships currently in the fleet are primarily carrying food aid and operated by a single carrier. Based on the recent levels of Title II U.S. food aid shipments internationally, the Maritime Administration (MARAD) estimates that food-aid cargo preference laws sustain seven to ten liner type ships and two dry bulk vessels in the U.S.-flag fleet, and approximately 360 to 480 mariner jobs.

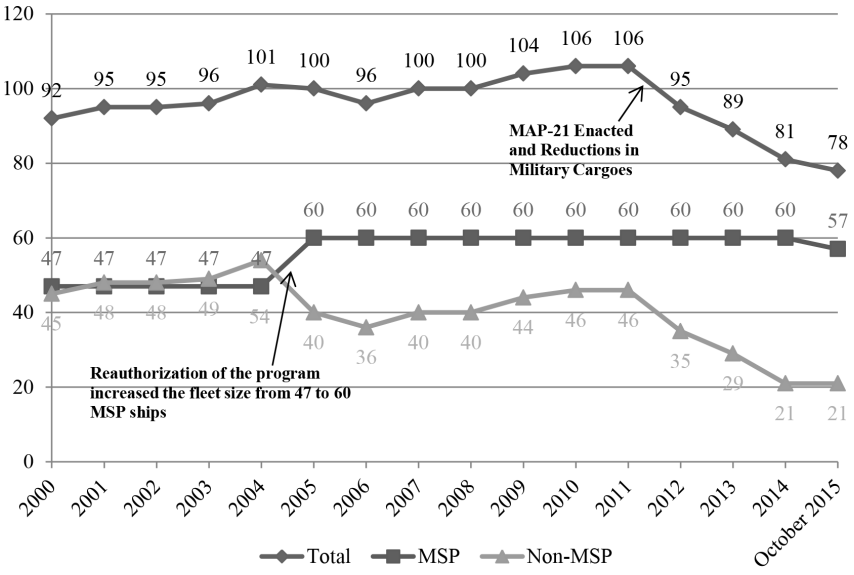
Trends Concerning the U.S.-Flag Vessel Fleet Size

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

U.S.-Flag International Trading Fleet

2000–2015

Number of Ships



[2] During FY 2014, a total of 815,604 metric tons of food aid was shipped on U.S.-flag vessels as preference cargo. Of this, 592,549 metric tons were P.L. 83–480 Title II food aid (318,710 metric tons dry bulk and 273,839 metric tons liner).

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

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

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

Sealift Manpower Assessment

MARAD is currently working with DOD to address mariner requirements and to assess the availability and capacity of sealift assets to support national security. MARAD is responsible for determining whether adequate manpower is available to support the operation of sealift ships during a major crisis. Pursuant to this direction, while there are important data difficulties in assessing the availability of mariners, we continue to review the pool of civilian U.S. Merchant Mariners in international trade available to crew government sealift ships when activated and whether the current number of qualified and experienced mariners available will be adequate in the future to support a large scale activation that extends beyond 6 months in duration. This assessment of the status of the civilian Merchant Mariner pool includes close coordination with maritime labor and consultation with other maritime industry stakeholders.

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

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

Maritime labor unions have determined that mariners who remain out of work or are not actively sailing for a period of more than 18 months are unlikely to keep their mariner credential, training or other requirements current. It takes an average of 10 years to produce a Master (Ship's Captain) or a Chief Engineer, and current attrition rates are projected to overtake the advancement rate of new management level blue water mariners within the next 5 years.

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

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

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

Mr. ROUZER. Thank you both, gentlemen, for being here today. Mr. Jaenichen, my question is for you. As I said in my opening statement, I have serious concerns about USAID's back door attempt to exclude agriculture from negotiations that dramatically impact the delivery of in-kind food aid. I am concerned about the fact that those meetings excluded agriculture groups, a major food aid contributor, obviously. Now, in previous hearings we learned that these deals would have directed money from Title II food aid programs to MSP and non-MSP shippers of food aid. Please explain MARAD's position on this proposal, along with the agency's involvement in the development of this proposal, if you don't mind.

Mr. JAENICHEN. Thank you, Mr. Chairman. We support the Fiscal Year 2016 President's budget, which proposed 25 percent flexibility for local and regional purchase. You will note that, as part of that Fiscal Year 2016 budgeting, it did include $25 million to support and mitigate the impact on the U.S. Merchant Marine. One million dollars of that would have been used to support training and other efforts with regards to the mariners, and then the other $24 million would have been used as some kind of a stipend to support the ships most affected by that flexibility, and those would be in the non-MSP category.

With regard to the proposal, to which you referred, the actual proposal, and MARAD became involved only after the former Administrator for USAID, Dr. Raj Shah, approached both Secretary Vilsack and Secretary Fox, and there was an agreement in principle. And we were tasked, at that time, to work the legislative language and the rulemaking that would invoke that deal. And that was what we were working on. At no time was this an attempt to be a back door, and we fully understood that it would require a legislative proposal that would be presented to Congress, as well as a rulemaking that would undergo public comment.

Mr. ROUZER. To your knowledge, were the agriculture groups consulted at all?

Mr. JAENICHEN. I know that I personally talked with some USDA representatives, especially the Associate Administrator for Foreign Agricultural Service. I know that the Secretary was consulted. I do not know if the commodity groups, or any of those stakeholders, were consulted.

Mr. ROUZER. Thank you. Mr. Costa, do you have any questions?

Mr. COSTA. Mr. Secretary, you mentioned that the President's budget for food aid also improves our ability to respond in these humanitarian situations. How do you think it does that?

Mr. BERTEAU. How do I think what?

Mr. COSTA. It improves our ability to provide that humanitarian aid.

Mr. BERTEAU. I think that, in many cases in humanitarian aid, the folks who are trying to figure out what to do, time is of the essence.

Mr. COSTA. But what is the measure, the criteria? I mean, besides time, compared to——

Mr. BERTEAU. I think time——

Mr. COSTA.—the last couple of what? Do you have——

Mr. BERTEAU. I think time is the critical measure there.

Mr. COSTA. Do you have metrics, in terms of assistance that is being provided in these——

Mr. BERTEAU. Not that the Defense Department tracks. I suspect the Administration does, but I don't track those metrics.

Mr. COSTA. Do you track this? Do you provide the metrics to measure this? I guess we will find out, do you care to comment?

Mr. BERTEAU. I would say that, for those areas where the Defense Department is directly involved, for instance the Defense Logistics Agency providing humanitarian assistance, and we are doing this right now, to refugee camps in Jordan, in Lebanon, in Turkey, in Iraq, we track very carefully the entire requirements which we receive from the U.S. Agency for International Development, or the State Department, through the purchase, the transportation, and the ultimate delivery to the endpoint. So we track that very carefully in——

Mr. COSTA. So for——

Mr. BERTEAU.—but we don't set those requirements. Those requirements are set by other agencies——

Mr. COSTA. We have——

Mr. BERTEAU.—in the Federal Government, and we respond to them.

Mr. COSTA. Because we all know we have a tremendous refugee problem in that part of the world, whether we are talking about Jordan or Turkey. So, for example, how would that be delivered? It would go through a U.S. carrier ship to Haifa, and then from there to Jordan?

Mr. BERTEAU. For the most part it is going into ports in the Persian Gulf coming in, into Turkey coming down, or into Jordan directly. And it is both through ship and by air, depending—medical supplies, for instance, are often brought by air because of the perishability of them.

Mr. COSTA. Well, obviously you have less tonnage. I mean, it——

Mr. BERTEAU. Right.

Mr. COSTA.—more cost-effective to bring——

Mr. BERTEAU. Right.

Mr. COSTA.—it in by air——

Mr. BERTEAU. We work hard in those cases to minimize the transportation costs, and maximize the amount of money availability to deliver humanitarian services. That is one of the trades that you have to make. But, again, time becomes a critical element——

Mr. COSTA. Yes.

Mr. BERTEAU.—there as well.

Mr. COSTA. And you mentioned the assessment of the proposal would not impact DOD's ability to crew the surge fleet and deploy

forces for sustainment of cargoes. Can you give an overview of that assessment on how that works?

Mr. BERTEAU. If you look at the total amount of cargo preference capacity that we use, the single biggest factor of that, of course, is DOD's shipping of its own material and equipment. That runs roughly 4/5 of the total cargo preference run across the board. Food aid ends up being about another 15 percent of the total, and then other Federal cargo preferences, Ex-Bank, *et cetera,* ends up making up the rest of the difference. The DOD portion of that, of course, has been declining, because we no longer have hundreds of thousands of troops deployed in Iraq and Afghanistan. I think Chairman Hunter mentioned that it is not going to zero. There is probably a floor here that we are at right now. So if we look at the modest impact of the——

Mr. COSTA. What could likely increase here in the next several years, with the whole issue with ISIL, and our efforts to focus a much stronger effort there.

Mr. BERTEAU. I don't think I have a precise prediction of tonnage and dates for ships, but the chances are that we are going to be in that business for quite some time.

Mr. COSTA. Mr. Jaenichen, is it? Your testimony, you talked about examples of successful programs that have been administered over the last 50 years or so, and the positive impact of maintaining mariner jobs. My question to you is, why would we want to consider food aid reforms that would threaten those jobs?

Mr. JAENICHEN. One of my focuses, as the Maritime Administrator, is to minimize any impact on the U.S.-flag fleet, which is the reason why I was involved in the discussions with USAID for this. Going back to your previous question, with regards to metrics for humanitarian assistance, I would note that for the ready reserve fleet, we do track that, in terms of their readiness to be able to be activated in 5 days to be able to support that. We most recently did that with three ready reserve force ships that supported *United Assistance,* which is the Ebola mission in West Africa, to be able to get those supplies, to be able to support the medical teams that were on the ground there almost immediately.

Mr. COSTA. Before my time runs out, do you think the food aid reform proposal in the President's budget would reduce the amount of cargo moved by U.S.-flag ships?

Mr. JAENICHEN. Yes. And that was the reason why there was a proposal in the budget to include $24 million, to mitigate the impact on the ships that we thought would most be affected, which we estimated to be four to six ships.

Mr. COSTA. All right, thank you. Mr. Chairman, my time has expired.

Mr. ROUZER. I now recognize Chairman Hunter for any questions he may have.

Mr. HUNTER. Thanks, Mr. Chairman. I guess the first question is why do we have 57 and not 60 MSP ships for the first time ever?

Mr. JAENICHEN. I believe the real issue there, Chairman Hunter, is the lack of cargo. If you don't have cargo, you don't have ships, and if you don't have ships, you don't have——

Mr. HUNTER. But I thought, with the MSP, you are getting a stipend so that you can run your own stuff until the U.S. needs you, right?

Mr. JAENICHEN. No. The actual MSP program, under the Maritime Security Act, was based on three things. It was based on the stipend payment, which was never fully intended to cover the entire amount of the differential between operating under U.S.-flag *versus* foreign flag, which we estimate to be $5 to $7 million. The other basis is you had to have access to government-impelled cargo. As Assistant Secretary Berteau indicated, those cargoes have declined. In fact, they have declined 50 percent since 2010, as has the food aid cargo, and other cargoes. I will note that, although the revenue base is about 15 percent for food aid, in terms of tonnage, it is about 50 percent. It is tonnage that fills ships, not revenue. And so, from that standpoint, it does have an impact.

Mr. HUNTER. So you only have 57 because we only need——

Mr. JAENICHEN. We only have 57, but the other part of that is you have to have civilian cargoes. Today the global market is depressed. In fact, I just saw yesterday where the container rates are at the lowest level they have been since the recession in 2009. And the Baltic Dry Index has indicated that, for raw commodities, they are at the lowest level they have been in 30 years. And so, to compete in those markets, where you have a non-competitive advantage due to the financial constraints that you have to be able to operate under U.S.-flag, it makes it very difficult. Those declining cargoes have put downward pressure on them, and they——

Mr. HUNTER. Okay.

Mr. JAENICHEN.—had to make decisions to be economically viable.

Mr. HUNTER. So when appropriators appropriate money, though, they appropriate for 60 ships, right?

Mr. JAENICHEN. They appropriate $186 million——

Mr. HUNTER. So what happens to the $3.2 million times three ships?

Mr. JAENICHEN. What ends up happening, it becomes carryover, and then we continue to carry that over through the——

Mr. HUNTER. So it stays in the MSP fund?

Mr. JAENICHEN. It stays in the MSP as new year funding, that is correct, sir.

Mr. HUNTER. Okay.

Mr. BERTEAU. And, Mr. Chairman, for the record, we are encouraging them to try to get back up from 57.

Mr. HUNTER. Yes. So, Mr. Berteau, let me ask you, DOD was doing a study under General Paul J. Selva, before he moved on, USTRANSCOM, and I know MARAD did two strategic symposiums last year. What were your findings, number one, and have you shared with each other, number two, and I guess three, when do you go about implementing all of the things that you found in your review?

Mr. BERTEAU. Let me start with the third of those, on the implementation end. We have a number of additional questions that have come up from the reviews that are put in place there, and chief among them is the constancy, and consistency, and reliability of the data that are generated underneath that. What we found is

there are a number of disconnects in the information, and we have to resolve that. For example, the actual demand generated by the requirements that we have laid out can be interpreted in a variety of different ways, square footage, tonnage, or a specific capacity for cargo, and we have to reconcile those.

Mr. HUNTER. So by doing the study, you realized that you need to do a better study?

Mr. BERTEAU. I arrived while—in my——

Mr. HUNTER. Okay.

Mr. BERTEAU.—current job while that was underway, and that is exactly the first conclusion that I have come to.

Mr. HUNTER. Okay. So there are no real conclusions, then, from what the DOD has seen?

Mr. BERTEAU. I think there are some, but not a sufficient number.

Mr. HUNTER. Okay. What about you guys? I went to one strategy meeting last year, I remember that, but you guys did these symposiums, right?

Mr. JAENICHEN. That is correct. In fact, we have a draft maritime strategy. It has been informally reviewed by the majority of our stakeholders. We have incorporated those comments. We intend to put that into formal interagency concurrents within the coming days, and our intention is to have a draft maritime strategy published by spring for public comment.

Mr. HUNTER. How was MARAD able to do it, and not DOD? I mean, you are going to ask the same questions.

Mr. JAENICHEN. Well, I would also tell you that we started that in 2013. The first National Maritime Strategy symposium you referred to was in January of 2014. We have spent some time to ensure that we got it right. Now, we have done some additional studies, including the availability of mariners——

Mr. HUNTER. What I am asking, though, is why doesn't DOD jump on that bandwagon? If you guys know how to ask the questions, and know——

Mr. JAENICHEN. They actually certainly have, sir. In fact, the Secretary's staff, and the Secretary himself, have provided direct comments back to that National Maritime Strategy, and we have incorporated those comments.

Mr. HUNTER. And does that help you, Mr. Berteau, on your——

Mr. BERTEAU. We are looking forward to that. I have reviewed that draft strategy, and I did provide some comments back to them, and we are looking forward to the next round with them. I think that it gives a basis for us to work more closely together to make sure we are making the same decisions from common data.

Mr. HUNTER. Okay. I guess my last point is, and this will be fun for you to answer. Why is it so difficult to get the point across to all the stakeholders on how important it is to have a fleet on standby for the United States to use for any purpose that it sees fit, national security or otherwise? Why is it so difficult to get across to—I mean, you have folks like the Chairman of the Foreign Affairs Committee, Ed Royce, wants to get rid of food aid. So you would think that all the stakeholders in Congress, and in the Executive Branch, and the regulatory branches, would realize the impact of not having enough U.S.-flag ships, U.S. mariners, to crew those

ships, and what it would do to the country if we really needed this capability. Why is it so hard, do you think, to get this point across?

Mr. BERTEAU. I actually wish I knew the answer to that question, of why it is so hard. It is pretty obvious to me. Now, we are not using a lot of our capacity to support the kinds of long-term, high-sustained combat operations that we are actually designed to mobilize for. We are not doing them because that is not the war we are in right now. However, to say that we don't want to have the capability to do that would almost guarantee that the opposite outcome would occur. I literally don't know why this is so hard to understand.

Mr. HUNTER. Mr. Chairman, I have one last question. What would it cost to not have MSP, and to simply have enough ships on hand, let us say that the Navy did it, just sitting there? Kind of like the ready reserve fleet, but actually moving around every day. What would it cost to have that capability on standby 24/7 with the number of ships that we would need to surge into a part of the world?

Mr. JAENICHEN. Chairman Hunter, I can give you an example. Currently today the MSP program, assuming it is all 60 ships in the program, that costs us $186 million. The ready reserve force fleet, which is approximately 46 ships, It takes approximately $300 million a year to keep them in 5 day readiness status, with partial crews, to be able to be activated in 5 days. If I extrapolate that out to cover the cost to do that for 60, it comes up to about $390 million on an annual basis, and so that is nearly $200 million more than what it would take to operate the MSP, and that does not include recapitalization costs. The MSP, those recapitalization costs, are borne by the private operators who are part of the MSP. That cost would be in the billions. And so the program itself provides us that readiness. You could not afford to do that if the government had to pay for it on its own, without cargo preference.

Mr. HUNTER. Thank you. Thank you for your indulgence, Mr. Chairman.

Mr. ROUZER. I kept my questions short so you could go long, Mr. Chairman. Mr. Garamendi.

Mr. GARAMENDI. I will try to stay within my 5 minutes. The testimony you gave just a moment ago, Mr. Jaenichen, is extremely important, and apparently that information is lost on the Administration, as it continues to push the USAID notion of cashing out, which would inevitably result in less cargo, and less ships, and more expense to the total taxpayer. Is that correct? Is that the formula? Is that the equation? You reduce the cargo, you increase the cost of readiness to the U.S. military. And it is some $200 million additional money. Is that correct?

Mr. JAENICHEN. If you were to do it all in a reserve fleet, where you have a stationary fleet, and you did not have the MSP, that would be an accurate assessment. However, that is one of the reasons why, in the Administration's proposal for Fiscal Year 2016, it did include additional funding to offset the impact we believed it would have on the U.S.-flag fleet.

Mr. GARAMENDI. Well, why don't we just ship more cargo, rather than more cash subsidy?

Mr. JAENICHEN. As I indicated in my testimony, Ranking Member Garamendi, it is cargo that is the reason why you have ships, and if there were cargo, the ships that either retired, scrapped, or re-flagged would have remained under U.S.-flag, in my opinion.

Mr. GARAMENDI. Well, let us go to why there may not be as much cargo. Talk to me about your enforcement powers to enforce the current laws on impelled cargo. Mr. Hunter and I have put together, in the last two Coast Guard reauthorizations, specific language that you will be given the power to enforce the impelled cargo. What is your position with regard to that requirement, that is currently being discussed as we try to move towards a compromise with our Senate colleagues?

Mr. JAENICHEN. Thank you for the question, Congressman. I would note that we have a Notice of Proposed Rulemaking that is undergoing interagency review, and has been since March of this year. That Notice of Proposed Rulemaking would address many of the issues of which you are referring to, with regard to enforcement of cargo preference.

Mr. GARAMENDI. It has been underway since March? Why hasn't it been completed, and where is it stuck?

Mr. JAENICHEN. It is in the interagency review process, sir.

Mr. GARAMENDI. Meaning OMB?

Mr. JAENICHEN. Yes.

Mr. GARAMENDI. So it is stuck in OMB?

Mr. JAENICHEN. I won't say that it is stuck in OMB. It is still undergoing interagency review.

Mr. GARAMENDI. Very good. What is a sufficiently sized fleet? Mr. Berteau, what is a sufficiently sized fleet, and then what is the sufficient mariners to man that fleet.

Mr. BERTEAU. So we create our requirements not in terms of number of ships, but in terms of the requirements of what goes on those ships. So it is square footage, it is tonnage, it is container capacity, it is roll-on/roll-off capacity across the entire fleet. Translating that into ship by ship numbers ends up with a range, if you will, of ships available to us. We haven't fully tested the limits of our current capacity and capability for quite a number of decades. I mean, the closest we have come was *Operations Desert Shield* and *Desert Storm,* which was mentioned earlier as a high demand test for our overall capacity. We used a lot, again, at the beginning——

Mr. GARAMENDI. Were we able to meet the demand with domestic ships?

Mr. BERTEAU. Today we can probably meet the demand. We have not done a capability requirements study in about 6 years now. I think it is about time for us to undertake another one. A lot of the world has changed since 2009, the last time we did it. I think it is time for us to update those requirements.

Mr. GARAMENDI. I would say it is high time.

Mr. BERTEAU. I would agree with——

Mr. GARAMENDI. It could be tomorrow that we need those ships.

Mr. BERTEAU. It could well be.

Mr. GARAMENDI. And I just heard you say you don't know if you have sufficient ships.

Mr. BERTEAU. I am insufficiently comfortable with the notion——

Mr. GARAMENDI. So you are——

Mr. BERTEAU. I am insufficiently comfortable with the statement that we have enough.

Mr. GARAMENDI. Insufficiently comfortable?

Mr. BERTEAU. Yes.

Mr. GARAMENDI. Meaning you are uncomfortable?

Mr. BERTEAU. It means I am uncomfortable, yes.

Mr. GARAMENDI. In other words, you are not sure that you have sufficient ships to meet the demand that might occur?

Mr. BERTEAU. I cannot sit here and tell you that we can meet the demand that might occur.

Mr. GARAMENDI. Mr. Jaenichen, would you like to comment on that?

Mr. JAENICHEN. I can certainly give you some specific examples. With regard to *Desert Storm* and *Desert Shield,* about 23 percent of the actual cargo that DOD actually moved, it was forced to go on U.S.-flag due to lack of availability. We also activated 76 out of the 96 ships that were in the ready reserve fleet at the time. I would note that that 76, although it was not a full activation, that is 30 more ships than I currently have in my ready reserve force fleet today of 46. Additionally, at that time, I had 199 ships under U.S.-flag in the 1990–91 timeframe. Today that is 78. General McDew, who is the current Commander of the U.S. Transportation Command, is on record saying that if we were required to do the same amount of movement to be able to support *Desert Shield* and *Desert Storm,* we do not have the sealift capacity today.

Mr. BERTEAU. And that is why I am uncomfortable.

Mr. GARAMENDI. Does that also mean the mariners, as well as the ships?

Mr. JAENICHEN. It does. In fact, our mariner pool today stands at about 11,300, and I believe that we are on the very hairy edge of being able—we can certainly man all of the ships that we have currently in the reserve sealift fleet, however, we would not be able to support a rotation of those crew members at the 3 to 4 month point.

Mr. BERTEAU. And I would note that the two examples we use here, *Persian Gulf I* in the early 1990s, *Persian Gulf II* in the early 2000s, neither one extended over a period of time longer than 6 months. So the real problem could become with a second rotation beyond a 6 month period.

Mr. GARAMENDI. Mr. Chairman, just for the record, could you provide the specifics in this discussion for both of you? Thank you. I yield back.

[The information referred to is located on p. 67.]

Mr. ROUZER. Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman, and Ranking Member, and I thank the witnesses for being here. I have been on the receiving end of getting those goods on ships into theaters, and I understand having the capacity when we need it in a full spell, and there is a whole lot of difference between a *Desert Storm* and the type of wars that we are in right now, as far as what kind of material you have to ship. Your capacity needs to be built so that we can send the right amount of tanks, Brads, self-propelled Howitzers, all those very heavy things that take up a lot of space also.

But as a theater matures, the need for that fleet goes down. No matter how long you stay in theater, you don't have to keep re-supplying. Your supplies change, and the types. So do you feel like, on a surge capacity, like *Desert Storm,* for a high-intensity conflict, as we say in the military, do you feel like we have sufficient ships now that could get us to where we need to be so that soldiers, sailors, airmen, and Marines have the right equipment when they arrive in theater?

Mr. BERTEAU. The answer to that question is probably yes, but that is a scenario that actually doesn't reflect the full spectrum of the scenarios we have to prepare for. For instance, in that scenario there is zero attrition of those ships as they are on the way there. We have to be prepared for the potential scenario in which, in fact, there is an adversary out there who doesn't admit to zero attrition as their objective.

Mr. KELLY. And having participated in the War on Terror since 2003, my first deployment was five, when we actually had goods shipped on ships over there, and filled up the CONEXes, and containers, and had equipment going. That has very much gone down over the last 14 years, so that we are not shipping near as much. So, that being said, do we not have room now for foreign food on those ships that are not currently shipping the same amount of quantities of supplies that they were in 2005 and 2006, at the surge in Iraq? The amount of equipment and the amount of mobilizations has definitely gone down. Has not the amount of space required because of military shipments gone down since 2005 until the present?

Mr. JAENICHEN. Thank you for the question. What I would tell you is there is available capacity to ship U.S. food aid cargoes, however, the commodity prices are up high enough that there is less being shipped today. In Fiscal Year 2014 we shipped about 815,000 metric tons of food aid on U.S.-flag ships out of about 1.4 million, so we still met the cargo preference requirement. But I do know that today some of the ships principally involved in carrying food aid cargoes are actually sitting in lay-up, meaning that they are alongside the pier with no mariners assigned. So there is capacity, if there were additional cargoes to carry. As we pointed out before, it is the decline in cargoes which is having the most dramatic effect on the U.S.-flag fleet, because it is just a lack of cargo that is out there, both on the DOD side, and on the civilian cargo side as well.

Mr. KELLY. And going to Ranking Member Costa's comment, and there was another comment, lack of food, or famine, is national security. The regions where they can't be fed, and they are too poor, and they don't have that, that causes instability in the regions. The places where our terrorists are being trained that are attacking this nation are places where they don't have food, they don't have jobs, they have nothing else, so these are training hotbeds for terrorists that want to attack and kill citizens of this nation. Would you agree that cash money, as opposed to food that has a U.S. flag on it, is much less effective in feeding that population? It is much more easily corrupted, or to spend money on weapons and those things, as opposed to food with a U.S. flag on the back on a U.S.-flag ship that delivers it.

Mr. JAENICHEN. I believe that the GAO report that was out in August of 2015 had comments about that. I don't have an opinion.

Mr. BERTEAU. Yes, certainly from a Defense Department point of view, we would love to know the answer to that question, but it is not something we track.

Mr. KELLY. But you would agree that money is much easier to spend on weapons, and to spend on things that are not good for the United States than bags of food with a U.S. flag on them that also shows our interest in those countries? And I am very pro-defense, but I am also very pro-agriculture.

Mr. BERTEAU. The economic reality of what you said is indisputable.

Mr. KELLY. Mr. Chairman, I yield back.

Mr. ROUZER. The gentlelady from California, Ms. Hahn.

Ms. HAHN. Thank you, Mr. Chairman, and our Ranking Members here today for this joint hearing. While USDA and USAID currently provide lifesaving support to people around the world in a manner that ensures minimal fraud, they are not perfect. But what we are hearing, of course, is these food aid programs support our maritime industry, an industry that is crucial for our U.S. national security. And what we have heard is a strong U.S. maritime industry prepares our nation not only for the threats today, but the threats that we can't even comprehend tomorrow. And I just want to urge these Committees to consider the impacts of food aid reform that are being discussed. I certainly want to make our aid more efficient and accountable, but not if it means compromising a critical industry for our national security.

So we have heard how more cargo supports our maritime industry, and our U.S.-flag ships, and we sort of touched on it a little bit, but the actual delivery of aid and food is compromised if we are just talking about cash, not just because of the fraud issue, but let us remember some of the emergencies that we have had recently. The Philippines, that was ravaged by a typhoon, and we fed millions in the months that followed. But if we had relied just on developing farms, or cash to buy locally grown food, where was the capacity to purchase that food?

I really want to talk about the actual delivering of the aid. Whether it be natural disasters, or climate change, it seems to me that we are having more drought. We are having more natural disasters. So if we switched to buying locally, and I am going to ask this to Mr. Berteau, what happens if that is where our focus is? If we are focused on buying locally, and cash instead of delivering food, how is this impacted by these natural disasters in the areas where we are attempting to deliver aid?

Mr. BERTEAU. Congresswoman, I would refer back to a little bit of what Congressman Kelly said, that the national security implications of this are much broader than just the Defense Department point of view. And one of the realities that we face today is there is actually no part of the world that doesn't matter anymore. Everything matters. It used to be there were places we could ignore, and no bad consequences would come from it.

When it comes to our ability to respond to major natural disasters, obviously Defense plays a critical role in both providing the capability to respond and the capacity to respond at the level we

need to. But we do that in response, really, to the requirements that come from the broader national security community, interagency process and the White House. We don't generate those requirements. So I can't really analyze the specifics of the food aid impact of cash *versus* food in a generic sense there.

I know that when we are responding to a particular crisis, what we bring is the capacity to deliver. We don't have the stocks of food ourselves, but we bring the capacity to both create not only the carrying capacity, but the infrastructure at the receiving end to be able to offload and distribute in-country, and we have that capability inherent in our military today. And it is one of the key elements of shaping and engaging in nations all around the world that create the kind of bonds that we need to have with those nations in order to foster the kind of future we need to have.

Ms. HAHN. But, again, could you specifically talk about how the attempt to reform this, by buying locally, or using cash, would be impacted in a region that was destroyed, where there is no food, where there is a drought, where there is a natural disaster? I think we would be very shortsighted to not realize that we could be reforming this to an extent that would be impractical in the very regions that we are asked to help and deliver aid.

Mr. JAENICHEN. Congresswoman, I would point out that typically the U.S. response in a humanitarian crisis is to match the response to what the need is. And I am sure, in the case what you are referring to, we would have to supply the right food *versus* a local regional purchase if there is not the infrastructure to be able to support that. So typically our response is in a nature that is tailored to the humanitarian crisis.

Ms. HAHN. So you would think it would be shortsighted for us to move away from delivering food, or having the agricultural capacity, or the maritime industry capacity to do that, as opposed to just a move towards cash and buying locally?

Mr. JAENICHEN. I would point out that the Fiscal Year 2016 budget is to provide the flexibility for up to 25 percent. It is not that it is going to be 25 percent, and that has been the Administration position.

Ms. HAHN. Thank you. I yield back.

Mr. ROUZER. I see the Chairman of the full Committee has arrived. All right. Mrs. Hartzler?

Mrs. HARTZLER. Thank you, Mr. Chairman. Thank you, gentlemen, for being here, and please walk us through the number of mariners that would be available during times of war, and how that number is calculated.

Mr. JAENICHEN. Thank you, Congresswoman. Currently today we estimate that there are 11,300 who are actively sailing to be able to support our international fleet, and also our reserve fleet. These are typically the officers who have unlimited ocean endorsements, for our deck officers, and unlimited horsepower, for our engineers. We also have what are called the unlicensed portion, which makes up about 60 percent of any crew on any one ship.

We have actually done it three ways. We used the Coast Guard database for the Merchant Mariner credentials that have those endorsements on them. We also use our own calculation, based on the number of billets on each of the vessels, both on our government

reserve sealift fleet and our commercial fleet. We multiply that by two because of the rotational nature of the billets themselves, so every billet typically has to have two seafarers to be able to support rotation. And then finally we engage the third way, with our maritime labor unions, to be able to get a number. And I will tell you that the numbers from each of those three different methods is within about 200, and so that is why we are pretty confident in the number that we have. So it is somewhere between about 11,200 to 11,400. So we are right in the middle of the band, at 11,300 as our best estimate.

Mrs. HARTZLER. Do you think that is the adequate to meet the defense strategy, or potential threats out there, or that we need more? How comfortable and confident do you feel that that is——

Mr. JAENICHEN. As I pointed out in both my written statement and in my oral statement, I believe that we are right on the border of not being able to provide sufficient—and as Secretary Berteau pointed out, typically our operations have not required in excess of 6 months to have a full activation. I would tell you that, with a full activation of the ready reserve force of the 46 ships, plus the ships in the military sealift command, a surge fleet, in addition to the 655 mariners that are on them today, they would require 1,200 more. I would need 1,900 at about the 4 month point to go in, and actively sailing I have about 7,100. So I actually have a shortfall at that point, at about the 4 to 5 month point, where the rotation would have to occur.

If we have to go longer than that, I am concerned that we do not have the ability to do that, unless the mariners who are currently serving onboard agree to go longer. Now, historically, our mariners and our U.S. Merchant Marine has done whatever it takes to meet the mission, and so we anticipate that they would do that, but it is an all volunteer force. They are not required to, and we have no way to enforce them to do so.

Mrs. HARTZLER. Are you trying to recruit, and to increase that number? How are you trying to address what you think might be a shortfall?

Mr. JAENICHEN. We are currently working several different methods. With regards to the officer side, we do that through our state maritime academies, the six state maritime academies, and also the U.S. Merchant Marine Academy. And I know for the unlicensed side, that are unlicensed seafarers, they have an active recruitment process where they bring them in, they train them. It takes about a year to be able to get them out to sea. So we have an active ongoing process.

The challenge is, if you do not have jobs, it is hard to entice people to come into an industry where there are no jobs, or they can't get full time employment. So the challenge is with a declining fleet size, it is hard to get folks to come into the industry. So we have to fix and stabilize and grow the fleet in order to improve those job opportunities.

Mrs. HARTZLER. Very good. Who picks the ships for the Maritime Security Program, and how are they selected?

Mr. JAENICHEN. Typically the manner in which we do it is if we have an opening, such as we have today, where we have 57 ships currently in the program, the companies that are out there, if they

have an operating agreement, they can submit a request for a replacement vessel. That replacement vessel would go through a review by USTRANSCOM to determine military usefulness, and then the Maritime Administration would do a review of the economic viability. We would take a look at the structure to make sure that it meets all the requirements to be able to be U.S. controlled, U.S. operated, so that we have direct assured access to be able to support that.

When we have open solicitations that would come in, and we would do the same thing in a different manner, but we do have ability to transfer and substitute, and we will be coming out with a solicitation here within the next week or so, indicating that we have one or more slots to fill in the MSP program, and we would invite anybody who has a ship they would like to bring in, and we will do a review of that.

Mrs. HARTZLER. Okay. One other quick question. We hear that, to be in the Maritime Security Program, a ship must be American owned. So how, then, does Maersk, a Danish owned company, have 20 ships in MSP?

Mr. JAENICHEN. A Danish company is the parent. The actual company that actually has the operating agreement, and operates the U.S.-flag, is a U.S. company. It is, in this case, Maersk Maritime Limited. It actually has its headquarters in Norfolk, Virginia. All of the leadership of that company meets the requirement of a documented citizen, that they are U.S. citizens, and it is U.S. controlled, and that is part of the operating agreement, that we have direct control. The Danish company does not.

Mrs. HARTZLER. Thank you. I yield back.

Mr. ROUZER. Mr. Newhouse?

Mr. NEWHOUSE. Thank you, Mr. Chairman, and thank you, Mr. Secretary and Mr. Administrator, for being here with us this morning. I just have one question in this area to ask you about. And following up a little bit on Mrs. Hartzler's line of questioning. Being from the State of Washington, we have a significant, I guess you could say, access to the Pacific Rim, but also that means access to areas of potential conflict, also areas of regular food need. So just some questions about how flagships are selected. Does geographical distribution play into that equation? And how much does proximity to potential conflict areas play into that? And how much deals with where food aid is being sent and distributed?

Mr. JAENICHEN. With regard to the actual selection of the ships that are in the MSP, or actually under the U.S. flag, we don't necessarily look at proximity. What we look at in the MSP program is whether they are commercially viable. Typically a company who is in the program, and has several operating agreements, they will be operating in some kind of a liner string, meaning that they are servicing Europe to the United States, for example, and we take a look at that viability. We do have vessels. Obviously, from a standpoint of being able to surge assets, we have them located around the country to be able to support DOD's operational requirements. The U.S.-flag typically comes in, and they provide the sustainment option. That is what the MSP does, for example, once we got into Iraq and Afghanistan, the MSP fleet and the U.S.-flag carried over 90 percent of all the cargo that went in to support those troops,

and it went into a line or service: 99 percent of that was actually on MSP participants.

Mr. BERTEAU. But if I could add a little bit to that? The initial capacity is largely generated by our internal capability that we already have. We have pre-positioned ships in place both ashore and afloat. That is very geographically determined, and it ties to the operational plans that are the foundation of those requirements. The longer term surge capacity is built in both for the organic capacity the Defense Department owns, and for the capacity that we looked at the commercial, is much less dependent on the geography because it has the lead time.

It also depends more on the geography of where the point of origin is for demarcation. Those are known quantities to us. Our ports where we are going to be shipping out of are known quantities to us, so we can align with that for planning purposes, because we have enough time, generally——

Mr. NEWHOUSE. Yes.

Mr. BERTEAU.—in our war plan and our war games to exercise that.

Mr. NEWHOUSE. Okay. Yes. Well, there again, thank you very much for your contribution this morning. It is a very interesting subject, and I appreciate the joint committee hearing. Thank you, Mr. Chairman, I yield back.

Mr. ROUZER. I would like to thank our witnesses on this first panel. I appreciate you being here today. I would like to go ahead and call forward our second panel at this time.

We have with us on our second panel Mr. James Caponiti, President of the American Maritime Congress, Mr. Philip Shapiro, President and CEO of Liberty Maritime Corporation, Captain John Murray, President and CEO of Hapag-Lloyd USA, LLC, and Mr. Brian Schoeneman, Political and Legislative Director, Seafarer's International Union. I would like to thank each of you gentlemen for being here today, and, Mr. Caponiti, we will begin with you. And, if you can, try to keep your comments to 5 minutes.

STATEMENT OF JAMES E. CAPONITI, PRESIDENT, AMERICAN MARITIME CONGRESS, WASHINGTON, D.C.; ON BEHALF OF USA MARITIME

Mr. CAPONITI. I am sorry, I haven't done this in a while. Good morning, Chairman Rouzer, Chairman Hunter, Ranking Member Costa, Ranking Member Garamendi, and Members. I appreciate the opportunity to testify on behalf of USA Maritime on the importance of the Maritime Security Program and food aid cargo preference to international trade and U.S.-flag fleet. USA Maritime is a coalition of ship owning companies, maritime labor organizations, and maritime trade associations which directly or indirectly represent the vast majority of privately owned U.S.-flag oceangoing commercial vessels operating regularly in U.S. foreign trade. For the record, I have submitted a list of members of the coalition. USA Maritime strongly supports the Maritime Security Program, and existing cargo preference laws applicable to military and civilian government-impelled cargoes. Taken together, MSP and cargo preference programs are the principal means by which our national in-

terests are served by maintaining a U.S.-flag presence in international water-borne trade.

Though it is fundamentally a commercial enterprise, the U.S. Merchant Marine has proven throughout history its capability to serve as an auxiliary force to the Navy. The often overlooked fourth arm of defense, as referenced by President Franklin Delano Roosevelt, the U.S. Merchant Marine and American seafarers have been called upon repeatedly to deliver U.S. military personnel and material to areas of conflict or emergency, no matter where they occur. The maintenance of a strong privately owned U.S.-flag Merchant Marine has remained an essential part of our nation's official national security strategy.

According to National Security Directive 28, signed by President Bush in 1989, "Sealift is essential both to executing this country's forward defense strategy and to maintaining a wartime economy. The United States' national sealift objective is to ensure that sufficient military and civil maritime resources will be available to meet defense deployment, and essential economic requirements in support of our national security strategy." This policy remains intact, and equally relevant, today. The U.S. Merchant Marine has continued to demonstrate its value as a strategic resource in the 21st century, providing worldwide shipping facilities in support to the Department of Defense, and to essential foreign assistance programs, as well as to provide water-borne response for domestic and international disaster recovery operations.

MSP is a government-private partnership between the U.S. Government and the U.S.-flagged shipping industry, whereby DOD has provided assured access to privately owned commercial shipping assets, related global intermodal systems, and the active pool of U.S. citizen mariners necessary to deploy and sustain ground forces and related equipment during overseas combat operations. The development and implementation of MSP during the 1990s grew from an effort to re-engineer sealift capability as a consequence of lessons learned from the first Gulf War in 1990 and 1991. Less than a decade later, with respect to Afghanistan and Iraq, the effectiveness of MSP and its companion sealift readiness program were well proven during the sealift campaigns to support U.S. military operations and rebuilding programs.

The U.S. Government also administers a framework of cargo preference statutes designed to promote and sustain the U.S.-flagged fleet by prescribing a level of access to military and civilian government-impelled cargoes. It is important that these statutes, and the related programs, are adhered to by Federal agencies to ensure that taxpayer dollars are spent, at least in part, to promote U.S.-flagged shipping, thereby preserving national security as an alternative to the employment of foreign flag shipping and foreign crews.

Cargo preference laws remain essential to maintaining a robust commercial U.S. Merchant Marine. Virtually every privately owned U.S.-flagged vessel engaged in foreign trade depends, to some degree, on cargo preference to remain economically viable. Indeed, without cargo preference, it is no exaggeration to say that the U.S.-flagged international trade fleet would continue to diminish to a level approaching MSP enrollment, currently at 60 vessels. As Ad-

ministrator Jaenichen commented earlier, we have 78 currently in international trade.

Nevertheless, the history of cargo preference administration indicates that cargo reservation requirements are often not self-enforcing, and strict Maritime Administration oversight is necessary to ensure that the law is followed, and its purposes fulfilled, across the U.S. Government. A new regulatory mandate to strengthen MARAD's oversight and enforcement authority has been under consideration for 7 years. USA Maritime remains disappointed that the Administration has thus far failed to formally propose an effective enforcement mechanism.

It is important to note that U.S.-flag capability brought to bear in wartime and emergency missions often includes both U.S. Government owned sealift vessels and privately owned commercial vessels. In those instances, a single pool of trained, qualified mariners is called upon to crew government ships, the majority of which are idle, but maintained in readiness for activation, while simultaneously meeting the requirement to continue crewing commercial vessels. Accordingly, the availability of an adequate cadre of civilian mariners to support the activation and operation of the U.S. Government reserve fleet remains a key element of U.S. strategy and planning. I just need a moment more.

Military planners understand that America's security is best protected when our country relies on a commercial shipping industry domiciled in the United States, employing U.S. citizens both at sea and ashore, and subject to U.S. laws and regulations. Historically, the United States has been able to respond to crises and support military engagements when its U.S.-flagged fleet has been sized to do so. The critical challenge of this strategy has been the availability of an adequate pool of oceangoing citizen mariners to crew the government's reserve ships to meet surge and sustainment requirements. However, an ongoing decline in the number of U.S.-flagged ships operating internationally is negatively impacting the mariner pool, a trend that is raising concern among military planners and industry officials alike.

As MARAD's recent report on cargo preference reduction surmised, continued declines in cargo volumes could erode even the ability to maintain the 60 vessel fleet. In closing, we ask that U.S. cargo preference statutes be supported and upheld by Congress, and that the programs be fully implemented and enforced throughout the Federal Government. Again, thank you for this opportunity. I look forward to your questions. Thank you.

[The prepared statement of Mr. Caponiti follows:]

PREPARED STATEMENT OF JAMES E. CAPONITI, PRESIDENT, AMERICAN MARITIME CONGRESS, WASHINGTON, D.C.; ON BEHALF OF USA MARITIME

Introduction

Good morning, Chairman Rouzer and Chairman Hunter. I appreciate the opportunity to testify today on behalf of USA Maritime on the importance of the Maritime Security Program and food aid cargo preference to the international trading U.S.-flag fleet. USA Maritime is a coalition of ship owning companies, maritime labor organizations and maritime trade associations which directly or indirectly represent the vast majority of the privately owned U.S.-flag oceangoing commercial vessels operating regularly in the U.S. foreign trade. For the record, I have submitted a list of members of the Coalition.

Summary

USA Maritime strongly supports the Maritime Security Program (MSP) and existing cargo preference laws applicable to military and civilian government-impelled cargoes. Taken together, MSP and cargo preference programs are the principal means by which our national interests are served by maintaining a U.S.-flag presence in international waterborne trade.

MSP is a government-private partnership between the U.S. Government and the U.S.-flag shipping industry whereby the Department of Defense (DOD) is provided assured access to privately-owned commercial shipping assets, related global intermodal systems, and the active pool of U.S. citizen mariners necessary to deploy and sustain ground forces and related equipment during overseas combat operations. The development and implementation of MSP during the 1990s grew from an effort to re-engineer sealift capability as a consequence of "lessons learned" from the First Gulf War in 1990–1991. Less than a decade later in Afghanistan and Iraq, the effectiveness of MSP and its companion sealift readiness program were unmistakenly proven during the sealift campaigns to support U.S. military operations and rebuilding programs.

The U.S. Government also administers a framework of cargo preference statutes designed to promote and sustain a U.S.-flag fleet by prescribing a level of access to military and civilian government-impelled cargoes. It is important that these statutes and the related programs are adhered to by Federal agencies to ensure that taxpayer dollars are spent, at least in part, to promote U.S.-flag shipping and preserve national security as an alternative to the employment of foreign-flag shipping and foreign crews. Cargo preference laws remain essential to maintaining a robust commercial U.S.-flag merchant marine. Virtually every privately owned U.S.-flag vessel engaged in the foreign trade depends to some degree on cargo preference to remain economically viable.[1] Indeed, absent cargo preference, it is no exaggeration to say that the U.S.-flag international trade fleet would continue to diminish to a level approaching MSP enrollment, currently at 60 vessels. Nevertheless, the history of cargo preference administration indicates that cargo reservation requirements are often not self-enforcing and strict Maritime Administration (MARAD) oversight is necessary to ensure that the law is followed and its purposes fulfilled across the U.S. Government. A new regulatory mandate to strengthen MARAD's oversight and enforcement authority has been under consideration for 7 years, and USA Maritime urges the Administration to renew its efforts to implement an effective regulatory enforcement mechanism.

The U.S.-Flag Commercial Industry is Critical to National Defense

Throughout its history, the United States has depended upon a viable U.S.-flag merchant marine for its economic and military national security. In his second annual address to Congress on December 8, 1790, President George Washington encouraged Congress to "render our commerce and agriculture less dependent on foreign bottoms."[2] This proscription remains just as relevant 225 years later.

The United States benefits economically and strategically from an abundance of ocean coastline and internal rivers and lakes, and U.S. citizen merchant mariners who navigate, maintain, and work on the ships, tugboats, towboats, ferries, dredges, and other vessels that provide service in associated waterborne trades. U.S. mariners are expertly trained and perform their respective shipboard tasks to the highest of standards anywhere in the world. The importance and viability of a qualified pool of citizen mariners is distinguishable from many other civilian occupations since it is critical to U.S. national security and to America's ability to project power.

Though it is fundamentally a commercial enterprise, the U.S. Merchant Marine has proven throughout history its capability to serve as an auxiliary force to the Navy. The often overlooked "fourth arm of defense," as referenced by President Franklin Delano Roosevelt, the U.S. Merchant Marine and American seafarers have been called upon repeatedly throughout history to deliver U.S. military personnel and materiel to areas of conflict or emergency no matter where they occurred. Perhaps most notably, the U.S. Merchant Marine and civilian merchant mariners were integral to the Allied Forces' victory in World War II, delivering nearly 270 million long tons of cargo in support of the war while risking their lives in the treacherous waters of the North Atlantic and Pacific Oceans. All told, 733 American cargo ships were lost during World War II. Though U.S. Government records management for merchant mariners failed to match the precision applied to the other services, it is

[1] *E.g.,* Econometrica, Inc., "Maritime Security Program Impact Evaluation," Submitted to the U.S. Department of Transportation, Maritime Administration (July 2009) at 26–27, 45.

[2] Second Annual Address of George Washington (Dec. 8, 1790), in Edwin Williams, *The Statesman's Manual* 37 (1854).

widely held that proportionately, the U.S. Merchant Marine suffered a higher death rate during World War II than any of the Armed Forces. In fact, according to the 1946 Report of the War Shipping Administration "Up to V–J Day, 5,638 merchant seamen and officers are dead and missing; 581 were made prisoners of war."

The maintenance of a strong privately-owned U.S.-flag merchant marine has remained an essential part of our nation's official national security strategy. According to National Security Directive 28, which was signed by President Bush in 1989, and which still governs sealift policy:

> Sealift is essential both to executing this country's forward defense strategy and to maintaining a wartime economy. The United States' national sealift objective is to ensure that sufficient military and civil maritime resources will be available to meet defense deployment, and essential economic requirements in support of our national security strategy.[3]

This policy is reflected in more current pronouncements. For example, the Department of the Navy's Fiscal Year 2012 budget request provided that:

> This budget supports maintaining a robust strategic sealift capability to rapidly concentrate and sustain forces and to enable joint and/or combined campaigns. This capability relies on maintaining a strong U.S. commercial maritime transportation industry and its critical intermodal assets.

As stated succinctly by General John W. Handy (then Commander, U.S. Transportation Command) in 2002—"We simply cannot, as a nation fight the fight without the partnership of the commercial maritime industry."[4]

As General Duncan J. McNabb (then Commander, U.S. Transportation Command) in 2011 informed the U.S. Congress—"USTRANSCOM's partnership with the U.S. commercial sealift industry and the Department of Transportation has been vitally important in developing new routes for conveying cargo around the globe—particularly to regions with undeveloped infrastructure."[5]

The U.S. Merchant Marine has continued to demonstrate its value as a strategic resource into the 21st Century providing worldwide shipping facilities and support to the DOD and to essential foreign assistance programs, as well as waterborne response related to domestic and international disaster recovery operations. The U.S.-flag industry's sealift mission in support of U.S. military operations throughout the past decade was historically efficient, delivering more than 90 percent of all cargoes bound to and from Afghanistan and Iraq during *Operations Enduring Freedom* and *Iraqi Freedom* (OEF/OIF). U.S.-flag ships also supported months-long recovery efforts in the U.S. Gulf of Mexico in the aftermath of Hurricanes Katrina and Rita in 2005; in response to devastating earthquake destruction in Haiti in 2010; and to bolster Federal and state recovery efforts in the New York/New Jersey area that followed destruction to that region as a consequence of Hurricane Sandy. Few Americans will forget the evacuation of New York City on 9/11 and the selfless acts of U.S. mariners and private sector companies to evacuate citizens from Lower Manhattan—the largest and safest evacuation of citizens in U.S. history.

It is important to note that U.S.-flag capability brought to bear in the wartime and emergency missions noted above included both U.S. Government-owned sealift vessels and privately-owned commercial vessels. However, it is this same single pool of trained and qualified civilian mariners who are called upon during emergencies to crew government ships, the majority of which are idle but maintained in readiness for activation, while simultaneously meeting the requirement to continue crewing commercial vessels and maintaining services in the U.S.-flag commercial trades.

Origins of MSP

The First Gulf War in 1990–1991 had highlighted a need for more effective and dependable sealift assets from the U.S.-flag commercial fleet, as well as upgraded reserve capacity in the government-owned surge fleet. An inadequate number of commercial vessels available to meet lift requirements together with readiness deficiencies encountered during the activation of numerous government reserve vessels had forced the DOD to charter foreign-flag vessels to meet 23 percent of its dry cargo lift requirement.

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[3] National Security Directive 28 (Oct. 5, 1989).

[4] Statement of General John W. Handy, Commander, U.S. Transportation Command before the House Armed Services Committee, Merchant Marine Panel on the Maritime Security Program (MSP) (Oct. 8, 2002). Similarly, the Navy League of the United States has recently indicated that "[t]he ability to access this maritime capability of ships [the U.S.-flag commercial fleet] and seafarers is essential to our national and economic security." Navy League of the United States, Maritime Policy 2011–12 at 17.

[5] *Id.* at 15.

During the effort to revitalize U.S.-flag sealift, special attention was directed to gaining assured access to militarily useful U.S.-flag commercial vessels. To achieve that outcome, MARAD collaborated with DOD's U.S. Transportation Command (USTRANSCOM) to develop and implement MSP and its statutorily required sealift readiness program, the Voluntary Intermodal Sealift Agreement (VISA).

Insofar as national security and sealift readiness during emergencies are the underlying purposes for maintaining the program, MSP sustains civilian mariner jobs to retain an active mariner pool and provides a multiplier effect of economic benefits that accrue from promoting a U.S.-flag international trade fleet. Nevertheless, MSP's value to the government is underscored in many ways. MSP provides national control of sealift resources and capabilities during peacetime and in emergencies. The level of contingency readiness that carriers agree to in their VISA contracts, dictates the amount of preferred access to military cargoes that the carrier enjoys during peacetime. In this way, the transition to a wartime logistical footing is made easier by retaining the same partnerships and processes utilized and ongoing with commercial providers. Together with the annual retainer payment, the expectation of peacetime cargo revenues has been expected to provide a portion of the overall MSP enrollment compensation.

The timing of MSP implementation in 1996 was fortuitous given the tragic events less than 5 years later on 9/11 and during the years that followed. As implied earlier, sealift support for the military campaigns in Afghanistan and Iraq was notably superior to what the government and the maritime industry were able to accomplish during the First Gulf War. In the early stages of simultaneous military operations, the government-controlled surge sealift components were timely activated and efficiently operated, and cargo volumes were large enough that it was necessary to involve MSP vessels in liner services from the outset. As the years of fighting wore on, the value and effectiveness of MSP was manifested with the liner service delivery of military cargoes to distribution points at or near the theatre. As the reliance on government-owned surge assets diminished after the earliest years of OEF/OIF, DOD's reliance on MSP grew to a degree that since 2009 privately-owned U.S.-flag commercial vessels and their citizen crews have transported more than 90 percent of sustainment cargo needed to support U.S. military operations. Significantly, vessels enrolled in MSP carried 99 percent of those cargoes. Only three percent of OEF/OIF cargo moved on foreign-flag charters compared to 23 percent during the 1990–1991 sealift mission. U.S. citizen merchant mariners crewed all of the U.S.-flag vessels—government surge and commercial alike—engaged in the sealift mission.

The government relies on a partnership with U.S.-flag operators and maritime labor organizations to obtain the assured access to the commercial sealift capability and civilian merchant mariners. MSP/VISA are administered jointly by MARAD and DOD's USTRANSCOM. With MSP funding, the government leverages a relatively small investment, currently $186 million annually for 60 ships of diverse capability, to gain assured access to military useful ships and related intermodal transportation networks. The investment also works to ensure the continued viability of both a U.S.-flag fleet engaged in international trade and the pool of seafarers to crew those vessels. Without a viable U.S.-flag commercial fleet and the American merchant mariners this fleet supports, the United States would be unable to deploy and effectively sustain its military forces on a global basis.

The government-private industry partnership itself is unique, and it entails peacetime planning and an operational relationship through peacetime service contracts. The U.S. companies enrolled in MSP/VISA agreements are required to be managed by U.S. citizens, and those companies having a foreign parent are required to execute security agreements that protect the rights and interests of the United States. The companies have the equivalent of a "secret" clearance enabling participation in joint planning and operational exercises with U.S. military commands in a secure environment at regular intervals.

Effective October 1, 2015, the MSP authorization period was extended for 10 years through Fiscal Year 2025. Given the austere fiscal environment facing DOD and every other executive agency for the foreseeable future, it is important to note from a budgetary standpoint that the fleet of vessels and infrastructure available for military missions through the MSP is capitalized and recapitalized solely through the private investment of the owners and operators of enrolled vessels.

The availability of a trained and qualified mariner pool sufficient to support the activation and operation of the U.S. Government's surge sealift assets remains a key element of U.S. strategy and planning. This organic lift includes MARAD's Ready Reserve Force (RRF) which currently numbers 46 ships and the Military Sealift Command's (MSC) ten Large Medium-Speed Roll-on Roll-off ships (LMSRs). These vessels are maintained by commercial ship managers in prescribed levels of readiness and outported in reduced operating status (ROS) in commercial berths or in

government facilities, available to be activated when crises arise. To promote readiness and to enable rapid transition to operational capability, ROS vessels are partially crewed while idle. Once activated and fully crewed, all of these assets, RRF and LMSR alike, fall under MSC's operational control. The surge sealift capability comprised from these vessels enables the deployment of combat forces in the early stages of a conflict. Of course, the vessels themselves are essentially useless without trained civilian crews to operate them.

The current taxpayer investment in MSP of $186 million annually is modest when compared to the alternative scenario that would call for the government to acquire, operate, and maintain equivalent sealift capabilities on its own. When assessing the cost effectiveness of the MSP, it is important to understand this huge cost avoidance at the same time one evaluates the cost of government programs and policies that support the U.S. Merchant Marine to achieve national sealift objectives. For example during the first 15 years that MSP has impacted American sealift policy, the U.S. Government benefited nearly $70 billion in equivalent capitalization cost avoidance as a result of the vessel and intermodal infrastructure capabilities guaranteed through MSP/VISA and provided by the private companies participating in these programs. In comparison, outlays necessary to fund MSP operating agreements during the same period were less than $1.9 billion. Accordingly, a further testament to MSP's cost effectiveness lies with what the government does not spend.

The Need for a Robust U.S.-Flag Fleet

Perhaps the largest bargain gained from the government's maritime investment lies in sustaining jobs on U.S.-flag ships which benefits America economically as a large international trading power while also ensuring our country has the readily available pool of trained and qualified citizen seafarers on which the nation relies to provide sealift during emergencies. A fundamental element of U.S. maritime legislative policy is—and has been—that "vessels of the merchant marine should be operated by highly trained and efficient citizens of the United States" (46 U.S.C. 51101). Of course, the application of this principle is especially true with respect to developing and maintaining the nation's military sealift capability. Military planners understand that America's security is best protected when our country relies on a commercial shipping industry domiciled in the United States, employing U.S. citizens both at sea and ashore, and subject to U.S. laws and regulations.

The United States has been able to respond to crises and support military operations in recent decades because its U.S.-flag maritime industry was sufficiently sized to do so. Likewise, U.S. sealift strategy calling first for the deployment of government-owned surge assets followed by the use of commercially sourced ships for the longer sustainment phase of missions has been very effective. The critical component of this strategy has been maintaining a pool of qualified oceangoing U.S. mariners adequate enough to crew the government's surge ships when necessary without disrupting commercial crewing requirements. However, recent trends are causing concern among military planners and industry officials with respect to the availability of U.S. mariners to meet surge and sustainment requirements for the duration of a conflict in the future.

The pool of U.S. mariners available to crew government ships when activated has been declining over the last decade, creating the distinct likelihood that America's national security will be adversely impacted in the near future if the trend continues. Much of this decline stems from the fact that it is increasingly difficult for U.S.-flag ships to compete in international commerce against heavily subsidized foreign flag vessels, many of which operate in a tax-free environment.

Competition in global shipping is fierce and survival depends on many factors. Quality of service can trump cost to a degree, but much of the market is driven by carriers adhering to a minimum level of compliance with international safety and environmental standards while employing mariners from under developed countries, all to minimize cost. Much of this occurs within open registries which account for more than ½ the ships in the world's commercial trading fleet. Competitive pressures have been magnified in recent years by the economic crisis worldwide and by an oversupply of shipping tonnage. The result has been a loss of U.S.-flag oceangoing tonnage and related afloat jobs. This is occurring partly due to the framework reduction of Federal programs designed to support the maritime industry while other programs have failed to keep pace with rapidly changing national and international factors affecting shipping conditions and global economics. For example, DOD peacetime cargoes that were expected to be a principal source of compensation for MSP operators have declined due to the reduction in personnel and military bases overseas since 1990.

The mariner pool has been further impacted by other issues. The loss of shipboard billets when U.S.-flag ships leave commercial service has a compounding effect on

the mariner pool since each billet supports roughly two individuals when vacations, training, and other time spent on shore are taken into account. The loss of billets also negatively affects the ability to recruit and develop new mariners to grow the mariner pool. International and domestic regulatory rules limit the ability of mariners to maintain and upgrade their seafaring credentials without meeting required sea time and recency service requirements. For example, a mariner could be required to take specified training to update practical experience in technical skills before being allowed to volunteer for an emergency sealift billet during a contingency.

Notwithstanding the willingness of U.S. mariners to maintain their qualifications and stand ready to sail—for any reason—into harm's way, the retention of mariners in the workforce is a growing and serious problem. This problem exists not only in the United States but globally, especially among mariners in developed economies. For more than a decade, there have been concerns about a global shortage of qualified seafarers and the reasons are numerous and varied. It is a difficult and often dangerous occupation that, for many, is arduous to endure long-term. Time away from family is probably the most prominent downside for individuals sailing far from home. In the modern age of containerization, expedited cargo handling, and sophisticated shipboard technology the job is more complex than ever. The sense of adventure once associated with going to sea has eroded significantly. A mariner today gets only a limited dose of "seeing the world". Turnaround intervals in ports today are usually numbered by hours—not days—and access to the cities attached to ports of call has realistically been eliminated, or at best minimized. Security issues, together with strict limitations on the granting of port states' entry visas also impact prominently in limiting port access. These and other issues cause some mariners entering the workforce to view it as a short-term opportunity to make some money rather than view the profession as a career. This is especially true in the United States where competition from onshore job opportunities is a significant factor that draws mariners away from sailing.

Due in no small measure to America's standard of living and the reasonable expectations among all American workers for a living wage, health and pension benefits, a safe workplace environment, and other employment-related terms and conditions, it is difficult for the U.S.-flag maritime industry to compete in the international cargo markets against foreign flag of convenience vessels and crews from under-developed countries. This is why the Federal Government has implemented and must continue to oversee programs to support the industry.

There are far fewer opportunities in recent years for MSP carriers to benefit from peacetime military cargoes due to the substantial reduction in DOD's peacetime footprint in Europe and Asia. The expectation that MSP carriers could rely on and benefit from DOD peacetime cargo revenues to supplement monthly MSP retainer payments was always intended as an economic incentive to enroll in the program. The combination of a flat annual stipend level until FY 2019 and an expectation that peacetime cargo levels will remain modest into the future is an issue of significant concern to MSP carriers that could soon jeopardize the program and existing levels of enrolled sealift capability.

All of this points to a continued need to maintain and enforce cargo preference regimes. The nation's strategic sealift posture is directly dependent on an active pool of qualified U.S. citizen mariners. The OEF/OIF sealift missions clearly illustrated the demand for mariners during emergency scenarios. In an age when military conflicts do not impact significantly on sea-borne commerce, the sizing of the U.S. citizen mariner pool must be robust enough to provide for the activation of otherwise idle surge sealift for an indefinite period to meet wartime demands at a time when commercial activity continues unabated.

It has been said that ocean-borne transport is taken for granted by the American public. It's predominantly about freight, and therefore essentially invisible to most citizens who view the television in their living room as having come from Wal-Mart instead of from Asia. Until this past year (apparently), the United States had remained the largest trading nation in the world. Yet less than four percent of U.S. foreign trade is carried on U.S.-flag ships. The benefits of maintaining a strong maritime industry does not naturally resonate with many citizens, and our industry remains challenged to raise awareness about its strategic value. Thank you for the opportunity provided to us through this hearing.

Conclusion

Throughout U.S. history, the one constant has been that a strong commercial maritime capability enhances national security. This is as true today as ever. The Maritime Security Program remains the most important of the Federal programs that assist U.S.-flag ships in international trade, and it should be supported, fully

funded, and modified to meet today's economic challenges affecting U.S.-flag shipping. The government also administers a framework of cargo preference programs designed to provide access to military and civilian government-impelled cargoes. These statutes and programs should similarly be support by all Federal agencies to ensure that taxpayer dollars are spent at least in part to support U.S.-flag shipping and not spent in their entirety to support foreign-flag shipping and foreign crews. Finally, the domestic shipping statutes commonly referred to as the Jones Act should be retained to sustain the commercial shipping base that helps support the civilian manpower pool needed to meet defense requirements.

Members of USA Maritime:

- American Maritime Congress.
- American Maritime Officers (AMO).
- American Maritime Officers Service (AMOS).
- American Roll-on Roll-off Carrier LLC.
- APL Ltd.
- Hapag-Lloyd USA, LLC.
- Intermarine LLC.
- International Organization of Masters, Mates & Pilots.
- International Shipholding Corporation.
- Liberty Maritime Corporation.
- Maersk Line Limited.
- Marine Engineers Beneficial Association (MEBA).
- Maritime Institute for Research and Industrial Development (MIRAID).
- Sailors' Union of the Pacific.
- Seafarers International Union (SIU).
- Transportation Institute.

Mr. ROUZER. Mr. Shapiro?

STATEMENT OF PHILIP J. SHAPIRO, J.D., PRESIDENT AND CHIEF EXECUTIVE OFFICER, LIBERTY MARITIME CORPORATION, NEW HYDE PARK, NY

Mr. SHAPIRO. Good morning, Chairman Rouzer, Chairman Hunter, Chairman Conaway, Ranking Members Costa and Garamendi, and Members of the Subcommittees. Thank you for the opportunity to testify on the important issue of international food aid and the U.S. Merchant Marine. Let me add that your leadership on these issues is to be applauded.

Liberty Maritime has been active in the carriage of P.L. 83–480 cargoes since 1988, and has successfully delivered almost 30 million tons on over 500 voyages to needy people all over the world during the last 27 years. We are proud of the historic accomplishments of the P.L. 83–480 program, and of the critical role of the U.S. Merchant Marine, and the role it has played since 1954 in delivering food and supporting this important program.

You have already heard from other witnesses about how important the carriage of food aid is to the Merchant Marine, as it comprises an essential cargo source for U.S.-flag vessels. I would like to add, from my long experience in this industry, that the current situation is unprecedented in its level of devastation to the U.S.-flag Merchant Marine. The U.S.-flag fleet is suffering economically from an enormous decline in available cargoes, not to mention the MAP–21 reduction from 75 percent to 50 percent carriage. And many ships, including several of our own, have had to re-flag, with the resulting substantial loss of sealift capacity and maritime jobs. So I can say without reservation that the current food aid pref-

erence cargo base is already inadequate to support the existing fleet, and that new and substantial support is needed to prevent further deterioration in the fleet size and loss of sealift capabilities needed for the future.

Let me add something about U.S.-flag rates, which have been criticized by out of touch academics. What these critics forget, first and foremost, is U.S.-flag carriers are rate capped by the U.S. Government in its determination of what is a fair and reasonable rate. So we cannot charge more than an average of our cost, plus a modest regulated profit on any particular voyage. And because of a lack of cargoes, and vigorous competition amongst U.S.-flag ocean carriers, we never come close to hitting the regulated profit amount or ceiling.

I would like to say a few words about the Obama Administration proposals to dismantle P.L. 83–480 in the name of reform. As well intended as these proposals may be, they have already done substantial harm to P.L. 83–480, and will do irreversible damage if adopted by Congress. The proposals have put the public narrative on P.L. 83–480's imperfections, rather than recognizing the program's enormously impressive track record, and seeking to improve on it. In fact, it is hard to find another U.S. Government program that has achieved so much for so long with so little. I dare say that if other foreign assistance programs were anything like the P.L. 83–480 program, the American people would actually like foreign aid.

Much of the funding is spent in the U.S. to buy U.S. agricultural products, to mill them here, send them to ports via rails, barges, and trucks, and ship them on U.S.-flag vessels, which are then delivered by U.S.-based private voluntary organizations. And most importantly, the program delivers assistance to persons who need it in a transparent, accountable, and efficient way. I would ask the Members of the two Committees represented here today whether we will be able to say that if P.L. 83–480 becomes a cash giveaway program. Will the American people support a giveaway program of cash that inevitably will be neither transparent nor accountable? I don't think we need any polling done to know the answer to that question.

We strongly urge caution and prudence before dismantling a program that has worked so well for so long, and won't be easy to reconstitute if it turns out that cash and vouchers are the wrong way to go. We already are the leading provider of cash aid in the world. We need do no more. Indeed, we believe the evidence is already accumulating that shows that cash and vouchers lead, as one would expect intuitively, to enormous diversions of funds, fraud, waste, and abuse. I commend the Subcommittees to the November 2014 United Nations Inspector General report, and to the 2015 GAO reports, both of which indicate that cash voucher programs are rife with fraud and abuse, and lack transparency and accountability. One of my favorite vignettes from those reports is the admission by GAO that the only verification that vouchers are ending up in the right hands to be used for the right purposes has been by satellite surveillance. I urge the Subcommittees to contemplate how likely is it that sporadic satellite surveillance can prevent voucher fraud and abuse in Africa.

From my own company's long experience, I can tell you that when we are hired to deliver food, not only to a foreign country, but also directly to a refugee camp, that food gets there every time. We take that obligation seriously, and shipping contracts make it our responsibility. The food gets delivered to the dock, or to the inland refugee camp, whatever is called for in the contract. Let me add that the President's proposal to transfer 25 percent more of P.L. 83–480 funding to be used for further cash giveaways tied to a one-time payment to carriers is unacceptable. It would hasten the dismantling of the P.L. 83–480 program in exchange for a token gesture. The U.S. Merchant Marine needs sustained support, not a severance payment.

I respectfully urge that, instead of destroying P.L. 83–480, Congress should consider ways to improve the purchasing, transportation, and distribution of in-kind food aid. We would be pleased to offer suggestions, as I am sure other carriers and program participants would as well. Most of the available ideas are not new. They have been proposed by GAO and others over the years, and ignored by shipper agencies, especially USAID. For example, the way shipper agencies contract for transportation services unnecessarily costs the U.S. Government money. In the commercial sector, contracts tend to apportion risk and responsibility to the person in the transportation chain that has the most control, and can mitigate the risk.

So, for example, where the ocean carrier does not control the ocean terminal, the terminal is responsible for loading or discharge delays caused by its employees or actions, not the ocean carrier. Yet, ironically, the U.S. Government ignores this commercial sensibility in favor of putting all the risk and responsibility on the ocean carrier, even for things totally out of its control. The inevitable result is the ocean carrier rates are higher than they have to be to account for this risk.

From the adoption of commercial terms, to incorporating priority berthing on load and discharge ports, these are just two of many contracting practices that would increase efficiency and lower costs. There are other—many other examples of ideas that can improve efficiency. We hope that we can continue to work with the Agriculture and Transportation and Infrastructure Committees to have those ideas reviewed and vetted for possible changes to the law. First and foremost, we need to reinstate the 75 percent carriage requirement that was in effect for the last 25 years, until the MAP–21 legislation 3 years ago.

Thank you again for inviting me to appear here, and I would be pleased to answer any questions you or your colleagues may have.

[The prepared statement of Mr. Shapiro follows:]

PREPARED STATEMENT OF PHILIP J. SHAPIRO, J.D., PRESIDENT AND CHIEF EXECUTIVE OFFICER, LIBERTY MARITIME CORPORATION, NEW HYDE PARK, NY

The Role of the U.S.-Flag Merchant Fleet in the Transportation of U.S. International Food Aid

Background

Formed in 1988, Liberty Maritime Corporation is the proud operator of five U.S.-flag vessels. Over the last fifteen years, the Liberty Shipping Group has invested almost $250 million in private capital to construct new vessels for the U.S.-flag fleet.

Liberty Maritime and its affiliates are 100 percent U.S. citizen-owned and 100 percent U.S. citizen-controlled.

Three of Liberty's vessels are modern dry bulk vessels primarily engaged in the carriage of U.S. Government international food-aid cargoes. Through its 25+ years of operating history, Liberty Maritime has successfully delivered almost 30 million tons of U.S. food aid to over 30 countries around the world on over 500 voyages.

In the last few years, Liberty has had to reflag U.S.-flag vessels foreign that were purpose-built to carry U.S. Government food aid and which predominantly carried such aid since their delivery. The reason such vessels have had to leave the U.S.-flag is primarily because of the decline in international in-kind food aid. That decline in turn has been the result of a decrease in program funding during the Obama Administration, the diversion of international food-aid funds to expenditures other than delivering in-kind food aid and the reduction in the reservation of cargoes to U.S.-flag vessels in 2012 from 75 percent to 50 percent.

The other two vessels Liberty operates are roll-on/roll-off (Ro/Ro) vessels configured as Pure Car Truck Carriers or PCTC's. Those vessels are among the most modern vessels in the U.S.-flag fleet and are regularly engaged in both the carriage of U.S. Government military cargoes as well as a variety of commercial vehicles. The M/V *Liberty Promise* and M/V *Liberty Pride,* delivered in August 2009 and April 2010, respectively, can each carry about 6,500 cars and have a high degree of military utility because of their flexible deck configuration, ultra strong ramps and other factors.

Liberty also participates in the Maritime Security Program. Both the *Liberty Promise* and the *Liberty Pride* are covered by Maritime Security Program Operating Agreements with the U.S. Maritime Administration (MARAD). All of Liberty's vessels are enrolled in the Voluntary Intermodal Sealift Agreement (VISA) Program and therefore the capacity of those vessels is fully committed to the U.S. Government in the event of national need.

Liberty is no stranger to the tribulations of the international market. On April 14, 2009, Liberty's vessel the M/V *Liberty Sun* was attacked by pirates off the coast of Kenya while en route to deliver a U.S. Government food-aid cargo to Mombassa. [That] occurred shortly after the attack on the M/V *Maersk Alabama.* Both vessels were engaged in the carriage of U.S. Government international food aid. *Liberty*'s crew performed admirably in implementing the company's security plan and in warding off the attack without a boarding. Fortunately, no one on the crew was hurt although the vessel was hit by rocket propelled grenades and automatic weapons fire.

Importance of the Privately Owned U.S.-Flag Commercial Fleet

U.S. Government vessel promotional programs have long recognized an enduring truth about strategic sealift. That truth is that it is far more efficient and economical over the long-term to support a privately owned commercial fleet during peacetime to have available in times of war or national emergency than it is either to rely on the vicissitudes of the international market or to maintain on stand-by status a fleet of inactive government-owned ships.

This axiom is reflected both in law and official national security policy.

Section 50101 of Title 46 of the U.S. Code (going back to the Merchant Marine Act, 1920 and amended and affirmed over time) provides in part that: "It is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine . . . capable of serving as a naval and military auxiliary in time of war or national emergency."

The official national security policy is reflected in National Security Directive 28 issued on October 5, 1989 which provides, in part, that "[s]ealift is essential both to executing this country's forward defense strategy and to maintaining a wartime economy" and that the "U.S.-owned commercial ocean carrier industry, to the extent it is capable, will be relied upon to provide sealift in peace, crisis, and war."

These bedrock policies reject the alternatives of relying on the foreign market and U.S. Government vessel ownership and belie much of the criticisms of the U.S. maritime industry offered by uninformed observers.

In the case of dependence on the international market, the U.S. Government has seen through its own experience as well as that of other governments (such as that of the United Kingdom in the Falklands War or Canada in *Operations Desert Storm/Desert Shield*) that foreign vessels are not always available when needed or reliable when chartered. Moreover, as the U.S. Government found when it needed Ro/Ro's in *Operations Desert Storm/Desert Shield,* foreign flag Ro/Ro's, when available, were only available at very high (some would say exorbitant) charter rates.

In the case of dependence on inactive government-owned vessels, the cost of maintaining such vessels is often much higher than the cost to keep available a privately owned U.S.-flag commercial vessel. The reasons for this are obvious—the private operator has a high incentive to operate efficiently to maximize earnings and the U.S. Government is able to leverage the owner's receipts from the ongoing carriage of commercial cargoes to pay for maintenance, a well trained, loyal and motivated crew and other aspects of vessel operation.

Military Utility of Vessels Carrying Food Aid

It has been wrongly suggested that U.S.-flag vessels transporting international food aid assistance are not "militarily useful." The usual basis of this fallacious argument is the simplistic and wrong assertion that only vessels enrolled in the Military Sealift Program or MSP are "militarily useful."

This approach is wrong on many levels.[1]

First, all vessels under the U.S.-flag are militarily useful and for that reason are subject to requisition by the U.S. Government for any declared national emergency.[2] This is the case because vessels can be put to varied uses with or without modification. Moreover, every U.S.-flag vessel employs experienced and licensed U.S. citizen mariners who take years to train and are needed to man both privately and U.S. Government owned vessels committed to national defense.

Second, most every U.S.-flag vessel in the foreign trade is enrolled in the Voluntary Intermodal Sealift Agreement (VISA) program that provides for sealift readiness. VISA was established pursuant to section 708 of the Defense Production Act of 1950, as amended, which authorizes voluntary emergency preparedness programs. The VISA program is only "open to U.S.-flag vessel owners of oceangoing militarily useful vessels, to include tugs and barges."[3] Indeed, VISA defines "military planning capacity" for bulk and breakbulk vessels based on deadweight measured in metric tons. The U.S. Government relies on VISA for sealift capacity and participation in that Program is a much more valid measure of "military usefulness" than participation in MSP. As of July 2015, there were 58 VISA participating companies of which only 11 were MSP participants. Obviously, MSP participation is an insufficient measure of military utility.

The Liberty vessel M/V *Liberty Eagle* is a perfect example of a VISA-enrolled (but not subject to an MSP agreement) vessel carrying food aid on a regular basis that has substantial military utility. The *Liberty Eagle* is a 2004 built dry-bulk carrier capable of transporting 51,812 metric tons of food aid or ammunition or other similar hazardous cargo and can also carry approximately 600 containers. In fact, we believe that the *Liberty Eagle* may be the largest [of the] U.S.-flag vessels specially configured to carry ammunition.

Third, every U.S.-flag vessel of which we are aware which was built abroad and registered under U.S.-flag since the inception of MSP has accomplished its reflagging by first applying to MARAD for confirmation that the vessel would be eligible for MSP if an MSP agreement would be available. The reason this is done is that MSP-eligible vessels receive expedited reflagging processing by the U.S. Coast Guard. Therefore, all of these vessels meet the MSP standard of military utility.

State of the Privately Owned U.S.-Flag Commercial Fleet

The privately owned U.S.-flag commercial fleet engaged in the foreign trade, so necessary to national defense, is in a state of crisis. A combination of the creation of the MSP in 1996 and its expansion in 2005 from 47 to 60 vessels, relatively robust levels of U.S. Government cargo reserved to U.S.-flag vessels by Federal cargo preference laws and international shipping conditions sustained a stable fleet from roughly the year 2000 to 2012. During that period of time, there were an average of 105 privately owned U.S.-flag vessels engaged in the foreign trade. However, since 2012 the fleet has been declining precipitously as vessels leave the U.S. registry. According to MARAD, that number of vessels as of October 30, 2015 was 77. With this trend, it is no exaggeration at all to say that the future of the privately owned U.S.-flag fleet hangs in the balance.

The reason for this decline, we believe, is readily apparent—the number of cargoes reserved to U.S.-flag vessels by U.S. cargo preference laws has decreased substantially in the last few years. This has occurred both with international food aid (P.L. 83–480) and Department of Defense cargoes—which are the two main sources of U.S.-flag U.S. Government freight revenue.

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[1] For further information see USA Maritime, "A Critical Analysis of 'Food Aid And Agricultural Cargo Preference'" (Dec. 2010) available at *www.usamaritime.org*.

[2] 46 U.S.C. § 56301.

[3] 79 *Fed. Reg.* 64462 (Oct. 29, 2014).

With respect to the food aid, that program has been under siege by the Obama Administration which has decreased overall funding for the program while simultaneously diverting more and more of the program to agency overhead, ancillary expenses, vouchers and cash payments. And the reservation to U.S.-flag vessels—long a matter of bipartisan consensus—was decreased from 75 percent to 50 percent as a "pay for" expedient in the 2012 Federal highway legislation. According to a recent MARAD report, this led to a decline of about ***40 percent in a single year*** in U.S.-flag freight revenue from Fiscal Year 2012 to Fiscal Year 2013.[4] Overall, dry bulk food aid cargo volumes have declined 56 percent since 2010.[5]

While food aid cargoes for the U.S.-flag have fallen precipitously in the last few years, nothing has taken their place. In March 2015, General Paul Selva, Commander, United States Transportation Command, stated—"The reduction in government-impelled cargoes due to the drawdown in Afghanistan and reductions in food aid . . . are driving vessel owners to reflag to non-U.S.-flag out of economic necessity . . . With recent reductions, the mariner base is at the point where future reductions in U.S.-flag capacity puts our ability to fully activate, deploy, and sustain forces at increased risk." According to an August 2015 Government Accountability Office report,[6] the United States is already short 1,400 mariners needed to meet DOD readiness requirements.

With respect to Department of Defense cargoes, from Fiscal Year 2012 to Fiscal Year 2014 the volume of such cargoes declined almost 25 percent as measured by tons.[7] The carriers who have reflagged or retired vessels in the last few years have all stated "that the predominate driver in their decision to remove vessels has been the loss of preference cargoes."[8] This has occurred for the readily apparent reasons that the U.S. Government has reduced its overseas bases and installations and because of the decreased military operations in Iraq and Afghanistan. In fact, DOD has indicated that "the American military presence in Europe as of 2014 is 86 percent smaller than it was in 1989, with the closing of over 700 sites including hundreds of bases and radio and radar positions."[9]

Regrettably, these trends are likely to continue which will have a devastating effect on the privately owned U.S.-flag merchant marine. As the Members of the two Subcommittees are well aware, there are proposals pending in both Chambers to gut the in-kind international food aid program and essentially convert it into a cash and voucher program. And the critics of in-kind food aid—a program which has served the United States well since 1954 and has saved millions and millions of people around the world—are unceasing and shrill. In fact, even without a fundamental change to the U.S. food aid program, "overall cargo preference volumes will likely decrease over the next 2 to 3 years . . . ".[10] The privately owned U.S.-flag fleet, already struggling financially, is not likely to survive such a further decline without direct, immediate and substantial U.S. Government support.

Importance of Keeping a Viable In-Kind Food Aid Program

Although P.L. 83–480 and related programs have historically been in-kind food aid programs where U.S. grown agricultural commodities are shipped abroad to needy people, there has been increasing pressure from the Obama Administration and certain academics to send cash or vouchers abroad instead and permit such cash or vouchers to purchase foreign-sourced agricultural commodities. We believe that such a shift would be a tragic mistake on many levels and, as well intentioned as the pressure to shift to cash/vouchers may be, ultimately it will result in reducing U.S. aid to vulnerable populations or, in other words, the exact opposite of what is intended.

There are those who say that cash/voucher aid is "faster" and more "efficient" than in-kind food—we would not agree. And there is no doubt that wiring money to a foreign account or printing vouchers in a foreign country can be done quickly and that cash can be handed out "efficiently". But at what cost to accountability, efficacy and transparency and to the reputation of the program with the American people?

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[4] U.S. Maritime Administration, U.S. Department of Transportation, "A Report to Congress—Impacts of Reductions in Government Impelled Cargo on the U.S. Merchant Marine" (April 21, 2015) at 12.

[5] *Id.* at 5.

[6] U.S. Government Accountability Office, "International Food Assistance—Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear" (August 2015).

[7] *Id.* at 3.

[8] *Id.* at 4.

[9] *Id.* at 16.

[10] *Id.* at 48.

The "faster" and more "efficient" theories, in any event, don't square with reality. In-kind food aid is usually delivered to places where there is known recurring food insecurity and therefore speed of delivery is not an issue. The U.S. Government already has other substantial programs, like the Foreign Disaster Assistance program and the Emergency Food Security Program, which are intended for unanticipated emergencies (where cash and vouchers can be used)—if those programs are underfunded, why has the Obama Administration not asked for substantial increases? Moreover, shipments can be diverted at sea and frequently are to meet present needs, and U.S. food can be stockpiled abroad to meet unanticipated needs and has in fact been so stockpiled.

But these are issues for another hearing focused on the supposed benefits and downsides of sending cash and vouchers instead of U.S. food. We only would point out for the present that early returns on the extensive use of cash and vouchers are negative. Such use has led to fraud, abuse and a lack of transparency and accountability exactly as common sense would indicate when cash or vouchers are used in countries where there is war, violence and weak social, legal and political systems.

For example, in March 2015 GAO released a report exposing numerous cash giveaway issues,[11] including:

- There is little to no oversight of these cash programs, and as a consequence there is widespread pilfering, corruption, graft and diversion of funds. For example: USAID had only two people in Syria to oversee $½ billion program; USAID let contractors use overhead satellite imagery to monitor "food for work" programs in Somalia; when GAO visited a food for work program in Kenya, nobody from USAID had been there for over a year to check on the program; and USAID is actually handing out envelopes of cash to crowds in developing countries, particularly Syria, without any accountability or record of how that cash gets spent.
- The Report also indicated that USAID lacks guidance on program award modifications which took awards from $91 million to $626 million, or $535 million in program expenditures, and that absent such guidance "USAID cannot hold its staff and partners accountable." The GAO report also found that handing out cash in areas where people lack access to food caused local food price spikes of 20–25 percent in numerous instances, and that neither USAID nor its partners put in place protections to prevent counterfeiting, diversions, and other misuse of funds leading to fraud and theft problems.

In November 2014 the UN World Food Programme's Inspector General also issued a report which made "two high-risk and nine medium-risk observations."[12] The high risk observations were that there is a persistent diversion of vouchers for non-food procurement purposes and that the WFP persons in charge of the program could only meet 25 percent of their verification targets. Part of the problem was attempting to solve a humanitarian crisis in a war zone (Syria), but the problem of "persistent encashment of vouchers" was also prevalent in Jordan and Lebanon.

Recommendations

Liberty strongly recommends that the U.S. Congress consider making improvements in the way that U.S. in-kind food aid is contracted for and transported to increase transportation and other efficiencies with the use of privately owned U.S.-flag commercial vessels. Among the potential possibilities that should be considered are: (1) modifying contracting for transportation services so that it is based on established commercial practices which place the risk of loss on the person in the transportation chain most able to control and mitigate that risk; (2) moving the transportation function for P.L. 83–480 from the U.S. Agency for International Development back to the U.S. Department of Agriculture, as it used to be, to more closely align commodity purchasing decisions and practices with transportation purchases thereby making the program more cost efficient and reducing agency coordination delays; (3) requiring foreign ocean carriers to comply with the same tender and contractual terms and conditions as U.S.-flag carriers; and (4) requiring shipper agencies to comply with customary U.S. Government procurement integrity laws, such as the Competition in Contracting Act and the Federal Acquisition Regulation, to prevent non-competitive practices such as permitting foreign speculators to make offers to carry cargoes that they have no ships for.

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[11] U.S. Government Accountability Office, "International Cash-Based Food Assistance—USAID Has Developed Processes for Initial Project Approval but Should Strengthen Financial Oversight" (March 2015).

[12] United Nations World Food Programme Office of the Inspector General, "Internal Audit of WFP Operations in Syria and Neighbouring Countries" (November 2014).

Finally, and most importantly, we believe that it is essential that Congress reverse the reduction in the percentage of international food assistance cargoes reserved to U.S.-flag vessels that occurred in 2012 and resume the 75 percent reservation. Certain officials have grossly overestimated the cost of such a resumption using old, outmoded data not taking into account the current size of the food aid program and current freight costs. When the U.S. House of Representatives passed the 75 percent resumption in the 2014 Coast Guard authorization, CBO estimated the annual cost of the increase to be an average of $8.8 million over 5 years in increased outlays.[13] We respectfully submit that this is a very small price to pay to support the sealift capabilities provided by U.S.-flag vessels carrying food aid and other U.S. Government cargoes.

Conclusion

Liberty Maritime supports a strong and vibrant privately owned U.S.-flag commercial fleet and has proven that it is willing to invest significant capital to achieve that objective. The current fleet is in mortal danger because of declining cargo preference volumes and significant action is needed to prevent a precipitous decrease in the number of privately owned U.S.-flag vessels available for national defense.

Mr. SHAPIRO. I apologize for being over the 5 minutes, but none of our testimonies were vetted by OMB, so we are going to say what we need to say.

Mr. ROUZER. Point made. Try to keep your comments to 5 minutes, and there will be plenty of opportunity to expound during the question and answer session.

STATEMENT OF CAPT JOHN W. MURRAY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, HAPAG-LLOYD USA, LLC, PISCATAWAY, NJ

Mr. MURRAY. Good morning, Chairman Rouzer, Chairman Hunter, Chairman Conaway, Ranking Members Garamendi and Costa, and the Members of both of these important Subcommittees. I appreciate the opportunity to testify today on the subject of food aid, cargo preference, and the importance of the Maritime Security Program to the United States. As President and CEO of Hapag-Lloyd USA, I deal with these subjects every day in the ordinary course of business. My testimony today aims to highlight the importance of these programs to maintaining a viable U.S. merchant fleet that is so essential to the national security of our country.

Hapag-Lloyd USA is an American subsidiary of the global container carrier Hapag-Lloyd AG. We operate five container ships in a weekly liner service between the United States and North Europe. All five ships are crewed by American mariners, and fly the American flag. They carry cargo that sustains the U.S. military mission, and its service members, based in Europe and beyond, as well as other preference cargo, including American food aid that is delivered to destinations well beyond Europe. Our company has operated American ships in the foreign commerce of the United States since the early 1900s. Known then as Lykes Lines, the company supported our nation's sealift requirements for more than 90 years, including two World Wars, and numerous other humanitarian and military missions. When Congress enacted the Maritime Security Program in 1996, our company was one of the first to enroll. To this day, we have maintained continuous commitment to both MSP and the Voluntary Intermodal Sealift Agreement.

Mr. Chairman, today's hearing also allows me the opportunity to speak personally about my experience as a U.S. Merchant Mariner,

[13] H.R. Rep. No. 113–384, 113th Cong., 2d Sess. at 30 (March 25, 2014).

where I began my career. I graduated from Maine Maritime Academy in 1979, and sailed as a deck officer in the Lykes fleet. Our company then operated more than 40 U.S.-flag ships alone, greater than ½ of our nation's entire U.S.-flag fleet today. Preference cargoes were abundant then, and for our company, the most significant was the U.S. food aid that we carried to distressed nations throughout the world. To this day I remain proud to have sailed as an American Merchant Mariner, to have been part of the transportation link that delivered American produced food to desperate people in their time of need.

Throughout our nation's history, the U.S. merchant fleet of privately owned U.S.-flag commercial ships, and their U.S. citizen crews, have always met our nation's call. We have consistently, efficiently, and effectively provided the commercial sealift capacity and the civilian mariners needed to meet our nation's worldwide military and political objectives. For example, the recent conflict in Afghanistan presented unique logistical challenges for U.S. military planners due to the country's landlocked borders. With an urgent need for new assured gateways, the Department of Defense turned to the MSP carriers to develop alternative routes. By leveraging existing intermodal networks, the MSP carriers were able to develop and expand new northern gateways into Afghanistan, and thus provide the DOD with continuous seamless distribution of supplies to our war fighters when other gateways were closed. It is not well known that certain U.S.-flag carriers had long been using this route, which gained fame as the Northern Distribution Network, to deliver U.S. food aid to counties in Central Asia. This is an excellent example of the partnership and interdependency that exists between DOD and the MSP operators.

A strong Maritime Security Program is necessary to ensure the long-term success of the U.S.-flag fleet. American ships are simply more expensive to operate than their international counterparts. They are crewed by Americans, registered in the United States, and subject to U.S. laws, taxes, and regulations, all of which are greater than international flag options. The MSP stipend partially compensates for this cost difference, but the remaining cost delta must be achieved through access to our nation's cargo preference programs that reserve cargo specifically for U.S.-flag ships. There are three U.S. cargo preference laws that are vital to the U.S. maritime industry, and must be preserved, namely the Cargo Preference Act of 1904, Public Resolution 17, which governs the Export-Import Bank, and the Cargo Preference Act of 1954. Congress enacted these laws to ensure that U.S. operators have a sufficient U.S. cargo base for their ships operating in foreign commerce. Strict enforcement of these laws is fundamental to our business success, and our survival as U.S.-flag carriers. It is worth noting that the volume of cargo moving under these programs for our company is the lowest I have seen in the last 20 years, with a significant reduction just in the last 12 months.

Mr. Chairman, I would like to summarize my testimony as an MSP operator and a businessman. U.S. companies own all of the ships in the U.S.-flag privately owned fleet. As executives for these companies, we must routinely address the operational and political realities of our U.S.-flag businesses with our boards and share-

holders. We frequently are asked to explain the implications of newswire political issues, such as the MAP–21 food aid reduction, the expiration of the Ex-Im Bank charter, the future of MSP funding levels, and the overall degradation of U.S.-flag cargo, all of which are the result of budget cuts and reallocation of government priorities. To be blunt, our business model has become a tough sell with our shareholders, who, coincidentally, are the same folks that approve capital investments for the future of the U.S.-flag fleet. Given the precipitous decline in preference cargoes, combined with current MSP levels, I now believe it unlikely that we could retain the 60 ship MSP fleet if a comparable MSP shortfall were to occur today, such as the one that occurred in 2013. Likewise, a failure to realistically adjust the funding levels for MSP may yield a similar result.

As a former Merchant Mariner, and a lifelong advocate of a strong U.S.-flag Merchant Marine, I know how urgent it is that we stabilize our few remaining U.S.-flag ships through the programs that exist today. The unfortunate reality of the business world is that if a service, product, or business unit does not perform, it is eliminated. Our nation's remaining U.S.-flag fleet is dangerously close to this reality.

Mr. Chairman, thank you for the time and the opportunity to testify before the joint Committees.

[The prepared statement of CAPT Murray follows:]

PREPARED STATEMENT OF CAPT JOHN W. MURRAY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, HAPAG-LLOYD USA, LLC, PISCATAWAY, NJ

Introduction

Mr. Chairman, I appreciate the opportunity to testify today on the subject of food aid, cargo preference and the importance of the Maritime Security Program (MSP) to the United States. As the President and CEO of Hapag-Lloyd USA, LLC, I deal with each of these subjects every day in the ordinary course of business. My testimony will highlight the importance of these programs to maintaining a viable U.S. merchant fleet that is so essential to the national security of our country.

Hapag-Lloyd USA, LLC (HLUSA) is an American subsidiary of the global container carrier Hapag-Lloyd AG. We operate five geared container ships in a weekly liner service between the U.S. Gulf and East Coast to North Europe. All five ships are crewed by American mariners and fly the American flag. Our ships carry cargo that sustains the United States military mission and its service members based in Europe and beyond. Additionally, our ships are carrying other non-military cargo including delivering American food aid to destinations well beyond Europe.

HLUSA has a long and proud history of participating in our nation's global food aid efforts. By virtue of predecessor entities, our company has operated American ships in U.S. commerce since World War I. Known then as Lykes Lines and for more than ninety years, the Lykes fleet supported our nation through two World Wars and numerous other conflicts. In 1996, when Congress enacted the Maritime Security Program, our company was one of the first MSP participants. To this day, we have maintained continuous participation in both the MSP and the Voluntary Intermodal Sealift Agreement, which as defined by the U.S. Maritime Administration, "provides commercial sealift for a seamless, time-phased transition from peacetime to wartime operations . . . [an] activation of state-of-the-art commercial intermodal equipment to coincide with DOD requirements while minimizing disruption to U.S. commercial operations."[1] In 2006, during a turbulent period of consolidation among ocean carriers, the Lykes Lines name changed to Hapag-Lloyd following the purchase of its parent company.

[1] *http://www.marad.dot.gov/ships-and-shipping/strategic-sealift/voluntary-intermodal-sealift-agreement-visa/.*

Mr. Chairman, today's hearing also gives me the opportunity to speak on a personal note. The success of the U.S. Merchant Marine has been a primary focus of my entire career.

I graduated from Maine Maritime Academy in 1979 and began sailing as a ship's deck officer in the Lykes fleet. At that time, the company operated more than forty U.S.-flag oceangoing ships in foreign commerce. That is more than ½ the size of the entire U.S.-flag fleet today. Preference cargo was abundant at the time, the most significant of which for our company being the American humanitarian aid distributed to distressed nations throughout the world. It was always personally gratifying to see first-hand the result of delivering American produced food aid to those most in need.

Today the shipping world is much different. Our company now operates in an extremely competitive global trade environment dominated by international carriers with very low cost operating structures, and government-supported operating environments, including tax and regulatory structures to favor investment in growth and profitability.

The Merchant Fleet Is Critical to Our National Defense

Throughout our nation's history, the U.S. merchant fleet has provided sealift capability to our military in support of its global military operations. Each conflict has shown that the U.S. requires a strong and active fleet of vessels to support the Department of Defense (DOD) mission. Privately owned U.S.-flagged commercial ships and their U.S. citizen crews have always met our nation's call. We have consistently provided the commercial sealift capacity and the civilian mariners needed to meet our nation's worldwide military and political objectives.

The U.S.-flag fleet provides daily support to DOD to sustain its global peacetime mission. Cargoes can include anything from subsistence supplies to personal household goods for military personnel based abroad. It is these same ships that also support DOD during contingency operations. The most recent examples include the sealift provided by U.S.-flag carriers during *Operation Iraqi Freedom* and *Operation Enduring Freedom* in Afghanistan. U.S.-flag ships moved more than 90 percent of DOD's requirement.

The conflict in Afghanistan provided unique logistical challenges for military planners due to the country's landlocked borders. Until 2009, the only line of communication into the country was via Pakistan, which limited the United States to one supply gateway into Afghanistan. With an urgent need for assured gateways, DOD turned to the MSP carriers to develop alternative routes. By leveraging their existing intermodal networks, the MSP carriers were able to expand the ground lines of communication and provide DOD new gateways into Afghanistan from the north. Following the closure of the southern gateways, this Northern Distribution Network (NDN), as it became known, provided the United States' military effort with continuous seamless distribution of supplies to our warfighters.

It is not well known that U.S.-flag carriers had long been using this commercially operated and maintained intermodal network, which ultimately gained fame as the NDN, to deliver U.S. food aid to countries in Central Asia. Expanding the network to include Afghanistan was an efficient and effective solution the MSP carriers provided to the U.S. military and is an excellent example of the partnership and interdependency that exists between DOD and the MSP operators.

The Maritime Security Program

A strong Maritime Security Program is necessary to assure the long-term success of the U.S. fleet. The MSP provides a significant national security benefit through a cost effective vehicle that provides DOD with assured access to ships and intermodal capacity in order to support and sustain our armed forces in a contingency. The program also ensures that we as a nation maintain a sufficient pool of U.S. citizen merchant mariners to crew all U.S.-flag tonnage at the time of need, including the U.S. Government's Ready Reserve Force that relies on commercial mariners.

The MSP, established by the Maritime Security Act of 1996, originally provided for the participation of 47 United States flag commercial vessels. The success of the initial program led Congress to reauthorize and expand the fleet to 60 ships in 2005. In 2012, Congress reaffirmed its strong support for the program by reauthorizing and extending the 60 ship program through 2025. All existing MSP operators elected to extend their individual contracts through 2025.

Under the MSP, participating U.S.-flag carriers commit their ships, as well as their global logistics networks that may include ports, rail, trucking and other infrastructure to support DOD in maintaining our nation's readiness. In exchange, each ship is paid a stipend that is intended to partially offset the higher costs to fly the U.S.-flag.

By their very nature, U.S.-flagged ships are more expensive than their international counterparts. They are crewed by Americans, registered in the U.S. and subject to U.S. laws, taxes and regulations, all of which are greater than internationally flagged ships. The significant cost differences between U.S.-flag and non-U.S.-flag vessel operations are well researched and documented by the U.S. Maritime Administration, the Department of Defense and independent analysts. While the MSP stipend assists with this cost hurdle, it does not come close to equalizing the cost difference. This delta must be achieved elsewhere, which is why our nation's cargo preference programs are so critical to the survival of the U.S.-flag fleet.

The Cargo Preference Programs

The MSP is a critical component to ensure the continued existence of a U.S.-flag fleet into the future. However, it is only one element required for the long-term viability of the fleet. American ships must have access to cargoes reserved for U.S. ships in order to be commercially successful in the modern competitive world. The MSP has always meant to be a partial offset to the additional cost of U.S.-flag ship operation while the balance was to come from the U.S. Government cargo preference programs.

There are three U.S. cargo preference laws that are vital to the U.S. maritime industry and must be preserved:

- The Cargo Preference Act of 1904 requires all U.S. military cargo be transported on U.S.-flag ships.
- Public Resolution 17 requires cargoes guaranteed by the Export-Import Bank be transported on U.S.-flag ships.
- The Cargo Preference Act of 1954 required at least 50 percent of U.S. Government generated cargoes be shipped on privately owned U.S.-flag commercial ships, if available, at fair and reasonable rates. The Food Security Act of 1985 increased that percentage to 75 percent for certain foreign assistance programs. Unfortunately, in 2012 the percentage was reduced back to 50 percent and is partially responsible for the current demise of U.S.-flag fleet size.

As privately owned, commercially operated U.S.-flag ocean carriers, we live and survive by these U.S. laws. Congress enacted these laws to ensure that U.S.-flag operators have a U.S. cargo base to ensure successful commercial operations in foreign commerce. Enforcement of these laws is necessary, and remains the critical basis for maintaining a U.S.-flag fleet into the future.

Unfortunately, the amount of cargoes moving under these programs is at the lowest point that I have seen in the last twenty years. The reduced cargo base places even more pressure on MSP carriers and unless rectified in some manner will lead to additional loss of U.S.-flag ships.

Current Realities and Conclusion

The erosion of the U.S.-flag fleet is indisputable. The size of the U.S.-flag international trading fleet of privately owned ships has decreased by nearly 25 percent just in the past 5 years.

The U.S. oceangoing merchant marine fleet has declined by 82 percent since 1951, when the fleet peaked at 1,268 vessels.[2] As of year-end 2010, the U.S.-flag fleet in foreign commerce was comprised of 60 ships participating in the Maritime Security Program (MSP), and roughly 50 other ships carrying commercial and preference cargo on various routes.[3]

This reduction is the result of a combined precipitous decline in military, food aid and other government-impelled cargoes that are required by law to move on American ships with American citizen crews. U.S.-flag carriers are no longer able to operate competitively without adjustments to the MSP as well as the full support of the remaining cargo preference programs. Absent financial relief in the form of increased MSP stipends or additional U.S.-flag access to preference cargoes, carriers will have no economically feasible option but to continue removing ships from the U.S. registry.

Mr. Chairman, I would like to summarize the current situation as an MSP ship operator and a businessperson. U.S. companies, each governed by a boards of directors and shareholders, own all of the ships in the MSP fleet. We, the senior management for these companies, must routinely address the operational realities of our U.S.-flag services with our boards and shareholders. We are frequently called upon

[2] "Study of the Impediments to U.S.-Flag Registry Final Report," Price Waterhouse Coopers. September 20, 2011.

[3] "Comparison of U.S. and Foreign-Flag Operating Costs," U.S. Department of Transportation Maritime Administration. September 2011.

to explain the implications of newswire political issues such as the MAP–21 food aid reduction, the expiration of the Ex-Im Bank charter and the overall degradation of U.S.-flag cargo resulting from budget cuts and reallocation of government priorities. To be blunt, it is not easy to portray an optimistic view of our U.S.-flag industry's long-term prospects given the challenges before us today.

As a former U.S. merchant mariner and a lifelong supporter of a strong U.S.-flag Merchant Marine, I have fought many battles over the years in support of our U.S.-flag industry. I fear that we are not just losing the battle, but now the war itself if we fail to stabilize the existing U.S.-flag fleet through the programs that exist today. The unfortunate reality of today's business world is that if a service or business unit does not perform, it is eliminated. The U.S.-flag fleet is getting dangerously close to this reality.

I would like to close with a final comment that I believe illustrates the mixed messages sent to our boards regarding our U.S.-flag services.

In June of 2013 all existing MSP carriers extended their MSP contracts for 10 more years, affirming their commitment of ships to our nation until 2025. Despite the gloomy future commercial outlook for these businesses at that time, each carrier was able to obtain board and shareholder approval for their contract extension. Yet, within 2 months of executing agreements, budget sequestration was enforced and the Maritime Security Program was one of the casualties. Each carrier lost 6 weeks of stipend per ship as a result. Fortunately, no ship left the program at that time. However, given the precipitous decline in preference cargoes combined with current MSP levels, I fear that it is unlikely that we would retain the 60 ship MSP fleet if a similar shortfall were to occur today. Likewise, a failure to realistically adjust funding levels for this program may yield the same result.

Mr. Chairman, thank you for time and the opportunity to testify before the joint Committees today.

Mr. ROUZER. Mr. Schoeneman?

STATEMENT OF BRIAN W. SCHOENEMAN, POLITICAL AND LEGISLATIVE DIRECTOR, SEAFARERS INTERNATIONAL UNION, WASHINGTON, D.C.

Mr. SCHOENEMAN. Thank you, Chairman Rouzer, Chairman Hunter, Chairman Conaway, and Ranking Members Costa and Garamendi for the invitation to testify here today. My name is Brian Schoeneman, and I serve as the Legislative Director for the Seafarers International Union. I am here today representing all of seagoing labor, which includes the seafarers, the marine engineers, the masters, mates, and pilots, and the American maritime officers. Together, our four unions and our affiliates represent the bulk of America's internationally sailing civilian mariners. Before I begin, I would like to thank personally Chairman Hunter, on behalf of maritime labor, for his remarks on the floor of the House regarding the loss of the S.S. *El Faro* last month. It is hard to understate how difficult this has been to our union families, and it was a tremendous blow to the American Merchant Marine, and your heartfelt remarks meant a lot to the families of the crew, and all of us in the industry, so thank you, sir.

I want to thank all the Members of both Subcommittees for holding this hearing today. All too often, when it comes to our international food aid program, the maritime industry is largely ignored. When we aren't ignored, we are vilified and lied about, accused of starving children and being greedy shills for foreign fat cats lining their pockets with taxpayer dollars. That is a fantasy. The reality is that the men and women of the American Merchant Marine have been a critical part of America's food aid program since their inception. As they have since the earliest days of our republic, our mariners put their lives on the line every time they leave the dock. Whether it is braving pirate infested waters, like

the crew of the *Maersk Alabama* did to deliver food aid to Africa, the emergency deliveries of critical supplies to Haiti in the aftermath of the 2010 earthquake, or simply the daily dangers of the sea, as we have recently seen, the men and women of the Merchant Marine have helped make this program the undoubted success that it is. Food aid is, and remains, a critical part of the cargo base that ensures the existence, not the success, merely the existence, of our Merchant Marine. Our fleet employs thousands of Americans in shipboard jobs alone, and tens of thousands more in maritime and agriculture. If food aid cargo preference were to disappear, those jobs would disappear with it, and they won't come back. And with those jobs goes America's ability to project power and defend our allies and interests abroad.

When it comes to food aid, the anti-maritime special interests have one goal, and that is to undermine the traditional relationship between agriculture, maritime, and the private voluntary organizations who have made our program so successful. We refuse to let them succeed. The arguments they make, essentially that food aid isn't an important source of cargo for the industry, that it isn't important to our farmers, and that ending in-kind food aid wouldn't cost a single job, are ludicrous on their face. Despite these recklessly false claims often made by hack academics who wouldn't know a bow from a stern, you all heard what the Maritime Administrator testified to earlier. There is no denying that the loss of food aid cargo resulting from reductions in appropriations, and the cuts to cargo preference in MAP–21, has cost this industry ships and jobs.

Over the last 10 years food aid has made up a considerable portion of the preference cargo carried by American carriers, if not the majority. From 2000 to 2013 cargo volumes in the food aid program have dropped 77 percent. In 1999 there were 106 American ships carrying approximately 6 million tons of food aid. In 2013 the fleet had dropped in size to 75 ships, carrying slightly more than 1 million tons of food aid. According to MARAD, since 2010 the size of the U.S.-flag fleet has dropped 23 percent, from 99 ships to the 78 ships mentioned today. And that has resulted in the loss of nearly 1,000 mariner jobs. This loss is not a coincidence. It is the logical, expected result of a continued vicious, well-funded, and relentless assault against America's Merchant Marine and our military readiness. America's Merchant Mariners are a vital national security asset. We cannot allow the bad ideas of a few misguided academics who have forgotten that this program was always more than just a foreign aid program to destroy the jobs of tens of thousands of people, and cripple our ability to defend ourselves and respond to crises around the globe.

I strongly urge you to reject these dangerous arguments. Do not allow the critics of in-kind food aid and the American Merchant Marine to accomplish what the Royal Navy could not do during the Revolution, what German submarines could not do during World War II, and what pirates could not do in 2009. I urge you to continue to support in-kind food aid, cargo preference, and Congress' steadfast support for the United States Merchant Marine. Thank you all, and I will be happy to answer any questions you may have.

[The prepared statement of Mr. Schoeneman follows:]

PREPARED STATEMENT OF BRIAN W. SCHOENEMAN, POLITICAL AND LEGISLATIVE DIRECTOR, SEAFARERS INTERNATIONAL UNION, WASHINGTON, D.C.

Good morning, Chairmen Hunter and Rouzer, Ranking Members Garamendi and Costa, and Members of both Subcommittees.

On behalf of the Seafarers International Union, the Marine Engineers Beneficial Association, the International Organization of Masters, Mates and Pilots and the American Maritime Officers, I thank you for conducting this hearing and for giving me the opportunity to testify. I would also be remiss if I did not thank all of you for your continued support of the U.S. Merchant Marine and our international food aid programs.

That we are here today to discuss these issues is a testament to your willingness to include all the relevant stakeholders in America's food aid programs. That alone is a heartening step as all too often, discussions regarding our international foreign assistance and food aid programs find the maritime industry largely ignored. When we are not ignored, we often find our contributions and concerns discussed by and trivialized by the legions of academics and lobbyists who know little and understand less about the maritime industry, and have made ending in-kind food aid and cargo preference their top legislative priority.

This would be a disastrous mistake, not only for our industry and the men and women who put themselves in harm's way as members of the American Merchant Marine, but for the United States and the American taxpayer collectively.

The Merchant Marine Act of 1936 codified what was long-standing American policy—that it was necessary for the national defense and the development of domestic and foreign commerce for the United States to maintain a merchant marine.[1] For a variety of reasons, Congress has made the determination that an American merchant marine, crewed by American civilian mariners, made up of American-flag ships, is critical to our nation. The issue that Congress has been confronting since our independence—how best to foster our internationally sailing deep water merchant marine—is not a new one. During the debate on a number of merchant marine related bills in 1904, Congressman Edward De V. Morrell of Pennsylvania said,

> "It is admitted on all sides that our merchant marine in the foreign trade is languishing. It is admitted that unless some remedy for present conditions is devised before long it will practically be swept from the seas. It is admitted that we are confronted with a great national calamity, threatened by an irreparable loss; but we stand here, year after year, disputing about methods . . . [l]ike the ass in the old fable, we are standing between two bundles of hay and yet perishing of hunger by reason of our inability to decide which bundle we shall choose; undecided because one bundle might possibly be better than the other, and because we are too mulish to investigate both before selecting either."[2]

The debate Congress had in 1904 over how best to protect and preserve our merchant marine could be the same debate we are having today. Fortunately, Congress in 1904 began the process of developing Federal programs to preserve, protect and expand our merchant marine. Since 1904, Congress has developed a number of programs that provide the necessary economic base to support a U.S.-flag merchant fleet in the foreign trades. Today, those laws include the Maritime Security Fleet Program (MSP)[3] and the various cargo preference laws that, all working together, support the U.S.-flag international fleet.

In 1904, Congress passed the first cargo preference statute, the Military Cargo Preference Act of 1904.[4] Future Congresses would pass the Cargo Preference Act of 1954,[5] and a variety of other legislation that ensured that U.S.-flag ships with American crews would carry a substantial portion of all the cargo bought and shipped using taxpayer dollars. This government-impelled cargo is critical to ensuring the continued existence—not success, but simply the continued existence—of a U.S.-flag fleet sailing in the international trades.

In 1996, Congress passed the Maritime Security Act of 1996, which created the MSP Fleet. The MSP Fleet is a privately owned, internationally trading fleet of U.S.-flag vessels, that are both militarily useful and commercially viable. MSP represents the backbone of the U.S.-flag international fleet, and the readiness stipend provided to vessel owners and operators helps to off-set the higher costs required to keep a ship under the U.S.-flag. MSP eligible ships must meet Department of De-

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[1] *See* Merchant Marine Act of 1946, 46 U.S.C. § 50101 (2015).
[2] 38 *Cong. Rec.* 6131 (daily ed. Apr. 30, 1904) (statement of Rep. Morrell).
[3] 46 U.S.C. §§ 53101–53111 (2015).
[4] 10 U.S.C. § 2631 (2015).
[5] 46 U.S.C. § 55305 (2015).

fense requirements for military usefulness, must be commercial viable as determined by the Department of Transportation's Maritime Administration (MARAD), must be American owned, American crewed and American flagged.[6]

Together, MSP and cargo preference work to ensure the continued existence of the United States Merchant Marine. MSP provides the ships, and cargo preference provides the cargo necessary to keep those ships economically viable. A ship without cargo is like a car without an engine—not moving.

Amidst all of the discussion about ships and cargo, it is easy to forget (and those who are most critical of cargo preference always do) the most important aspect of the American Merchant Marine—what makes the merchant marine fundamentally American—the men and women who crew these vessels.

These men and women, some of the most highly trained and skilled mariners in the world, are the heart of our merchant marine. They are the one irreplaceable asset in any discussion of maritime policy. These are the same men and women who willingly brave the dangers of the sea, who sail into combat zones with military cargo, or pirate infested waters with critical, life-saving food aid, who helped evacuate Manhattan Island on September 11, 2001, and who provided the critical sealift necessary to support our warfighters in every American conflict from the earliest days of the Revolution to *Operations Enduring Freedom* and *Iraqi Freedom.*

Supporting the military has been fundamental to the American Merchant Marine for its entire existence. For example, since 2009, privately-owned U.S.-flag commercial vessels and their civilian U.S. citizen crews have transported more than 90% of the sustainment cargo needed to support U.S. military operations and rebuilding programs in Iraq and Afghanistan.[7]

Ensuring that we have an adequate mariner pool to crew the privately-owned U.S.-flag international fleet (both MSP and non-MSP vessels), our government fleets (including the civilians who crew vessels of the Military Sealift Command), and our reserve fleets (including the Ready Reserve Force and the National Defense Reserve Force) has been the fundamental purpose of Federal maritime policy in modern times.

Today, that mariner pool is at risk. Our U.S.-flag international fleet faces one of the toughest economic environments in recent memory, as even now the Organisation for Economic Co-operation and Development (OECD) is warning of a potential global recession.[8] Anemic trade growth has placed a significant burden on the maritime industry, and that, coupled with significant reductions in government-impelled cargo, has put increased pressure on the U.S.-flag international fleet.

If American ships and the companies that operate them cannot continue to compete internationally, those vessels will leave the U.S.-flag and the mariners who crew them will be thrown out of work. If too many mariners cannot find steady employment at sea, not only will they leave the industry, they will lose the critical licenses and credentials they must maintain to crew these ships under existing Federal and international law.[9]

If we lose these jobs, these mariners will go away, and they are not easily replaceable in the event of a national emergency or major conflict. For example, under the International Convention on Standards, Training, Certification and Watchkeeping (STCW), the primary regulation for international and U.S.-flag mariners, to receive a ship's master endorsement for operating vessels of more than 3,000 gross tons, at a minimum, the applicant must have 1,080 days of service as the officer in charge of the navigational watch (OICNW) on the oceans or Great Lakes.[10] That represents the equivalent of almost 3 years of twenty-four hour days at sea. It could take a mariner close to a decade to accrue that much sea time in order to qualify. Even entry level mariners require significant training in order to become qualified and competent at sea. The Seafarers International Union's entry-level unlicensed apprentice program is a year-long program designed to take those unfamiliar with the

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[6] *See generally, U.S. Dept. of Transp., Mar. Admin., The Maritime Security Program: Meeting National Sealift Needs,* (2015).

[7] *Hearing on the Maritime Administration's Fiscal Year 2016 Budget Request Before the Subcomm. On Coast Guard and Maritime Transportation of the H. Comm. on Transportation and Infrastructure,* 114th Cong. 2 (2015) (statement of Paul N. Jaenichen, Administrator, Maritime Administration, U.S. Department of Transportation).

[8] Szu Ping Chan, *World Flirts With Global Recession as Trade Growth Slows, Warns OCD.* THE TELEGRAPH, Nov. 9, 2015, *http://www.telegraph.co.uk/finance/economics/11983690/global-recession-trade-growth-warns-oecd.html.*

[9] *See generally* 46 CFR 11.102 (2015) (incorporating by reference the International Convention on Standards, Training, Certification and Watchkeeping for Seafarers of 1978 as amended 1995, and the Standards, Training, Certification, and Watchkeeping Code).

[10] *See id.*

maritime industry and prepare them for a career at sea.[11] These are difficult, demanding jobs, but they are jobs that are critical to the national security of the United States. Without American civilian mariners, the United States cannot project power overseas and it cannot go to war. It is the American civilian mariners of the U.S. Merchant Marine who crew all of the vessels—whether privately-owned or government-owned—available to our country in time of crisis.

It is that simple. Our mariners need good, steady jobs in the industry during peacetime in order to ensure that they are available and ready to serve America in wartime. As Rear Admiral Thomas Shannon, the commander of the Military Sealift Command said during this year's National Maritime Day commemoration, "[i]t is our U.S.-flagged merchant fleet and our mariners that ensure that our Soldiers, Sailors, Airmen and Marines are supplied. From Inchon to Iraq, our mariners and our maritime industry delivered . . . Let us not, as a nation, sign away our remaining sealift capacity to non-U.S.-flagged fleets sailed by non-U.S. mariners."[12]

As noted before, under the Cargo Preference Act of 1954, at least 50% of all cargoes shipped by U.S. Government agencies outside the Department of Defense, including foreign food aid cargoes, must be carried by U.S.-flag ships. Since 1954, the men and women of the U.S. Merchant Marine have been in a partnership with the American farmer community in ensuring the success of America's premiere international food assistance program,[13] the P.L. 83–480 Title II Food for Peace program.[14] Food aid has long accounted for the largest source of non-defense preference cargo available to the U.S.-flag international fleet.[15]

Food aid is a critical component to America's strategic sealift program. It is vital that Congress continue its steadfast support for in-kind food aid as part of our Federal support for the Merchant Marine.

Despite the oftentimes absurd and patently offensive claims of the opponents of the Merchant Marine regarding the importance of food aid to the sustainment of the U.S.-flag fleet,[16] there is ample evidence that recent reductions in food aid cargoes has harmed the maritime industry.[17] These reductions, caused both by declining appropriations for the P.L. 83–480 Program as well as the statutory reduction in the percentage of cargo reserved to American ships from 75% to 50% in the Moving Ahead for Progress in the 21st Century Act of 2013 (MAP–21),[18] and other changes wrought by USAID which reduce food aid cargoes, have had a significant adverse impact on the America's Merchant Marine.

The Consolidated Appropriations Act of 2014 [19] required MARAD to prepare a report to Congress on the current and future impacts of reductions in government-impelled cargo on the U.S. Merchant Marine as a result of changes to cargo preference requirements, including those made as part of MAP–21 and reductions to P.L. 83–480. The report, which was transmitted to Congress on April 21, 2015 paints a clear picture—without cargo preference, most of the U.S.-flag fleet would disappear and the reductions in food aid cargoes have had a real, meaningful impact on the decline of the merchant marine.[20]

Over the last 10 years, food aid has made up more than ½ of the preference cargo carried by U.S.-flag carriers—more than even Department of Defense cargoes.[21] We have seen a major drop in the amount of food aid cargo carried by the U.S.-fleet,

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[11] The Seafarers Harry Lundeberg School of Seamanship, *http://www.seafarers.org/jobs/ua.html* (last visited November 12, 2015). As noted on the website, entry level mariners are sent through five phases of training, each phase taking between 2 to 3 months, with the final phase requiring an unspecified amount of time to upgrade skills consistent with the needs of SIU contracted employers. At a minimum, each entry level mariner will spend at least thirteen months in training to successfully complete the unlicensed apprenticeship program.

[12] Marshall Ainley, *et al., Maritime Labor Supports Maritime Security Program and Crude Export Legislation,* THE HILL, Oct. 8, 2015, *http://thehill.com/blogs/congress-blog/labor/256420-maritime-labor-supports-maritime-security-program-and-crude-export*.

[13] David Rogers, *A Food Fight Over Aid Program,* POLITCO, Apr. 24, 2013, *http://www.politico.com/story/2013/04/a-food-fight-over-aid-program-090607*.

[14] Agricultural Trade Development and Assistance Act of 1954, Pub. L. No. 83–480 (1954) amended by Food for Peace Act of 1966, Pub. L. No. 89–808 (1966).

[15] See *U.S. Mar. Admin., Report for Congress on the Impacts of Reductions in Government Impelled Cargo on the U.S. Merchant Marine* (2015) 2–3. [hereinafter MARAD Impacts Report].

[16] *See, e.g., Reforming Food Aid: Desperate Need to Do Better: Hearing Before the H. Comm. on Foreign Affairs,* 114th Cong. 5–6 (2015) (statement of Christopher B. Barrett, Cornell University). [hereinafter Barrett Testimony].

[17] *See generally* MARAD Impacts Report, *supra* note 15.

[18] Moving Ahead for Progress in the 21st Century Act, Pub. L. No. 112–141 § 100124, 126 Stat. 915 (2012).

[19] Consolidated Appropriations Act of 2014, Pub. L. No. 113–76, § 169, 128 Stat. 598 (2014).

[20] *See generally* MARAD Impacts Report, *supra* note 15.

[21] *Id.*

with total cargo amounts dropping 77% from 2000 to 2013. In 1999, 103 American ships carried 6,361,000 gross tons of food aid cargo, both pre-packaged and bulk. In 2013, the fleet had dropped to 76 ships, carrying only 1,070,000 tons of food aid.[22] Although some critics have wheeled forward various theories questioning the role of food aid cargoes in sustaining the merchant marine,[23] the correlation between the decline of food aid tonnage and our fleet is undeniable.

Since 2010, the size of the U.S.-flag fleet has dropped by 23%, from 99 vessels to 76, and that number is expected to continue to drop.[24] The resulting loss of ships represents the loss of approximately 1,000 mariner jobs since 2010 alone.[25]

As MARAD noted in their report, food aid quantities are affected by a variety of factors, including appropriations levels, food prices, emergencies and where they are located, and the differing kinds of commodities carried.[26] This makes it exceedingly difficult to predict, with any reliability, what future impacts will be on cargo volumes. That being said, however, it is clear that the current trend of reductions is likely to continue barring some significant natural or man-made disaster that would likely result in an increase in appropriations for food aid.

Critics of the merchant marine contend that the cuts in food aid over the last few years, coupled with the MAP–21 cuts have not had a significant impact on our maritime industry.[27] MARAD has determined the opposite, finding that "carriers who have reflagged or retired ships out of the U.S.-flag fleet during the last 3 years have stated that the predominate driver in their decision to remove vessels has been the loss of preference cargoes." While the largest reductions have been in DOD cargoes,[28] it is clear that the reductions in food aid have made matters worse.

That is why the on-going attacks on the merchant marine by those in the so-called "Food Aid Reform" community are so unfortunate. By willfully distorting the role the maritime and agriculture industries play in the continued success of these programs, opponents of maritime and agriculture have damaged the overall credibility of P.L. 83–480. Of particular note are the writings and public statements of Cornell University's Dr. Christopher Barrett. Dr. Barrett recently testified before the House Foreign Affairs Committee on food aid reform issues—a hearing that the maritime industry was specifically excluded from. Dr. Barrett's testimony at that hearing is representative of the kind of flawed scholarship and willful distortion of facts common amongst those seeking to end cargo preference and in-kind food aid. Given his lack of experience with the maritime industry, he made a common mistake and focused almost all of his attention on the ships and virtually ignored the importance of trained, reliable and trustworthy American crews in his criticisms. Where he did mention the mariners, he still got it wrong, even going so far as to claim that reductions in food aid cargoes have not resulted in the loss of any vessels or jobs[29]—facts that are easily disproven by the MARAD study referenced above.[30] His cherry picking of facts and data, and his reprehensible, ridiculous claim that Congress' support of food aid cargo preference represents the "trade [of] 11 or 12 children's lives for a single job[,]" demonstrates the depths to which the opponents of cargo preference will go in their efforts to destroy America's military readiness. He does a discredit to himself, his university and those he represents with his misguided and appalling rhetoric.

This type of internecine warfare between stakeholders in our international food aid programs is counterproductive. Instead of working with us to find meaningful ways to make the process more efficient without sacrificing the domestic benefits,

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[22] *Id.*

[23] *See, e.g.,* Barrett Testimony at 5–6, *supra* note 16.

[24] *Id.* at 7. MARAD projected that, based on their analysis of trends in cargo preference from 1990 through 2013, the U.S.-flag liner (non-dry bulk and non-tanker) fleet would decline to 76 ships by 2023. MARAD noted in the same report, however, that the liner fleet is currently at 73 vessels as of April 2015, indicating their projections may have been optimistic. With all vessel types included, the U.S.-flag privately-owned self-propelled fleet in the international trade is 81 ships as of April 2015. *Id.*

[25] *Id.* at 8. Generally speaking, each ship represents two crews of approximately 20 crew members, officers and engineers, thus each ship lost represents the loss of approximately 40 jobs. MARAD notes in their report that the "number of mariner jobs associated with the loss of three ships is approximately 120 mariners." *Id.* at 8.

[26] *Id.* at 17.

[27] *See generally* Barrett Testimony, *supra* note 16.

[28] MARAD Impacts Report at 3.

[29] Barrett Testimony at 6 (stating "[y]et, the 2012 reforms that reduced cargo preference coverage from 75% to 50% do not appear to have led to a single vessel ceasing ocean freight service nor to the loss of any mariner jobs.").

[30] MARAD Impacts Report at 47 (stating "[t]he number of vessels in the total U.S.-flag international trading fleet has fallen from 106 at the beginning of 2011 to 81 at the end of 2014, representing a loss of 25 vessels and up to 1,000 mariner jobs.").

or working to help increase annual appropriations to help feed more people, we are instead attacked and vilified. Rather than acknowledging us as crucial partners, we are treated like robber-barons. That is unfair. The men and women of the merchant marine, including the members maritime labor represents, are committed, patriotic Americans who go to work every day, work hard every day, and take risks most Americans never face on the job, often while delivering food aid. Whether it is bad weather, pirates or terrorists, the men and women who crew the vessels carrying food aid have done so gladly, with honor and courage, and they deserve more respect than the Food Aid Reform community has given them.

The Food Aid Reform community also refuses to acknowledge the legitimate concerns those of us in the maritime and agriculture communities have about the potential for fraud and abuse that would come with shifting the basis of our food aid programs from in-kind aid to one that is primarily cash based. Despite on-going press reports about concerns with USAID administration of foreign aid programs[31] and an internal World Food Programme audit indicating that USAID cash vouchers for food have been diverted away from the hungry to middlemen profiteers,[32] the Food Aid Reform community continues to insist that cash is as safe from diversion and theft as in-kind food aid.[33]

That argument strains credulity. The Government Accountability Office has called for increased internal controls over cash-based programs, noting that "USAID relies on implementing partners for financial oversight of [its Emergency Food Security Program] projects but does not require them to conduct comprehensive risk assessments to plan financial oversight activities, and it provides little related procedural guidance to partners and its own staff[,]" and that "[a]s a result, partners may neglect to implement appropriate financial controls in areas that are most vulnerable to fraud, diversion, and misuse of EFSP funding."[34]

Finally, there is an elephant in the room that few in the Food Aid Reform community seem willing to accept or acknowledge. Despite the great work that food aid has done over the years feeding billions of hungry people across the world, there is no denying that foreign aid remains unpopular with the American people. A 2013 Pew Poll found that, in response to the sequester, 48% of Americans—the largest percentage for of any of the 19 categories of spending tested—supported cuts to foreign assistance programs.[35] The same poll indicated that of all the categories tested, only foreign aid failed to muster a majority of Americans supporting increased or sustained funding.

Despite foreign aid's lack of public support, the P.L. 83–480 Food for Peace program has survived and thrived for sixty years, thanks in large part to the domestic economic benefit provided to America's farmers and mariners. That support has provided a base of political support that has ensured that P.L. 83–480 would be shielded from the harshest of spending cuts necessitated by public concerns about the Federal budget deficit and the national debt.

Without the support made possible by the coalition of agriculture, maritime and our private voluntary organizations, food aid would likely see major cuts, if not complete repeal. Were Congress to repeal cargo preference for food aid or otherwise make major changes to the P.L. 83–480 program that reduce its domestic economic benefit, there is a strong chance that the program itself may not survive in today's

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[31] Saba Imtiaz, *U.S. Aid Agency's Efforts Are Yielding Dubious Results,* N.Y. TIMES, Sept. 13, 2015, at A8.

[32] George Russell, *U.N. Agency Food Aid Vouchers In Syrian Crisis Diverted And Sold For Cash,* FOX NEWS, April 15, 2015, *http://www.foxnews.com/world/2015/04/17/un-agency-food-aid-vouchers-in-syrian-crisis-diverted-and-sold-for-cash/?intcmp=latestnews* [hereinafter WFP Audit Article].

[33] *See, e.g.,* Barrett Testimony at 7. Dr. Barrett goes so far as to claim that "[a]nother myth is that cash-based food aid programs are somehow more vulnerable to theft and corruption, although not a shred of serious evidence exists to support this claim," despite the World Food Programme's audit finding diversion of vouchers in Syria, which was published months before his testimony. See WFP Audit Article, *supra* note 31.

[34] *U.S. Gov. Accountability Office, International Cash-Based Food Assistance: USAID HasDeveloped Processes for Initial Project Approval But Should Strengthen Financial Oversight* 1 (2015). The GAO report is scathing in its criticism of some of USAID's practices. It notes that USAID had only two people on the ground in Syria to oversee $½ billion program. *Id.* at 29. USAID let contractors use overhead satellite imagery to monitor "food for work" programs in Kenya. *Id.* at 43. When GAO visited a food for work program in Somalia, they noted that no one from USAID had been there for over a year to check on the program. *Id.* at 43. USAID is actually handing out envelopes of cash to crowds in developing countries, particularly Syria, without any accountability or record of how that cash gets spent. *Id.* at 10.

[35] Michael Dimock, *et al.,* Pew Research Ctr. for the People & the Press, *As Sequester Deadline Looms, Little Support for Cutting Most Programs 1* (Feb. 22, 2013), *http://www.peoplepress.org/2013/02/22/as-sequester-deadline-looms-little-support-for-cutting-most-programs/*.

harsh budgetary climate. Were that to happen, the Food Aid Reform community would have no one to blame but themselves for the disastrous impact such cuts would have on the welfare of millions of hungry people around the world who rely on the generosity of the American people to survive. We owe it to the American taxpayer to do our best to provide as much domestic benefit, economic and diplomatic, for every dollar they willingly send abroad to help needy people.

As has often been the case, those pushing "reform" are blind to the reality that their efforts, if successful, could destroy the entire program. Fundamentally changing the Food for Peace program from an in-kind program that provides domestic benefits to the agriculture and maritime industry while supporting our diplomatic mission abroad into a cash giveaway program is ensuring the program ends up on the road to permanent repeal. While we are committed to working with Congress and the Executive Branch to ensure food aid's continued viability and to explore efforts to create greater efficiencies, we cannot support any changes that would undermine the political viability of such a critical program to the lives of so many. That would be irresponsible and morally wrong.

To be clear, those of us in the maritime industry wish to continue the decades long partnership between America's farmers, her mariners, and those committed to feeding the hungry around the world. This is a partnership that has worked for over sixty years and we hope will continue to work for many, many more. I would call upon all to soften the bitterly divisive rhetoric being used against the maritime and agriculture industries. Accusing us of wanting to starve children in order to line the pockets of greedy foreign businessmen is not only a ridiculous falsehood, it undermines the credibility of those making that argument.

America's cargo preference laws are critical to the continued existence of our merchant marine. Tinkering with P.L. 83–480 and the calls for repeal of cargo preference threaten that existence, and threaten our overall military readiness.

The bottom line is simple—without cargo there are no ships, without ships there are no mariners. The American merchant mariner is a critical national security asset that must be protected. Continued Congressional support for cargo preference, food aid, the Maritime Security Program and our other Federal maritime programs ensures that we have a sufficient mariner pool to meet our commercial and military sealift needs no matter the crisis, foreseen or unforeseen. It is critical that we do not allow the Food Aid Reform community to accomplish what the Royal Navy could not do in the Revolution, what German submarines could not do during World War II, and what pirates off Africa could not do in 2009.

I strongly urge you to reject the dangerous arguments made by those seeking an end to in-kind food aid and cargo preference and continue the steadfast, bipartisan support the United States Merchant Marine has enjoyed from Congress for over 200 years.

Mr. ROUZER. I thank each of you for your testimony. Mr. Chairman, do you have any comment or question?

Mr. CONAWAY. No, just refreshingly blunt comments from all four of the witnesses, so I thank you for that, but no questions.

Mr. ROUZER. Mr. Shapiro, my question is directed towards you. Of course, in the past USDA and USAID have each handled substantial components of the food aid programs, including shared responsibilities for commodity transportation and procurement. I think this would make sense, I wanted to see what you think. Would it make sense to consolidate the commodity transportation and procurement within USDA instead of duplicating much of that at USAID?

Mr. SHAPIRO. Absolutely, Mr. Chairman. I think that, in the commercial world, the purchasing of commodity and the awarding of transportation contracts are handled in the same place. They are not handled in different places. And in the commercial world, it is a much more efficient practice because the commodity and the transportation are done consecutively, with each other, by the same people. To have it split amongst two different government agencies, one in Washington, one in Kansas City, makes no sense at all to me. It is a redundancy. It is a waste of money, and it is an inefficient way to operate.

Mr. ROUZER. My next question is for all of you on the panel that wish to respond, and I want to attack this head on. Critics of U.S. delivery of in-kind international food aid complain about inefficiencies in delivering food aid as a physical commodity. For each of you that have a comment on this, I would like to hear your response to those criticisms, and your perspective on what can be done to address any of those criticisms.

Mr. SHAPIRO. I am not sure what inefficiencies people are talking about. When I listen to some of the hearings by Chairman Rouzer's Committee, they talk about the delay in the delivery of cargo. I can tell you, for my company, we have been in lay-up half the year with each of our three ships. That has never happened in 27 years in business. And since we have less ships than we had before, that illustrates how disastrous this current market is.

The inefficiencies which exist are inefficiencies in contracting by the government, frankly, where risk is apportioned to us. If we are giving food aid to a starving nation, why should we have to wait 20 days to discharge into port because there is no priority berthing agreement between the United States Government and the recipient nation? Why do we not have priority berthing in the United States? We are paying for the ship. Our ships are more expensive than the foreign ships that are loading at the same terminals. It seems to me that if the government is doing food aid, and giving money and benefits to starving foreign nations that need to feed their people, they should be able to dictate terms that would arrange for an expedient delivery of the cargo to the recipients.

Mr. SCHOENEMAN. In addition to what Mr. Shapiro said, I would like to point out, one of the problems that I have with the argument about inefficiencies, I mean, we have been working on trying to resolve inefficiencies for a decade or more. We have started prepositioning food in warehouses across the world that is close enough to the regions that it needs to go to. We have been involved in that process for a while now.

But, one of the things that gets lost is we need to recognize, P.L. 83–480 is not just a disaster assistance program. It is a chronic hunger alleviating program that is designed to go into regions of the world that have chronic hunger problems that we know in advance. And USAID prides themselves on being able to tell where there is going to be a crop failure, or where there is going to be a need for food years in advance of when it actually happens. So the idea that we aren't efficient enough, or we can't get food fast enough, well, I would not agree with that statement, but it underlines an attempt to change what the purpose of P.L. 83–480 is, away from a long-term sustained program to alleviate world hunger, and into a disaster program that simply reacts to problems around the world. We have programs like that. We have an international disaster assistance account. We have other programs that are focused on emergencies. P.L. 83–480 is the only program that attacks systemic ongoing hunger, and that is why these programs needs to survive, and they need to thrive, and we can't do that if we are constantly fighting with each other over a continued limited amount of appropriations.

Mr. CAPONITI. If I could just add, and Philip may need to back me up a little bit on this, but the issue of commercial terms has

been something that we have debated for many, many years. I know MARAD debated with USAID, the carriers themselves have debated with USAID, the acceptance of the notion of commercial terms. A lot of the delays, we believe, are because of the terms that are concocted inside USAID, the way they do business. And Philip, you basically referred to that, but, I mean, this idea of commercial terms is something that the industry has urged for quite some time.

Mr. SHAPIRO. We carry, Mr. Chairman, under a different set of rules than every other commercial shipment which is going on the high seas because USAID refuses to change its charter party and allocate risk to the person in the transportation chain that has the ability to control that risk, be it from loading the vessel to discharging the vessel.

On inefficiency, the inefficiency that I can demonstrate is the inefficiency of cash. If you read the November 2014 United Nations Inspector General of the World Food Programme's report, he says that of the $700 million that was sent to Syria, Lebanon, and Turkey for cash vouchers, that there was substantial, "encashment of vouchers for less than face value for things other than the intended purpose." That kind of inefficiency is the grossest violation of what could be expected from this kind of program. We need to restore the 75 percent. The Congressional Budget Office says we need approximately $8 million a year to restore 75 percent carriage for U.S.-flag ships. But in the Lebanon, Syria, Turkey relief program, we gave hundreds of millions of dollars in vouchers away that disappeared. So the inefficiencies that I see are the inefficiencies of cash.

And those academics who claim—there were government people who claim they need flexibility. We have seen what flexibility happened when Mr. Bremer brought suitcases of cash into Iraq. We have seen that flexibility. That is not the kind of flexibility we need.

Mr. ROUZER. My time has expired. Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Shapiro, for your passion on this issue, and let us call it for what it is. I mean, these vouchers, sadly, corruption in that part of the world is the grease that makes that place work. And who knows whose hands it has gone in? Potentially some of our enemies. I mean, it is outrageous, and I couldn't agree with your concerns more.

You recommend an improvement in contracting and transportation for practices for in-kind food aid, and you talked about specifically putting the risk of loss on the person in the transportation chain most able to control and mitigate the risk. Could you give some specific example in that instance?

Mr. SHAPIRO. I think I have already done that, but, for instance, when we discharge a vessel, if we are bringing—our ships carry 50,000 tons of cargo. If we are bringing 50,000 tons of corn, wheat, sorghum, soybean meal, rice, whatever it is, there are certain ports that we go into, and we discharge right away. There are other ports, in Africa, where we sit for 20 days, waiting to discharge, because other commercial shipments are coming in, and the receivers of those cargoes have to pay money to the ships that wait. The U.S.-flag ships don't get that benefit. We have usually a line——

Mr. COSTA. So you sit there?

Mr. SHAPIRO. Which means that the risk is on us to have——

Mr. COSTA. Right.

Mr. SHAPIRO.—built that cost into our rate.

Mr. COSTA. Okay. Mr. Caponiti, could you give more detail on how the new regulatory mandate might strengthen MARAD's oversight and enforcement authority, and some examples of the problems inherent in that new regulatory scheme?

Mr. CAPONITI. Thank you for the question, sir. We need a mechanism that makes it clear that one entity is setting the rules and interpreting the law. Right now, and for many years, the shipping agencies themselves might disagree with the interpretation of how to implement a portion of the law or the regulation. And I know that MARAD and USAID have had many disagreements over the years, and the shipping agencies themselves choose to follow their own policies. The regulation, hopefully, would make it very clear where the buck stops, and MARAD would have to issue this regulation that would be subject to the public process. There would be comments and evaluation of the rule, and then they implement it. And then from that point forward, that is how the law is interpreted, and that is how the program will be carried out.

Mr. COSTA. Thank you. Captain Murray, you said that, in essence, it is much cheaper to maintain a U.S.-flag fleet as opposed to maintaining a fleet of inactive government owned ships on standby. I mean, it seems to me we are being penny wise and pound foolish in this effort. Do you want to explain as to when we look at our current predicament.

Mr. MURRAY. I would agree that our commercial fleet—you have to understand, on our Maritime Security Program fleet, we engage in a whole host of activities, commercial, non-U.S.-flag cargo, *et cetera.* So we have an opportunity to deliver to the government a very reasonably priced asset at time of need. That ship is 100 percent at the disposal of the government, and under VISA and the MSP. But normally we don't operate with full government cargo. There is no way we could ever do that.

Mr. COSTA. Now, did you say you are a graduate of the Merchant Marine Academy?

Mr. MURRAY. No, sir, Maine Maritime Academy. It is a better school.

Mr. COSTA. Okay. I wanted to make sure. So, as a graduate of the Maine Maritime Academy, what role does your company, in addition, provide to training mariners today and future mariners tomorrow?

Mr. MURRAY. Well, our company today also carries cadets from the United States Merchant Marine Academy. We also carry cadets——

Mr. COSTA. They are pretty good too, right?

Mr. MURRAY. Pardon?

Mr. COSTA. They are pretty good too, right?

Mr. MURRAY. Yes.

Mr. COSTA. Okay.

Mr. MURRAY. We have Mass Maritime, Maine Maritime, New York Maritime——

Mr. COSTA. We have an ability to make appointments to those, and I am always interested in how that academy's doing, in terms——

Mr. MURRAY. They are all doing well. The problem that we do have is there aren't enough ships for the cadets coming out of the academies for training purposes. And we have had, at times, as many as six cadets on a ship just to provide the billets for them to get their sea time. They cannot be licensed upon graduation without having a pre-requisite amount of sea time, and we have had to double and triple them up. Normally we carry two, but, as I say, we have carried as many as six.

Mr. COSTA. Mr. Schoeneman, do you want to comment on that, in terms of providing an adequately trained mariner force?

Mr. SCHOENEMAN. Absolutely. I think Captain Murray's point here is valid. When we don't have ships sailing, and we don't have jobs available for our members, that has a real impact on their credentials and their ability to remain actively serving in the Merchant Marine. Under the standards, basically the convention on standards, the STCW is what we call it, essentially those rules require strict amounts of time at sea in order to maintain, and to continue to maintain, for officers, their licenses, for my own licensed members, all of their endorsements. They have to be able to be working in order to do that. When they are not working, they are losing that time, and that has a real impact on their ability to maintain their professional credentials in the industry.

The SIU, along with all of the major maritime unions, we have training programs for our members. We have an unlicensed apprentice program that brings in folks who aren't familiar with the industry and gets them trained up and ready, and guarantees them their first job, and that is about a year long process. And we do that every year, and then all of the other maritime unions also have training programs and upgrading programs for their members as well. Training is a critical thing that we provide to our membership, which is one of the reasons why we have such high union density in maritime.

Mr. COSTA. Thank you very much. My time has expired.

Mr. ROUZER. Chairman Hunter?

Mr. HUNTER. Thanks, Mr. Chairman. First, this is proof that there is somebody watching this hearing. I already heard from the Foreign Affairs Committee that I might have misrepresented Chairman Royce's take on food aid. Now, I want to get this straight, because it is interesting, they said—and he is pro-MSP too, we helped—and he helped with the language of the MSP and the National Defense Authorization Act, but he is pro-commodity. He is pro-food aid, but for cash, which is what we have been talking about, as opposed to shipping the commodity, giving them cash where there is famine, and having them buy it there. Obviously that is what we have been talking about for the last 2 hours. That is a big difference. So I just wanted to set that straight.

I guess the question is, are there government agencies that don't go by the cargo preference rule? I mean, are they breaking the law? And if they are breaking the law, who is supposed to enforce them? Who is supposed to enforce the law, the cargo preference law?

Mr. CAPONITI. It is MARAD's responsibility to enforce the cargo preference law. The idea behind the regulation is to give them more specificity, give them the club. I mean, they need a regulation to make it clear that they are the ones that interpret this provision, or that provision, and the provision itself would be——

Mr. HUNTER. So there is no overarching umbrella law? I was reading that USDA and USAID both interpret the law differently on geographic location of where they take the food, right?

Mr. CAPONITI. That is correct.

Mr. HUNTER. Because there is no overarching direction from MARAD. I would ask Chip, because he is still here, is MARAD working on giving that direction, and do you have the ability or the purview, I guess, to even do that.

Mr. JAENICHEN. Let me tell you, sir, that that is in the rule that is under——

Mr. HUNTER. So what is the recourse, then, of MARAD if someone doesn't follow the cargo preference law?

Mr. SCHOENEMAN. That is the problem.

Mr. HUNTER. Do they sue them?

Mr. SCHOENEMAN. That is the problem, Mr. Chairman. Right now the enforcement mechanisms just aren't there. There is the ability, under the new law that was passed, I guess it was 2008 now, that would allow MARAD to charge a $25,000 fine a day for folks who violate cargo preference, but those regulations haven't been issued. And the joke we have internally, and we always talk about this, there is no cargo preference jail. We can't put somebody in cargo preference jail because they violated the law.

Mr. HUNTER. Yes, so what happens if the Department of Energy or somebody else violates the cargo preference law?

Mr. SCHOENEMAN. Nothing.

Mr. SHAPIRO. Nothing.

Mr. CAPONITI. Nothing.

Mr. HUNTER. How many waivers are requested every year to go to use foreign flag ships for commodity trade, for food aid? Do we know?

Mr. SHAPIRO. I am not aware of any. I can tell you that there is another part of this program that needs to be addressed, and that is that, for an American company to bid on a cargo preference tender, we have to own or control a vessel. Yet, we are bidding against foreigners who don't have to own or control a vessel. They have to name a vessel that is "on the merit approved list". And the merit approved list could be any vessel that has carried a cargo preference cargo for the last 20 years.

Mr. HUNTER. Explain this.

Mr. SHAPIRO. And if they then speculate and get the cargo, then they go out into the market, and they find——

Mr. HUNTER. Well, let us go from scratch. So you have a cargo preference cargo——

Mr. SHAPIRO. Correct.

Mr. HUNTER.—and then American shippers bid against foreign shippers——

Mr. SHAPIRO. Well, okay, so a tender comes out, each company responds to the tender, if they have a ship available.

Mr. HUNTER. A foreign company and a domestic?

Mr. SHAPIRO. An American company, in order to put their bid in, has to own or control the vessel that it is offering, which they usually do own them, or have chartered them, and the government agencies know that that company controls——

Mr. HUNTER. And how does a foreign——

Mr. SHAPIRO.—that vessel?

Mr. HUNTER.—company bid if they don't own a U.S. vessel?

Mr. SHAPIRO. Well, how a foreign—how many of the foreign companies that carry bid is they are located somewhere in a garage or in a house, and they put in an offer. If, all of a sudden, they are low bid, because they are foreigners, they win the cargo, they then go out and try to find a vessel.

Mr. HUNTER. A U.S. vessel?

Mr. SHAPIRO. No, a foreign flag vessel, because the USAID today makes the decision on whether——

Mr. HUNTER. They have an understanding.

Mr. SHAPIRO.—it goes on a U.S.-flag vessel, or a foreign flag vessel, or split between the two. But what the process, I am trying to point out, does, it allows people with no experience, no money, to basically speculate on the U.S. Government's foreign carriage side without having any stake in the game. And we are competing as Americans, where we are subject to a whole set of rules, including the fact that we own or control the vessel. Chip knows this, we have discussed it. It is another area that needs to be addressed.

Mr. SCHOENEMAN. And a follow-up on what Mr. Shapiro said, the other thing we like to remind everybody, the 50 percent requirement, that is a minimum, it is not a maximum. USAID and USDA are more than welcome to put more than 50 percent of their food aid cargo on American-flag ships, and we would encourage them to do that. There is nothing in the law that says that they can't do that. The issue there is simply that they are trying to get the most bang for their buck, and they would rather, and, frankly, some of the folks up here that have been working with them, would rather that there be no cargo preference at all, because then they could feed more people——

Mr. HUNTER. They would be happy if there was no cargo at all.

Mr. SCHOENEMAN. That is exactly right. And the problem for us is I would much rather come up here hand in glove with USAID and the rest and try to fight for a larger appropriation for the P.L. 83–480 program, because it has such an important impact not just on American security, but also on international security. But, instead, we are spending all of our time fighting over numbers that have been reducing and dropping over the years.

Mr. HUNTER. There is one thing I don't understand still, though. So you have two companies, a foreign company and a U.S. company, and say that there is 100,000 pounds of food, okay?

Mr. SHAPIRO. Let us start with tons.

Mr. HUNTER. Or——

Mr. SHAPIRO. Say 100,000 tons.

Mr. HUNTER. Whatever you want to say. Half of that has to go to a U.S. company.

Mr. SHAPIRO. Depending on when in the year it goes, correct.

Mr. HUNTER. Okay.

Mr. SHAPIRO. Because they have to fix America——

Mr. HUNTER. When you say that you compete, though, against a foreign company, that is for the other 50 percent, not the 50 percent that is guaranteed to a U.S.-flag vessel, right?

Mr. SHAPIRO. Not necessarily, Chairman Hunter. How it works if we are starting the fiscal year, the first cargo to a certain country or region has to be fixed American. But once they have done that—let us just say 40,000 tons, they ship 20,000 tons on a U.S.-flag vessel, and 20,000 tons on a foreign flag vessel. The next tender that comes out doesn't necessarily mean it is a different country or a different region, depending on whether it is USDA or USAID. They determine what the breakup is between foreign companies——

Mr. HUNTER. I see.

Mr. SHAPIRO.—and American.

Mr. HUNTER. So say in a geographic region, they could say all of Africa, as opposed to a country in Africa, we have already met 50 percent for this region?

Mr. SHAPIRO. Absolutely correct. In the——

Mr. HUNTER. I see——

Mr. SHAPIRO. In the Reagan years——

Mr. HUNTER.—vessels.

Mr. SHAPIRO.—the Maritime Administration took the position, with the shipper agencies, that they were going to go to regions because they were looking to maximize the amount of cargo that could be sent——

Mr. HUNTER. On foreign——

Mr. SHAPIRO.—and on American ships country by country, we may have 200 tons going to one country, 300 tons, but 50,000 tons going into a geographic area. They wanted to have the maximum tonnage available to move because it was economically efficient to move it that way.

Mr. HUNTER. Okay. Thank you. Thank you, Mr. Chairman.

Mr. ROUZER. Mr. Garamendi?

Mr. GARAMENDI. This is extremely useful testimony. I thank the gentlemen for all of the testimony. There has been discussion back and forth here about how to improve the P.L. 83–480 program and related programs, the 50 percent, 75 percent, and the like. Just to inform the Members of the Committee here, we are in the process of drafting legislation. We welcome any ideas that the panel has, or any of the witnesses in this hearing, anybody else, about how to improve the issues. Mr. Shapiro, you have stated several of them. I know that Captain Murray and the other witnesses have also. I am not going to go into it now, but I want to put that on the table. That draft legislation should be available the 1st of the year. It will be out for discussion. It ought to cover much of the questions that have been raised here, including the last question, about regionality, and the games that are played with regard to the 50 percent minimum, or is it 75 percent?

Second, P.L. 83–480 is not the only way in which we can enhance the Merchant Marine and our national security. There is a piece of legislation moving around through Congress on the export of crude oil. Back in the 1960s we talked about exporting crude oil out of Alaska, North Slope, and it was required to be on American ships with American sailors. Good for the shipbuilding industry,

good for the shipping industry, good for the sailors—or the mariners, let me make it more broad. Here we are again, with an opportunity, should we take advantage of it, and simply say it is United States policy, for national security reasons, that this essential national asset, oil, be shipped on American ships. Why not? Why not do that? Why not build those ships in America, crew them, put them under American flag?

I will put that on the table for you, if you gentlemen would like to take 10 seconds apiece, or 15 seconds, and just comment on that, and then we will move to LNG.

Mr. CAPONITI. Well, I will begin. I think it is safe to say that we would applaud such a thing, to have a mandate to ship some portion of the crude, or the LNG, whatever it is, on U.S.-flag ships. With respect to the shipbuilding, we would probably recommend that is a little bit steeper hill to climb. We support shipbuilding in the United States, but the immediacy of it would be difficult. I think you might have to have a pilot program, or something like that, to kind of try to ease that in——

Mr. GARAMENDI. We call it a phase in over time.

Mr. CAPONITI.—as a conceptual idea——

Mr. GARAMENDI. And I am perfectly willing to negotiate downward from 100 percent to 95 percent.

Mr. CAPONITI. The other thing that you run into a little bit, this obviously helps the mariner pool, which, as you have heard over and over, is essential. Crude carriers themselves are not something that the military needs. They need product carries so a crude oil carrier might not be a militarily useful vessel, from the standpoint of the military. A product carrier would. So that is a wrinkle that you need to consider in the equation.

Mr. SHAPIRO. Congressman, I support all programs that call for the building of ships and the employment of Merchant Mariners. And any program we can have, be it cargo preference, cargo reservation, export of crude, grossing up MSP, whatever we can do, we need to have a U.S. Merchant Marine that is capable of providing what we provided over the last 20 years to this country, in the conflicts, especially in the Middle East, and any program that, ship owners always say, "Give us cargo, and we will build ships." Well, we need cargo, because our cost structure is higher than the foreigners because of U.S. regulations and taxes.

Mr. GARAMENDI. Captain Murray?

Mr. MURRAY. Congressman, yes, we would support that. That makes a lot of sense. And I understand the comments on the DOD aspect, and that is fair. But I will say that it would enhance the mariner pool, and that is what I see as the biggest challenge that we have in our country right now. It is not just ships, it is people to run them. And Mr. Schoeneman can expound on that more, but I see that in my side of it as well, so——

Mr. SCHOENEMAN. Mr. Garamendi, you get us the jobs, we will fill them.

Mr. GARAMENDI. Very good. I will take the last 16 seconds here to simply say we ought to be doing this. If we care about America, and it is America's future, everywhere from manufacturing ships, and sailors, and everything in between, this is how we can do it. And we can do it within the current trade laws, including the TPP.

And by the way, gentlemen, for the record, your analysis of the TPP on shipping would be appreciated, can you do that for the record. Mr. Chairman, I think I am out of time. Thank you so very much.

Mr. ROUZER. Mr. Graves?

Mr. GRAVES. Thank you, Mr. Chairman. I just want to note for the record that for the last 2 years the House passed Coast Guard authorization bill did include stronger cargo preference enforcement provisions that were ultimately rejected by the other body, so I am going to make a motion to migrate to a unicameral form of government, as opposed to this. No, I am kidding, sort of.

I wanted to mention some things that I have had the opportunity to discuss with some of you in the past, just the kind of competitive regulatory environment in the United States, as compared to other countries where you operate. Can you talk about some of the economic, regulatory, and other factors that have the biggest impact on the number of vessels and the operating environment in the United States, as opposed to other countries?

Mr. CAPONITI. Well, I will begin. For one thing, our companies and our mariners pay taxes. Many foreign regimes do not. Many foreign regimes have hidden subsidies. You can be sure that China is absolutely supporting their Merchant Marine. They want to be the Merchant Marine. I don't know if that is the proper term in China, but they want to dominate world shipping. They want to crew every ship sailing the seas. That is part of their policy.

Among the foreign trade fleet, you are competing against the lowest common denominator in bad acting, that is compliance to regulatory provisions, compliance to IMO rulemakings. The United States, we kind of gold plate what we do here, and we follow the law, and we have high standards. You are not necessarily competing against a foreign carrier that has equally high standards. The cost of living, to pay a living wage in the United States *vis-à-vis* what you could call slave conditions in some foreign flag regimes. I don't want to say that they all use slaves, but the level of compensation, and the concept of a living wage isn't necessarily available on all the foreign flag ships that we might be competing against. So, I mean, there is a whole array of things. And I will let my colleagues continue.

Mr. GRAVES. Mr. Schoeneman, could you comment on that?

Mr. SCHOENEMAN. Absolutely. I mean, there was a great article in THE NEW YORK TIMES in July of 2015. The headline was, *Stowaways and Crimes Aboard a Scofflaw Ship*. It was written by a guy named Ian Urbana. It was great. Essentially it demonstrated that the reason why the U.S. has trouble competing internationally is we play by the rules. We actually follow the law, and we hold ourselves accountable when we make mistakes. The rest of the world does not do that. And, unfortunately, as a result of playing by the rules, we sometimes end up competing internationally with one hand tied behind our back.

There are minimum standards in the international fleet, both in the United States and globally, that the International Maritime Organization and others put forward that are supposed to govern everybody uniformly, and some countries don't follow them as well

as we do. And that, unfortunately, puts us at a competitive disadvantage.

Mr. GRAVES. Thank you.

Mr. SCHOENEMAN. The bottom line is, we follow the rules.

Mr. GRAVES. Thank you. Right now we have fewer than 90 U.S.-flag vessels that are participating in foreign trade. We have seen the trend going downward. Can you tell me how many vessels it is going to take, and when our next major military sealift is going to occur? Obviously there is not an answer to that question.

Mr. SCHOENEMAN. I wish I had a crystal ball——

Mr. CAPONITI. Well, I mean——

Mr. SCHOENEMAN.—to tell you that.

Mr. CAPONITI. I mean, the MSP is viewed as the primary resource that they would use. Obviously we have the organic fleet that we have talked about, the ready reserve force, and the command. I mean, Iraq and Afghanistan was historic from the—whether you liked the war or not——

Mr. GRAVES. Sure.

Mr. CAPONITI.—the sealift to Iraq and Afghanistan was historic. It was very, very cost-effective, very, very timely. The improvements that were made between the first Gulf War and the Iraq conflict were night and day. I mean, the ready reserve force itself wasn't too ready in 1991. DOD was smart enough to——

Mr. GRAVES. I have a few seconds left. Let me just make one point and get one last question out real quick. With the fraud and abuse that has been documented as we have migrated to a cash-based system, in effect you are subsidizing other countries, as many of these governments are subsidizing their own shipping interests. I think it is an important point to make, in some of the testimony today we have talked about the additional cost by being a U.S.-based company. Captain Murray, could you talk a little bit about the tax differences in U.S. operations, as compared to international, and foreign governments, what are the efforts they take to subsidize their foreign shippers?

Mr. MURRAY. Congressman, I would be glad to do that. Some countries don't have a personal income tax, or that sort of thing. The point I would like to make is that the cost differentials have been well studied. MARAD has done it, DOD has done it, independent analysts have done it. The bottom line is there is a cost differential to operate a U.S.-flag vessel *versus* a foreign flag vessel, and a respectable international flag vessel is still three times cheaper to operate than an American ship.

So the question we should be asking is not where the cost differentials are. How do we overcome that delta? And we have always overcome it, the MSP stipend covers maybe 30 percent of the delta. The balances have to come from cargo. Be it military, food aid, Ex-Im Bank, that cargo is reserved for U.S.-flag carriers. The other guys can't get at it, only us. And on that basis, that is how we get over the cost hump.

Mr. SHAPIRO. Congressman, can I just add one thing before you depart? On the cost differential, I agree with Captain Murray that it is a 300 percent differential. One area where it is a 400 and 500 percent differential is insurance, and we need to address that as an industry, but we need Congress' help. Because, frankly, when

someone is hurt on one of our vessels, we want to be fair to them, and pay them what they are entitled to get paid. But we have jury verdicts coming out of certain states that are millions of dollars for a broken arm, millions of dollars for a hurt back, and——

Mr. GRAVES. Look, after I am finished moving to a unicameral system of government, I am going to go to bad attorneys, so we will take care of all this.

Mr. SHAPIRO. And we do have a responsibility to work with you to try to reign in some of these differential costs. And on the insurance side, it is achievable if we went to a Federal Workmen's Comp kind of panel that would decide what these injuries were worth.

Mr. MURRAY. Mr. Chairman, if I could just jump on that, if it is okay? I agree with everything Mr. Shapiro just said, however, we are where we are today. That is not going to get fixed overnight.

Mr. SHAPIRO. Yes.

Mr. MURRAY. That is a process, a legislative process, more debate. I think the state of our Merchant Marine today is much more urgent than that.

Mr. ROUZER. The gentleman from Maryland, Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. In 2010, when I was the Chairman of the Coast Guard Subcommittee, I convened two hearings to examine the status of a U.S.-flag fleet. During those hearings, our Subcommittee Members bemoaned the continuing decline of the U.S.-flag oceangoing fleet, noted its dependence on preference cargoes, and the MSP program, and emphasized that if we did not take decisive action to arrest the decline, it would continue. During those hearings, we were repeating warnings and observations that had already been made in the 2000s, the 1990s, and then the 1981 GAO study.

In the intervening 5 years, the MAP–21 highway bill cut, from 75 to 50 percent, the amount of government-impelled agricultural commodities that have to be carried on U.S.-flag vessels. The drawdown from Iraq and Afghanistan has sharply reduced U.S. military cargoes, and no new policies have been implemented to stabilize the U.S.-flag fleet in foreign trade. And, guess what, the size of the U.S.-flag oceangoing fleet in foreign trade has continued to decline. When I was Subcommittee Chairman, we had just over 100 vessels in the fleet. As of last month, we have 78.

Today's hearing appears to be an exercise in repetition. However, there is no mystery surrounding the decline of our fleet that needs further study. The only question is whether we, as a nation, are simply resigned to see our oceangoing foreign trade fleet sail away, and leave our nation, and its commerce, totally dependent on foreign flag vessels. I believe that, contrary to mischaracterizations prevalent in the media, that the United States Merchant Marine is an essential component of a vast network of logistics contractors that support our U.S. military and sustain and create broader economic opportunities in communities around our nation. And I also believe that spending U.S. taxpayer dollars to buy food grown by U.S. farmers, and transport it on U.S.-flag vessels crewed by U.S. seafarers is not unlike other Buy America policies that ensure the expenditure of U.S. taxpayer dollars to support the interests of the United States taxpayers.

And with that, let me ask all of the witnesses, what is the most important thing that could be done right now to at least arrest the decline in the U.S.-flag oceangoing fleet in foreign trade?

Mr. SHAPIRO. Well, I would say there are several factors. One would be on the food aid side, for the food aid program to restore the 75 percent, or even go to 100 percent. There are many nations in the world that give aid, and require that that aid move on their ships. Japan being one, for instance.

Mr. CUMMINGS. Okay, number two?

Mr. SHAPIRO. Number two, we need to increase the stipend for MSP ships to cover the loss of defense preference cargo. Number three, we should be looking, as Congressman Garamendi has suggested, at alternate cargo sources, whether they come from the commercial, the military, or the government side. We need to set aside cargo in order to have ships.

Mr. CUMMINGS. What happened to four, five, six, and seven?

Mr. SHAPIRO. Well, I could do that, sir, but I——

Mr. CUMMINGS. Go ahead.

Mr. SHAPIRO.—might exceed my time.

Mr. CUMMINGS. Does does anybody else have anything?

Mr. MURRAY. Congressman, it is very important, and I agree with Mr. Shapiro, and in our case, MSP is number one. I don't believe you were here earlier, when Administrator Jaenichen testified that we only have 57 ships in the MSP program today. Traditionally, as we have worked together as MSP operators, if an extra slot became available, we would kind of work our way around it with a—somebody would want it. Today, the Administrator said he is going to be publishing a notice here shortly that slots are available. Nobody is running to get them right now.

Mr. SHAPIRO. I will take it, John. If it is available, Liberty will take them.

Mr. SCHOENEMAN. Look, bottom line, just to follow up on what Mr. Shapiro and Captain Murray said, we have to get MSP to $5 million a ship, period. That has to happen. I mean, the fact is we do not; frankly, not only do we have to get it to $5 million a ship, we have to make sure that that appropriation is solid. Every single year all of us up here, and the folks behind you, we go up on the Hill, and we pound the pavement, and we tell everybody we absolutely need this money, and it is getting harder, and harder, and harder to make that case, particularly given the tough budget environments we are in.

But the second thing, obviously cargo is critical. Cargo for a ship is like an engine in a car. If there is no cargo, it is not moving. And if it is not moving, my guys don't have jobs, and these guys aren't making any money. So, at the end of the day, we have to find, as Mr. Garamendi pointed out, we have to find new and outside of the box thinking, try to get us some additional cargo sources that will make it possible for us to carry things into the future.

One last thing, I want to point something out on the in-kind food aid *versus* the cash issue. Go and read this GAO report from August. It is unbelievable the stuff that is happening right now that we are letting happen. Philip pointed this out to a certain extent in his comments with the overhead imagery. GAO report, we are handing out envelopes of cash to crowds of people in Syria. There

is no way to know where that is going. There is no way to make sure that that is accountable and being spent on food. It could be spent on anything, and I don't even have to tell you what it could have been spent on, because you guys are thinking like I am.

They are talking about areas in Africa with USAID programs that have not seen a USAID person on the ground in over a year. They are viewing these work programs with satellite imagery. Really? The bottom line is we all need to work together, but the best way to make sure that someone is fed is to put some food in their hand. And we have been doing that for the last 60 years, and we absolutely need to keep doing that well into the future. We can't allow any of these misguided notions of efficiency, or folks that are constantly trying to find ways to scrimp and save, and squeeze that extra dollar, to really take food out of the hands of people, which is what is happening right now.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. ROUZER. The gentleman's time has expired. In closing, let me say I greatly appreciate the gentlemen on the panel, and thank you for your participation. And, of course, I appreciate the gentlemen who were on the first panel for today's hearing. I think this has been a very informative, very good joint Subcommittee hearing. Mr. Garamendi, do you have any closing comment you would like to make?

Mr. GARAMENDI. I see a woman walking up a hill with a 50 kilo sack of grain on her back, and I see the hands clasped, a gift from the American people. She did not starve, nor did her family.

Mr. ROUZER. Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any questions posed by a Member. This joint hearing of the Subcommittee on Livestock and Foreign Agriculture of the Committee on Agriculture, and the Subcommittee on Coast Guard and Maritime Transportation of the Committee on Transportation and Infrastructure is now adjourned.

[Whereupon, at 12:12 p.m., the Subcommittees were adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY HON. DAVID J. BERTEAU, ASSISTANT SECRETARY OF DEFENSE, LOGISTICS AND MATERIEL READINESS, U.S. DEPARTMENT OF DEFENSE

Insert

Mr. GARAMENDI. Very good. What is a sufficiently sized fleet? Mr. Berteau, what is a sufficiently sized fleet, and then what is the sufficient mariners to man that fleet.

Mr. BERTEAU. So we create our requirements not in terms of number of ships, but in terms of the requirements of what goes on those ships. So it is square footage, it is tonnage, it is container capacity, it is roll-on/roll-off capacity across the entire fleet. Translating that into ship by ship numbers ends up with a range, if you will, of ships available to us. We haven't fully tested the limits of our current capacity and capability for quite a number of decades. I mean, the closest we have come was *Operations Desert Shield* and *Desert Storm,* which was mentioned earlier as a high demand test for our overall capacity. We used a lot, again, at the beginning——

Mr. GARAMENDI. Were we able to meet the demand with domestic ships?

Mr. BERTEAU. Today we can probably meet the demand. We have not done a capability requirements study in about 6 years now. I think it is about time for us to undertake another one. A lot of the world has changed since 2009, the last time we did it. I think it is time for us to update those requirements.

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Mr. JAENICHEN. I can certainly give you some specific examples. With regard to *Desert Storm* and *Desert Shield,* about 23 percent of the actual cargo that DOD actually moved, it was forced to go on U.S.-flag due to lack of availability. We also activated 76 out of the 96 ships that were in the ready reserve fleet at the time. I would note that that 76, although it was not a full activation, that is 30 more ships than I currently have in my ready reserve force fleet today of 46. Additionally, at that time, I had 199 ships under U.S.-flag in the 1990–91 timeframe. Today that is 78. General McDew, who is the current Commander of the U.S. Transportation Command, is on record saying that if we were required to do the same amount of movement to be able to support *Desert Shield* and *Desert Storm,* we do not have the sealift capacity today.

Mr. BERTEAU. And that is why I am uncomfortable.

Mr. GARAMENDI. Does that also mean the mariners, as well as the ships?

Mr. JAENICHEN. It does. In fact, our mariner pool today stands at about 11,300, and I believe that we are on the very hairy edge of being able—we can certainly man all of the ships that we have currently in the reserve sealift fleet, however, we would not be able to support a rotation of those crew members at the 3 to 4 month point.

Mr. BERTEAU. And I would note that the two examples we use here, *Persian Gulf I* in the early 1990s, *Persian Gulf II* in the early 2000s, neither one extended over a period of time longer than 6 months. So the real problem could become with a second rotation beyond a 6 month period.

Mr. GARAMENDI. Mr. Chairman, just for the record, could you provide the specifics in this discussion for both of you? Thank you. I yield back.

The Department used the *Mobility Capabilities and Requirements Study 2016* (published 2010) and the *Mobility Capabilities Assessment* (published 2013) collectively to determine mobility requirements for sealift force projection and sustainment. Capacity requirements are not measured by number of vessels, but by usable square feet for Roll-On/Roll-Off (RO/RO) vessels, Twenty-Foot Equivalent Units (TEU) for container ships and Barrels for tank vessels.

The RO/RO requirement is 19.9M′2. The square footage was achieved using vessel capacity from government-owned organic vessels, allied shipping and U.S.-flag commercial industry, and equates to approximately 91 vessels. The commercial portion of this requirement is approximately 3.8M′2 which equates to approximately 23 vessels. Currently there are 18 vessels accessible through the Voluntary Intermodal Sealift Agreement (VISA) Stage III, or approximately 3.1M′2 of capacity, resulting in a moderate risk to force closure. The shortfall is expected to be met once the three vacated Maritime Security Program slots are filled early next year.

The Container requirement is approximately 34,000 TEUs, with a peak demand of approximately 3,000 TEUs per week. The requirement was achieved using 36 commercial containerships. The 52 containerships currently committed to the VISA program provide sufficient capacity to meet this requirement.

The Tank vessel requirement is approximately 420,000 barrels per day. This requirement is met using a combination of four vessels in the Voluntary Tanker

Agreement, two alliance vessels and the remaining 80 vessels accessed through the international market or requisitioning.

To meet the mariner requirements, DOD relies on U.S. commercial mariners credentialed to operate unlimited tonnage upon any oceans. The Maritime Administration (MARAD), under National Security Directive 28 (NSD–28), is tasked with ensuring there are sufficient mariners available to support the DOD Ready Reserve Fleet and commercial vessels needed to meet national security requirements.

SUBMITTED QUESTION

Response from Hon. Paul N. "Chip" Jaenichen, Sr., Administrator, U.S. Maritime Administration, U.S. Department of Transportation

Question Submitted by Hon. Carlos Curbelo, a Representative in Congress from Florida

Question. In the southern portion of Miami-Dade County, Florida, our farmers are facing a quarantine of 97 miles^2 to contain a nasty invasive pest, the Oriental Fruit Fly. Since the initial Fly was first discovered in Miami-Dade County on August 26, officials have found 165 individual pests. Luckily the last time this fly was found was on October 10, but the quarantine is still supposed to last until February 21, 2016.

Since the Oriental Fruit Fly has already been discovered, there is great fear it could be spread by the public when they bring or mail uninspected fruits, nuts, vegetables, or other host plants from foreign or domestic quarantine areas to uninfected areas of the United States. Although the USDA, as well as the Florida Department of Agriculture and Miami-Dade County's Department of Consumer Services are tasked with dealing with the current crisis by providing safeguards to prevent the diseases' spread, they are limited in their resources.

This quarantine of the 97 miles^2 in South Florida is having a devastating effect on our farmers and agribusinesses. The crops grown year-round and the agriculture industry in Florida contribute $120 billion to the state's economy. Because of Florida's warm climate, our farm production provides essential produce to most of the nation during, and immediately following, each winter season.

What can be done, whether it be at the ports of entry with CBP, with USDA and Florida Ag, or perhaps even stricter safeguards from the maritime industry, to search for and eradicate these invasive pests before they come on land? Do you have any suggestions how we can avoid future infestations of the Oriental Fruit Fly or other diseases like Citrus Greening?

Answer. Although the Maritime Administration (MARAD) has no regulatory or enforcement authority with regard to agricultural inspections of vessels, MARAD cooperates with sister Federal agencies to prevent the introduction of invasive species, including the Oriental Fruit Fly. As you are aware, Customs and Border Protection actively enforces regulations issued by the Department of Agriculture's Animal and Plant Health Inspection Service, which require inspection of any and all agricultural products entering the U.S. by any mode of transportation, including ships. MARAD-owned vessels, including those of the Ready Reserve Force and the training ships used by the nation's six state maritime academies and the U.S. Merchant Marine Academy, comply readily and fully with these regulatory requirements.

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