

**REVIEW OF FISCAL YEAR 2020 BUDGET REQUEST
FOR THE COAST GUARD AND MARITIME
TRANSPORTATION PROGRAMS**

(116-17)

HEARING
BEFORE THE
SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

MAY 21, 2019

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[†]Master Chief Jason M. Vanderhaden did not submit a prepared statement for the record.



Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

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MAY 17, 2019

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Hearing on "Review of Fiscal Year 2020 Budget Request for the Coast
Guard and Maritime Transportation Programs"

PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation will hold a hearing on Wednesday, May 21, 2019, at 10:00 a.m. in 2167 Rayburn House Office Building to examine fiscal year (FY) 2020 budget requests for the Coast Guard and Maritime Transportation Programs. The Subcommittee will hear testimony from the U.S. Coast Guard (Coast Guard or Service), the Federal Maritime Commission (Commission or FMC), and the Maritime Administration (MARAD).

BACKGROUND

COAST GUARD

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

Under Section 102 of Title 14, United States Code, the Coast Guard has primary responsibility to enforce or assist in the enforcement of all applicable federal laws on, under, and over the high seas and waters subject to the jurisdiction of the United States; to ensure safety of life and property at sea; to carry out domestic and international icebreaking activities; and, as one of the five armed forces of the United States, to maintain defense readiness to operate as a specialized service in the Navy upon the declaration of war or when the President directs.

The Coast Guard is directed by a Commandant, who is appointed by the President with the advice and consent of the Senate to a four-year term. Admiral Karl Schultz was sworn in as the 26th Commandant of the Coast Guard in June 2018.

Coast Guard FY 2019 Enacted to FY 2020 President's Budget Request Comparison

(Dollars in Thousands)

Program	FY 2019 Enacted	FY 2020 President's Budget Request	Diff. Bet. FY 2020 Budget Request & FY 2019 Enacted	% Diff. Bet. FY 2020 Budget Request & FY 2019 Enacted
Operations & Support (O&S)	\$7,643,201	\$7,858,900	\$215,699	2.8%
Overseas Contingency Operations ¹ (OCO)	\$163,000	\$-	\$(163,000)	-100.0%
Environmental Compliance & Restoration (EC&R)	\$13,469	\$13,495	\$26	0.2%
Medicare-Eligible Retiree Health Care Fund (MERHCF)	\$199,360	\$205,107	\$5,747	2.9%
Procurement, Construction & Improvements (PC&I)	\$2,248,260	\$1,234,656	\$(1,013,604)	-45.1%
Research & Development ² (R&D)	\$20,256	\$4,949	\$(15,307)	-75.6%
Subtotal, Discretionary	\$10,287,546	\$9,317,107	\$(970,439)	-9.4%
Retired Pay	\$1,739,844	\$1,802,309	\$62,465	3.6%
State Boating Safety Grants	\$114,682	\$116,700	\$2,018	1.8%
Maritime Oil Spill Program	\$101,000	\$101,000	\$-	0.0%
General Gift Funds	\$2,864	\$2,864	\$-	0.0%
Subtotal, Mandatory	\$1,958,390	\$2,022,873	\$64,483	3.3%
Total	\$12,245,936	\$11,339,980	\$(905,956)	-7.4%

The chart above compares the FY 2020 budget request to the FY 2019 enacted funding level.

Fiscal Year 2020 Coast Guard Budget Request

The President requests \$11.34 billion in FY 2020 for the activities of the Coast Guard, including \$9.32 billion in discretionary funding. The Coast Guard Authorization Act of 2018 (Pub. L. 115-282) authorizes \$10.6 billion in discretionary funds for the Coast Guard in FY 2019, \$370 million (or 4 percent) more than the current FY 2019 enacted level of \$10.27 billion, and \$1.32 billion (or 13 percent) greater than the FY 2020 requested level in the President's Budget. This amount does not include a transfer of approximately \$160 million in funding to the Coast Guard from the Department of Defense (DoD) Overseas Contingency Operations (OCO) account. The transfer of those funds would support the ongoing deployment of six 110-foot Coast Guard Patrol Boats conducting national defense and port and waterways security operations in the Persian Gulf.

In FY 2019, the Coast Guard transitioned to the Department of Homeland Security (DHS) Common Appropriations Structure (CAS). Accordingly, activities funded through the previous Operating Expenses, Reserve Training, Environmental Compliance and Restoration, and Medicare-Eligible Retiree Health Care Fund Contribution were included as part of the new Operations and Support (O&S) account in FY 2019. In addition, acquisition personnel costs previously funded through the Acquisition, Construction, and Improvements account are included as part of the O&S account. The Acquisition, Construction, and Improvements account transitioned to the Procurement, Construction, and Improvements account and the Research, Development, Test and Evaluation account became the new Research and Development account.

¹ Coast Guard OCO funding is historically requested in the Navy's request but appropriated directly to the Coast Guard.

² The FY 2020 reduction to R&D funding is due to the transfer of personnel costs to the O&S account. There is no actual reduction.

Operations and Support (previously Operating Expenses)

The President's budget requests \$7.86 billion for the O&S account in FY 2020, \$51 million (or 0.7 percent) more than the FY 2019 enacted level.³ The O&S account supports the day-to-day activities of the Coast Guard including administrative expenses, support costs, travel, lease payments, and the operation and maintenance of infrastructure and assets. The O&S account also funds personnel compensation and benefits for the Service's approximately 41,000 active duty military members, 7,500 reservists, and 8,500 civilian employees.

The O&S budget includes increases in funding to cover follow-on costs for the operation and maintenance of newly acquired assets and technology and increases in other administrative expenses. The request includes a \$342 million increase from the FY 2019 enacted level to cover the cost of the 2020 military pay raise (2.6 percent), as well as expanded military benefits enabling Coast Guard servicemembers to maintain parity with benefits received by DoD servicemembers, operational adjustments, and operating and maintenance funds for new assets.

O&S increases are offset by \$120 million in cuts derived through decommissioning certain assets, information technology streamlining, and the termination of one-time costs. The proposed reductions in the O&S account include:

- **Asset Decommissionings:** The FY 2020 budget proposes to decommission four HC-130H aircrafts, which are being replaced by the new HC-130J aircrafts. The Coast Guard estimates these decommissionings will save \$16.2 million in FY 2020 through increased fuel efficiency. The Coast Guard is also in the process of decommissioning a High-Endurance Cutter (WHEC) for \$9.3 million and three 110-foot Patrol Boats for \$2.6 million.
- **Information Technology Streamlining:** The FY 2020 budget proposes consolidating enterprise services, including replacing contractors at the Command, Control, Communications, Computers, and Information Technology (C4IT) Service Center with government full time employees (FTEs). The Coast Guard estimates this insourcing will save \$3.7 million in FY 2020.
- **Termination of One-Time Costs:** The FY 2020 budget request proposes a \$32.1 million savings associated with the termination of one-time costs for program start-up and exit transactions in FY 2019, including the termination of CG Aircraft FAA Compliance and Obsolete Equipment Replacement (\$20.2 million) and National Security Cutter and Fast Response Cutter Follow-On (\$5.4 million).

Environmental Compliance and Restoration (EC&R)

The President requests \$13.5 million for the EC&R in FY 2020, \$98,000 (or 0.73 percent) more than the FY 2019 enacted level. The EC&R funding provides for the clean-up and restoration of contaminated Coast Guard facilities, as well as for the remediation of Coast Guard assets to ensure they are safe to operate or can be decommissioned in compliance with environmental laws.

The Coast Guard plans to use the \$13.5 million requested for EC&R to pay for continued long-term monitoring at 24 sites and begins or continues investigation/remediation site work at 7 sites.

Procurement, Construction, and Improvements

The President requests \$1.23 billion for the Procurement, Construction, and Improvements (PC&I) account, a \$1.01 billion (or 45.1 percent) decrease over the FY 2019 enacted level. The PC&I account funds the acquisition, procurement, construction, rebuilding, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids-to-navigation, communications and information technology systems, and related equipment.

The FY 2020 budget request includes \$1.18 billion for the acquisition of aircraft, vessels, and the continued build-out of Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance (C4ISR) systems. This represents a decrease of \$912.3 million (or 55.4 percent) from the FY 2019 enacted level. Specifically, the budget request includes:

- \$35 million for long-lead time materials for the second heavy icebreaker, now referred to as Polar Security Cutter (PSC). The joint Coast Guard and Navy Polar Security Cutter Integrated Program Office (IPO) recently awarded the contract for the construction of the Nation's first PSC in more than 40 years to VT Halter of Mississippi;
- \$60 million to conduct Post Delivery Activities on National Security Cutters (NSC) 7 through 11;

³For this calculation, the FY 2019 O&S and OCO levels are combined.

- \$140 million for the production of two Fast Response Cutters (FRC), hulls 53 and 54 of the planned 58 hull program of record;
- \$457 million for the construction of the third Offshore Patrol Cutter (OPC) and scope acquisition of Long Lead Time Materials for OPCs 4 and 5. OPCs will replace the Service's aging 210-foot and 270-foot Medium Endurance Cutters (MEC);
- \$103 million to support the ongoing HC-27J aircraft conversion project. The request funds HC-27J non-recurring engineering required to support aircraft missionization and cockpit modernization, in addition to low-rate initial production of missionized aircraft;
- \$50 million for the continued modernization and sustainment of the HH-65 helicopter fleet;
- \$25.2 million for C4ISR design, development, and integration; and
- No funding for the Alteration of Bridges program in FY 2020. The program last received funding in FY 2010. Established by the Truman-Hobbs Act of 1940 (33 U.S.C. 511 et. seq.), the Alteration of Bridges program authorizes the Coast Guard to share with a bridge's owner the cost of altering or removing privately or publicly owned railroad and highway bridges that are determined by the Service to obstruct marine navigation.

The budget requests \$173.6 million to construct or renovate shore facilities and aids-to-navigation. This request is an \$81 million (or 31.9 percent) decrease from the FY 2019 enacted level. The Coast Guard currently has a backlog of 125 prioritized shore facility improvement projects with an estimated combined cost of over \$1.7 billion; GAO estimates that the projects without cost estimates raise that value to above \$2.6 billion.⁴

Research and Development (previously Research, Development, Test, and Evaluation)

The President requests \$4.95 million in FY 2020 for the Coast Guard's Research and Development (R&D) account, \$15.3 million (or 75.6 percent) less than the FY 2019 enacted level. The reduction is due to the shifting of R&D personnel costs to the O&S account; it does not reflect a reduction in program costs. The R&D account supports improved mission performance for the Service's 11 statutory missions through applied research and development of new technology and methods.

The Coast Guard intends to use the \$4.95 million in FY 2020 for programs to develop, test, and evaluate systems that improve operational presence and response, including supporting unmanned aircraft system (UAS) prototypes, continuing development and testing of the next generation Arctic navigation safety information system, evaluating emerging maritime oil spill response technology, and evaluating existing cybersecurity tools for critical port infrastructure protection and resilience.

FEDERAL MARITIME COMMISSION

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

The FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. Michael A. Khouri was designated Chairman of the Commission by the President in March, 2019.

FMC FY 2019 Enacted to FY 2020 President's Budget Request Comparison

(Dollars in Thousands)

Account	FY 2019 Enacted	FY 2020 President's Budget Request	Diff. Bet. FY 2020 Request & FY 2019 Enacted	% Diff. Bet. FY 2020 Request & FY 2019 Enacted
Inspector General	\$441	\$487	\$46	10.43%
Operational and Administrative	\$27,049	\$27,513	\$464	1.72%

⁴GAO, *COAST GUARD SHORE INFRASTRUCTURE: Applying Leading Practices Could Help Better Manage Project Backlogs of At Least \$2.6 Billion*, GAO-19-82 [https://www.gao.gov/assets/700/697012.pdf], February 21, 2019.

FMC FY 2019 Enacted to FY 2020 President's Budget Request Comparison—Continued

(Dollars in Thousands)

Account	FY 2019 Enacted	FY 2020 President's Budget Request	Diff. Bet. FY 2020 Request & FY 2019 Enacted	% Diff. Bet. FY 2020 Request & FY 2019 Enacted
Total	\$27,490	\$28,000	\$510	1.86%

The President requests \$28 million in FY 2020 for the activities of the FMC, \$510,000 (or 1.86 percent) more than the FY 2019 enacted level.

MARITIME ADMINISTRATION

The Maritime Administration (MARAD) was established in 1950. It administers financial programs to build, promote, and operate the U.S. flag fleet; manages the disposal of federal government-owned vessels; regulates the transfer of U.S. documented vessels to foreign registries; maintains a reserve fleet of federal government-owned vessels essential for national defense; operates the U.S. Merchant Marine Academy; and administers a grant-in-aid program for state operated maritime academies. Rear Admiral Mark H. Buzby, USN, (Ret.) has served as MARAD Administrator since August 2017.

Fiscal Year 2020 MARAD Budget Request

MARAD FY 2019 Enacted to FY 2020 President's Budget Request Comparison

(Dollars in Thousands)

Account	FY 2019 Enacted	FY 2020 President's Budget Request	Diff. Bet. FY 2020 Request & FY 2019 Enacted	% Diff. Bet. FY 2020 Request & FY 2019 Enacted
Operations and Training	\$149,442	\$377,497	\$228,055	152.60%
Assistance to Small Shipyards	\$20,000	\$0	-\$20,000	-100.00%
Ship Disposal Program	\$5,000	\$5,000	\$0	0.00%
Maritime Security Program	\$300,000	\$300,000	\$0	0.00%
Title XI—Administrative Expenses	\$3,000	\$0	(\$3,000)	-100.00%
Title XI—Loan Guarantees	\$0	\$0	\$0	0%
State Maritime Academy Operations ⁵	\$345,200	\$0	(\$345,200)	-100%
Port Infrastructure Program	\$292,730	\$0	(\$292,730)	-100%
Total	\$1,115,372	\$682,497	-\$432,875	-38.81%

The President requests \$682.5 million in FY 2020 for the activities of MARAD, \$432.8 million (or 39 percent) less than the FY 2019 enacted level.

Operations and Training

The President's FY 2020 request of \$135.2 million for Operations and Training (O&T) is \$14.2 million less than the FY 2019 enacted level of \$149.4 million. O&T funds the salaries and expenses for each of MARAD's programs, the operation, maintenance, and capital improvements to the U.S. Merchant Marine Academy, and financial assistance to the six state maritime academies.

MARAD's budget does not include funding for the:

- Marine Highways Grant Program,
- Recapitalization of the State Maritime Academy training vessels,

⁵ The FY 2020 budget request for O&T also includes \$81.9 million for the U.S. Merchant Marine Academy, including \$77.9 million for Academy Operations; \$4 million for capital improvements, repairs, and maintenance; \$242.4 million for the six state maritime academies, including \$30.8 million for School Ship Maintenance and Repair; and, \$53.3 million for MARAD Operations and Programs. The Merchant Marine Academy is under jurisdiction of the House Committee on Armed Services.

- Port Infrastructure Development Grant Program
- Assistance to Small Shipyards Grant Program, or
- Title XI Loan Guarantees.

Assistance to Small Shipyards

The Assistance to Small Shipyards Grant Program provides capital grants to small privately owned shipyards to expand and modernize shipbuilding capacity, efficiency, and competitiveness. Grant requests routinely exceed available funds. The program received \$20 million in FY 2019 and is reauthorized through fiscal year 2020 at \$35 million per year in the National Defense Authorization Act for Fiscal Year 2018 (P.L. 115-91).

Ship Disposal

The FY 2020 budget requests \$5 million for the Ship Disposal Program, the same level as was enacted for FY 2019. The program provides for the proper disposal of obsolete government-owned merchant ships maintained by MARAD in the National Defense Reserve Fleet. This request includes \$3 million to maintain the Nuclear Ship SAVANNAH in protective storage according to Nuclear Regulatory Commission license requirements, while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress. The remaining \$2 million is requested for program support, including salaries and overhead. MARAD is not expected to dispose of any more than two of the remaining eight non-retention vessels in the National Defense Reserve Fleet due to low prices in the scrap metal market. The National Defense Reserve Fleet is under jurisdiction of the House Committee on Armed Services.

Maritime Security Program

The FY 2020 budget requests \$300 million for the Maritime Security Program (MSP), the same as was enacted for FY 2019. Under this program, \$300 million in direct payments are allocated among up to 60 U.S. flagged vessel operators engaged in foreign trade. MSP vessel operators are required to keep their vessels in active commercial service and provide intermodal sealift support to the DoD in times of war or national emergency. This budget request enables vessel operators to remain active and available for service. Allocating less than \$300 million annually allows U.S. vessels to exit the program without penalty, and likely also leave the U.S. flag registry. The MSP is under jurisdiction of the House Committee on Armed Services.

Title XI Loan Guarantees

The President's Budget does not request funding to support loan guarantees for the construction or reconstruction of U.S.-flagged vessels in U.S. shipyards under the Title XI program. While \$3 million was enacted for the program in FY 2019, the President's Budget demonstrates intent to eliminate this program and transfer management of the active Title XI loan guarantee portfolio to the Surface Transportation Innovative Finance Bureau. The Title XI Loan Guarantee program is under jurisdiction of the House Committee on Armed Services.

WITNESS LIST

- Admiral Karl L. Schultz, Commandant, United States Coast Guard
- Master Chief Jason M. Vanderhaden, Master Chief Petty Officer of the Coast Guard, United States Coast Guard
- Rear Admiral Mark H. Buzby, USN, Ret., Administrator, Maritime Administration
- The Honorable Michael A. Khouri, Chairman, Federal Maritime Commission

REVIEW OF FISCAL YEAR 2020 BUDGET REQUEST FOR THE COAST GUARD AND MARITIME TRANSPORTATION PROGRAMS

TUESDAY, MAY 21, 2019

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

The subcommittee met, pursuant to notice, at 10 a.m. in room 2167, Rayburn House Office Building, Hon. Sean Patrick Maloney (Chairman of the subcommittee) presiding.

Mr. MALONEY. Good morning, the hearing will come to order.

Welcome to this morning's hearing to review the respective fiscal year 2020 budget request for the United States Coast Guard, the Maritime Administration, and the Federal Maritime Commission.

At any given moment more than 20 million shipping containers full of raw materials and finished products are transecting the ocean, neatly stacked on ships. They might cross the Atlantic, enter the bustling port of New York and New Jersey, and make their way up the Hudson River, past Manhattan, to my district. The Hudson River, the 315-mile conduit of commerce that lies at the heart of my community, moves over 17 million tons of cargo worth over \$32 billion in State commerce annually. For hundreds of years, this river facilitated trade and transit by sloop, steamboat, and barge. In fact, from my backyard you can see the spot where Henry Hudson camped on September 14th, 1609. It looks much the same way today as it did then.

For hundreds of years it has been that way. And today the Marine Transportation System, or MTS, is an almost invisible network that facilitates roughly \$45.4 trillion in U.S. commerce across oceans, and thousands of miles of inland waterways. Yet the MTS and the regulatory agencies that oversee its function are perpetually under-resourced. This is surprising, considering the importance of the MTS to the U.S. supply chain. And moreover, it is fundamentally disappointing.

This budget again underscores how little this administration understands or appreciates the importance of the U.S. shipbuilding and maritime industries and the agencies that regulate and facilitate commerce. Our Coast Guard stretches itself daily to execute its 11 statutory missions, from vessel safety inspections to search and rescue, despite proposed budget cuts like this. It does so through its exemplary leadership.

I am pleased to welcome Coast Guard Commandant, Admiral Karl Schultz to his first budget hearing before this subcommittee. Unfortunately, in my view, the fiscal year 2020 Coast Guard budget goes so far as to walk back and significantly reduce the funding appropriated by Congress for the Coast Guard just last year, and that simply makes no sense.

I mean I will have more to say on this during the hearing. But the fact that the administration would send up a budget like that, I think, is disrespectful to the organizations that do this critical work because, in reality, everybody knows it makes no sense.

Coordinating and monitoring our maritime industries is the Maritime Administration, or MARAD, the agency whose programs and authorities foster and promote the American maritime industry to meet the economic and national security needs of our Nation.

In another unfortunate stroke, MARAD's budget is also short-changed. Surprisingly, the administration makes no request for funding to carry forward progress made earlier this year when Congress appropriated almost \$300 million to initiate a new port infrastructure development grant program. The American Association of Port Authorities estimates that there is a \$32 billion need to improve intermodal landside connections, hinterland connectivity, and facility infrastructure. Yet the administration has turned its back on supporting these investments to improve the efficiency and global competitiveness of U.S. ports and marine terminals. We need to recognize the importance of the MTS to the national economy, and be proactive in our Federal investments.

The Federal Maritime Commission, or FMC, protects shippers and carriers from restrictive or unfair shipping practices of foreign-flag carrier alliances operating in the U.S. foreign trade. And now with foreign carriers moving more than 95 percent of U.S. trade, the FMC's job has never been more important. That is why we need to make sure the FMC has more than sufficient resources to implement changes made in last year's Coast Guard Act to the Shipping Act, and make sure that U.S. port service providers at the Port of New York and New Jersey, downriver from my district, are able to compete and sustain good-paying jobs for U.S. workers.

Our coasts are busier than ever. New uses emerge every day. It is the responsibility of these agencies testifying today to ensure that our Marine Transportation System remains reliable, sustainable, efficient, and safe. I look forward to engaging our witnesses this morning to learn if the administration's budget request comes close to meeting that challenge. And that doesn't mean we can't have disagreements about the right level of funding. But I think what is clear is that the administration's budget request fails in significant respects, and I would be very curious to hear our witnesses' understanding of that issue.

[Mr. Maloney's prepared statement follows:]

Prepared Statement of Hon. Sean Patrick Maloney, a Representative in Congress from the State of New York, and Chair, Subcommittee on Coast Guard and Maritime Transportation

Welcome to this morning's hearing to review the respective Fiscal Year 2020 budget requests of the United States Coast Guard, the Maritime Administration, and the Federal Maritime Commission.

At any given moment, more than 20 million shipping containers full of raw materials and finished products are transecting the ocean, neatly stacked on ships. They might cross the Atlantic, enter the bustling Port of New York/New Jersey, and make way up the Hudson River, past Manhattan, to my district.

The Hudson River, the 315-mile conduit of commerce that lies at the heart of my community, moves over 17 million tons of cargo, worth over \$32 billion in state commerce, annually.

For hundreds of years this river facilitated trade and transit, by sloop, steamboat, and barge. Today, the Marine Transportation System, or "MTS," is an almost invisible network that facilitates roughly \$45.4 trillion in U.S. commerce across oceans and thousands of miles of inland waterways.

Yet, the MTS and the regulatory agencies that oversee its function are perpetually under-resourced. This is surprising considering the importance of the MTS to the U.S. supply chain, and moreover, fundamentally disappointing: this budget again underscores how little this administration understands or appreciates the importance of the U.S. shipbuilding and maritime industries and the agencies that regulate and facilitate, commerce.

Our Coast Guard stretches itself daily to execute its 11 statutory missions, from vessel safety inspections to search and rescue, despite budget cuts. It does so through its exemplary leadership. I'm pleased to welcome the Coast Guard Commandant, Admiral Karl Schultz, to his first budget hearing before this subcommittee.

Unfortunately, in my view, the FY 2020 Coast Guard budget goes so far as to walk back, and significantly reduce the funding appropriated by the Congress for the Coast Guard last year, and that simply makes no sense.

Coordinating and monitoring our maritime industries is the Maritime Administration, or "MARAD," the agency whose programs and authorities foster and promote the American maritime industry to meet the economic and national security needs of our Nation.

In another unfortunate stroke, MARAD's budget is short changed. Surprisingly, the administration makes no request for funding to carry forward progress made earlier this year when Congress appropriated almost \$300 million to initiate a new Port Infrastructure Development Grant program.

The American Association of Port Authorities estimates that there is a \$32 billion need to improve intermodal landside connections, hinterland connectivity, and facility infrastructure. Yet, the administration has turned its back on supporting these investments to improve the efficiency and global competitiveness of U.S. ports and marine terminals. We need to recognize the importance of the MTS to the national economy and be proactive in our federal investments.

The Federal Maritime Commission, or "FMC," protects shippers and carriers from restrictive or unfair shipping practices of foreign-flagged carrier alliances operating in the U.S. foreign trade. And now with foreign carriers moving more than 95 percent of U.S. trade, the FMC's job has never been more important.

That is why we need to make sure the FMC has more than sufficient resources to implement changes made in last year's Coast Guard Act to the Shipping Act, and make sure that U.S. port service providers at the Port of New York/New Jersey downriver from my district are able to compete and sustain good paying jobs for U.S. workers.

Our coasts are busier than ever. New uses emerge every day. It is the responsibility of these agencies testifying today to ensure that our maritime transportation system remains reliable, sustainable, efficient, and safe. I look forward to engaging our witnesses this morning to learn if the administration's budget request comes close to meeting that challenge.

Mr. MALONEY. I now call on the ranking member, Mr. Gibbs, for any opening remarks.

Mr. GIBBS. Thank you, Chairman. I also want to thank our witnesses for being here today, and your service to our great country. Thank you.

The United States Coast Guard carries out a broad array of law enforcement, safety, national security, environmental protection, and response missions on water under the control of the United States. Unfortunately, both Congress and multiple administrations dating back to the 1990s have failed to make investments in the

Coast Guard infrastructure to allow it to maintain, much less improve, its capabilities to carry out its mission.

By 2000 the Coast Guard offshore fleet was antiquated. It has made great strides since then in replacing High Endurance Cutters and *Island*-class patrol boats with the vastly more capable National Security Cutters and Fast Response Cutters. Those successes came at the expense of adequate shoreside infrastructure investment, and a lack of investment in modernizing the databases in which the Service relies for smooth operations.

The Service faces another 15 years of major investments to complete its fleet recapitalization. It must still build 25 new Offshore Patrol Cutters to replace the Medium Endurance Cutters. It must also purchase multiple Polar Security Cutters.

If we expect the Coast Guard to effectively carry out any of its many missions, we cannot continue to defer shoreside and IT investments. Yet the administration again seeks \$1 billion less in fiscal year 2020 for acquisition and construction than was appropriated in fiscal year 2019.

I am glad to say the bipartisan leadership of this committee and subcommittee has requested \$2.8 billion in acquisition and construction funds for fiscal year 2020. I look forward to the Commandant's views and how he plans to complete the necessary upgrades and replacements and maintenance of assets.

Additionally, I am pleased to see the Maritime Administration has requested full funding for the Maritime Security Program. However, I am interested in how we can close the projected shortfall of merchant mariners needed to assure our national defense sealift capability. I look forward to discussing that with the Maritime Administrator.

Finally, Congress made changes to ocean shipping laws last year. I am interested to learn if these changes provided the Commission with the authority to assure that U.S. service providers are treated fairly when negotiating with large international shipping alliances.

[Mr. Gibbs's prepared statement follows:]

Prepared Statement of Hon. Bob Gibbs, a Representative in Congress from the State of Ohio, and Ranking Member, Subcommittee on Coast Guard and Maritime Transportation

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Mr. GIBBS. Mr. Chairman, I look forward to this hearing today, and I yield back.

Mr. MALONEY. Thank you, Mr. Gibbs. Let's now recognize the chair of the committee, Mr. DeFazio, for any remarks he may have.

Mr. DEFazio. Thank you, Mr. Chairman. I appreciate you holding this hearing.

Tomorrow is National Maritime Day, a day to celebrate the United States of America as a great maritime nation. However, that news hasn't penetrated, apparently, to this administration or the White House. As I look at the collective budget requests for the three Federal agencies responsible for oversight, regulation, and promotion of U.S. maritime—Coast Guard, Maritime Administration, FMC—there is not much to celebrate there.

The administration has talked a lot about our competitiveness, and trade, and those things. But undermining these institutions—we have also talked a lot about drugs and drug smuggling, national security. Undermining the Coast Guard is not going to deliver on those goals.

The Coast Guard went through a series of cuts because of the Budget Control Act. And finally, Congress has begun to make up with some of that deficit. But the submission by—the Mulvaney—oh, I mean the Trump budget submitted to Congress would lower Coast Guard 10 percent below 2019, you know, and that is after the Coast Guard didn't get paid during the stupid shutdown, the only military service not to get paid. So I would say these additional proposed cuts are disrespectful, at best.

As I mentioned before, there has been a lot of concern about drug smuggling. We had intel from the retired Commandant last year or the year before last, and Senate testimony that we can ID 80 percent of the actionable—you know, with intelligence, actionable drug shipments. But we can only intercept 20 percent, because the Coast Guard doesn't have the resources. So the Trump administration is going to take care of that problem. They are going to send Coasties to the desert border. What a great idea. So I will have some questions about that.

I am also disappointed in the cuts for MARAD, 39 percent. And, you know, zero port infrastructure development grants, small shipyard grants, which help keep us competitive, a vital component of keeping a domestic U.S. shipbuilding industry, particularly in light of the Communist Chinese Government shipbuilding interests, which are trying to compete.

There is, you know, a little bit of good news, a small increase for the Federal Maritime Commission. Last year we refocused them on

these carrier alliance agreements, and there is a lot of work to be done there. So they will need that money, and perhaps more.

This budget is a disappointment, but let's use this hearing to constructively critique and encourage our colleagues to allocate more adequate resources to each of these agencies in the coming budget year.

[Mr. DeFazio's prepared statement follows:]

Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chair, Committee on Transportation and Infrastructure

Thank you Chairman Maloney. I intend to be brief in my remarks so that we might proceed to hear from our witnesses.

Tomorrow we will celebrate National Maritime Day, a time-honored tradition that recognizes one of our country's most important industries.

I have to say, however, after reviewing the collective budget requests for the three Federal agencies responsible for the oversight, regulation, or promotion of the U.S. maritime industry—the U.S. Coast Guard, the Maritime Administration and the Federal Maritime Commission—I find very little to celebrate.

From our earliest origins as a nation, the U.S. Merchant Marine and the U.S. flag commercial fleet have been pillars in this country's foundation of prosperity and security. Regrettably, it would appear that this administration thinks otherwise.

For example, despite years of suffering under budgets cuts imposed by the Budget Control Act, the administration again has decided to cut the Coast Guard's discretionary budget—this time by almost ten percent below what Congress appropriated for the Coast Guard in Fiscal Year 2019.

One has to wonder: how much more strain can we put the Coast Guard under before this exemplary military maritime law enforcement agency simply breaks and cannot be mended back together?

Even worse, coming on the heels of the Coast Guard not getting paid at all during the recent government shut-down—the only military service to not get paid I might add—the cuts proposed in this budget are not only wrongheaded, they are downright cruel to the hardworking men and women of the Coast Guard.

And so, here we are today with rumors flying around about the Coast Guard having to shift additional resources to the Southern Border; with the Coast Guard's only heavy icebreaker, the Polar Star, barely remaining operational due only to the ingenuity and determination of her crew; and with the gap in the Coast Guard's unmet budget needs growing wider each day.

These are important matters, and I expect to pursue these thoughts and more with Admiral Schultz later this morning.

I also am disappointed that the administration is proposing to cut funding for the Maritime Administration by almost thirty nine percent.

If we want to remain a global maritime power, we cannot offer timid support for our own maritime industry, especially at a time when our trading partners, notably China, are investing billions of dollars to expand the global reach of their maritime industry.

I fail to see the logic behind not requesting any funding for Port Infrastructure Development Grants, or Small Shipyard Grants. These programs are desperately needed right now to infuse capital to improve the technological capability and competitiveness of U.S. ports and shipyards.

We need to be doing much, much more to support our maritime industry, and I hope that Admiral Buzby can provide more ideas than those put forth by the administration's budget request for MARAD.

Allow me to say that there was one ray of modest good news: the small increase in the budget for the Federal Maritime Commission.

Considering the Commission's vital role in ensuring that shipping practices in the U.S. foreign trade abide by antitrust requirements, an increase was not only overdue, but also warranted in order to provide the Commission the resources it needs to implement new requirements to monitor carrier alliance agreements.

In closing, this budget is a disappointment and should serve as a catalyst for increasing support to our maritime industry. Let us use this hearing constructively and give ourselves something to celebrate when National Maritime Day rolls around next year. Thank you.

Mr. DEFAZIO. With that I yield back the balance of my time.

Mr. MALONEY. I thank the gentleman. I would like now to welcome our witnesses.

Admiral Karl L. Schultz, Commandant of the United States Coast Guard, we are delighted to have you here, sir.

We are also joined by Master Chief Jason M. Vanderhaden, Master Chief Petty Officer for the United States Coast Guard; Rear Admiral Mark H. Buzby, Administrator for the Maritime Administration; and the Honorable Michael A. Khouri, Chairman of the Federal Maritime Commission.

Gentlemen, we have received your testimonies. Without objection, that full statement will be included in the record. And since it has, we encourage you to limit your oral testimonies to 5 minutes to give adequate time for the Members' questions. But we appreciate your service, and all you do for our country.

Admiral Schultz?

TESTIMONY OF ADMIRAL KARL L. SCHULTZ, COMMANDANT, U.S. COAST GUARD; MASTER CHIEF JASON M. VANDERHADEN, MASTER CHIEF PETTY OFFICER OF THE COAST GUARD, U.S. COAST GUARD; REAR ADMIRAL MARK H. BUZBY, U.S. NAVY (RET.), ADMINISTRATOR, MARITIME ADMINISTRATION; AND HON. MICHAEL A. KHOURI, CHAIRMAN, FEDERAL MARITIME COMMISSION

Admiral SCHULTZ. Well, full committee Chairman DeFazio, Chairman Maloney, Ranking Member Gibbs, members of the committee, thanks for the opportunity to testify today. And as you mentioned, my written testimony, I appreciate that being entered into the record.

On behalf of the men and women of the United States Coast Guard, Chairman, please accept my profound thanks for your unwavering support, including the fiscal year 2019 appropriation and the 2018 Frank LoBiondo Coast Guard Authorization Act. These were meaningful steps towards delivering the ready, relevant, and responsive Coast Guard the American public expects and deserves.

Yet our work is not done. If you take away just one thing from my testimony today, please remember this: readiness, ready to push our maritime border 1,500 miles from our shore; ready to preserve the \$5.4 trillion in economic activity that flows through our Marine Transportation System on an annual basis; ready to support combatant commander needs across the globe; ready for the next hurricane season, which is just around the corner; and ready to put our cyber authorities to use as we adapt to 21st-century threats.

Without question, building and sustaining readiness is my top priority as Commandant, and we are at a critical juncture of what I call a tipping point.

Almost after a decade of near flatline operations and support funding, Coast Guard readiness is, in fact, eroding, just like the other armed services have experienced in recent years. Yet, unlike the Department of Defense, Coast Guard funding is categorized as nondefense discretionary, which means we are excluded from the focused effort to rebuild our Nation's military readiness. And

hence, we continue to find ourselves on the outside looking in when it comes to operations and support plus-up funds.

In 2017, the Department of Defense received a 12-percent boost in operations and maintenance funding, while the Coast Guard received just a 4-percent increase. Yet the Coast Guard's military contributions are immutable. Every year we proudly expend over \$1 billion in direct support to combatant commanders. But the \$340 million of defense readiness dollars they receive towards these ends has not increased in over 18 years.

As an example of our growing defense portfolio, the National Security Cutter *Bertholf* is supporting the Indo-Pacific commander in the South China Sea, enforcing U.N. sanctions against North Korea and protecting advancing interests throughout the Western Pacific. Though we strive for relentless resilience to execute homeland security defense operations, if we continue to neglect our growing backlog of deferred repairs work on our capital assets, we will lose ground in the fight to defend our homeland from evolving threats and challenges to the Nation.

Despite these challenges, I am extremely proud of the Coast Guard's contributions. In 2018, as part of the Department of Homeland Security's layered security strategy, our surface and aviation assets interdicted 460,000 pounds of uncut cocaine, more than all other Federal agencies combined, and apprehended more than 600 drug smugglers. Disrupting transnational criminal organizations at sea, where they are most vulnerable, helps reduce the push factors responsible for driving migration to our southwest land border.

Our National Security Cutters, what we call NSCs, have exceeded performance expectations by every metric, and now we must focus on transitioning from our outdated and costly Medium Endurance Cutters to our planned fleet of 25 highly capable Offshore Patrol Cutters, which will be the backbone of the Coast Guard's offshore presence in the decades to come.

In the polar regions, presence equals influence, and your Coast Guard is the sole surface presence protecting our rights and projecting sovereignty. As access to the region expands, and interest from China and Russia grows, it is in our national interest to enhance Maritime Domain Awareness and build governance in this economically and geo-strategically competitive area. To this end, the Coast Guard released the Arctic Strategic Outlook last month, a refresh of our 2013 Arctic strategy.

In March, our sole operational heavy icebreaker, the 43-year-old *Polar Star*, returned from a 105-day patrol to Antarctica. The crew worked miracles to keep that cutter mission viable, battling a shipboard fire, engine room flooding, and numerous electrical outages. I am proud of their efforts, but I remain concerned we are only one major casualty away from being a Nation without any heavy ice-breaking capability. New icebreakers cannot come fast enough.

And I thank you, the Congress, for the \$675 million provided in last year's 2019 appropriation. Coupled with the \$300 million in prior years' appropriations, I am thrilled to report we awarded a detailed design and construction contract for the first Polar Security Cutter earlier this month—or last month, in April. Stable and predictable funding is key to keeping this vital program on schedule.

Finally, I appreciate the administration’s support for initiatives that invest in our greatest strength: our Coast Guard men and women, our people. They represent tangible steps towards a mission-ready total workforce. A dollar invested in the Coast Guard is a dollar well invested and well spent. And with your continued support, the Coast Guard will live up to our motto, *semper paratus*, always ready.

Thank you Chairman, Ranking Member, members of the committee, for this opportunity to testify. I welcome your questions.

[Admiral Schultz’s prepared statement follows:]

Prepared Statement of Admiral Karl L. Schultz, Commandant, U.S. Coast Guard

INTRODUCTION

Chairman Maloney, Ranking Member Gibbs, and distinguished members of the Committee, I appreciate the opportunity to testify today. Thank you for your enduring support of the United States Coast Guard, particularly enactment of the Frank LoBiondo Coast Guard Authorization Act of 2018 and the significant investments provided in the Fiscal Year (FY) 2019 Consolidated Appropriations Act.

Your Coast Guard is on the front lines of our Nation’s effort to protect the American people, our homeland, and our way of life. As threats and challenges to our national security and global influence grow more complex, the need for a *Ready, Relevant, and Responsive* Coast Guard has never been greater.

Appropriately positioned within the U.S. Department of Homeland Security (DHS), the Coast Guard is a federal law enforcement agency, a regulatory body, a first responder, a member of the U.S. Intelligence Community, and a military service and a branch of the Armed Forces of the United States at all times¹—the Coast Guard offers specialized and unique capabilities across the full spectrum of maritime activities, from security cooperation up to armed conflict.

The Coast Guard has matured and evolved over the course of our 228-year history, adapting our people, assets, and capabilities in response to emerging national demands and international challenges. We are locally based, nationally responsive, and globally impactful.

To outline my vision for the Service, I recently released the U.S. Coast Guard Strategic Plan 2018-2022. To that end, my highest priority is to “Maximize Readiness Today and Tomorrow,” and readiness starts with our people, who are our greatest strength. In the competitive marketplace the Armed Forces find ourselves, now is a critical time to invest in our mission-ready total workforce.

My second top priority is continuing to “Address the Nation’s Complex Maritime Challenges” through international and domestic leadership in the maritime domain. A unique instrument of national power, the Coast Guard offers the ability to secure the maritime border, combat Transnational Criminal Organizations (TCOs), and facilitate \$5.4 trillion of annual economic activity on our Nation’s waterways.

Finally, in a competitive budget environment, your Coast Guard is acutely focused on my third priority, “Delivering Mission Excellence Anytime, Anywhere,” by continuously challenging ourselves to innovate and drive increased efficiency for better organizational performance in response to both manmade crises and natural disasters.

STRATEGIC EFFECTS

The Coast Guard plays a critical role in a comprehensive approach to securing our borders—from disrupting drug trafficking and illegal immigration in the southern transit zones, to projecting sovereignty across the globe. Our Nation’s maritime borders are vast, and include one of the largest systems of ports, waterways, and critical maritime infrastructure in the world, including 95,000 miles of coastline.

As part of the DHS layered security strategy, the Coast Guard pushes out our Nation’s border, and serves as the “offense” in a comprehensive approach to layered border security strategy. Through the interdiction of illicit drugs and the detention of suspected drug smugglers, the Coast Guard disrupts TCO networks at sea, over a thousand miles from our shore, where they are most vulnerable. Coast Guard

¹14 U.S.C. § 101; 10 U.S.C. § 101

maritime interdictions weaken the TCOs who destabilize our immediate neighbor Mexico, the Central American land corridor, and South American countries. Our interdiction efforts minimize corruption and create space for effective governance to exist. Coast Guard interdiction efforts reduce the “push factors” that are responsible for driving migration to our Southwest land border.

Working with interagency partners, the Coast Guard seized 209 metric tons of cocaine and detained over 600 suspected smugglers in FY 2018, which is more than all other federal agencies combined. Highlighting the capabilities of one of our modern assets, in November 2018, the National Security Cutter (NSC) CGC JAMES, in support of Joint Interagency Task Force South (JIATF-S), seized nearly nine tons of cocaine and detained over 40 suspected drug smugglers from various drug conveyances, including low-profile go-fast vessels and fishing vessels. In addition to stopping these drugs from getting to our streets, the information we gather and share with our partners in the Intelligence Community facilitates deeper understanding of TCOs and ultimately helps our unified efforts to dismantle them.

As an important part of the modern military’s Joint Force², we currently have forces assigned to each of the six geographic Combatant Commanders (COCOMs), as well as Cyber Command, Transportation Command, and Special Operations Command. The Coast Guard deploys world-wide to execute our statutory Defense Operations mission in support of national security priorities. Typically, on any given day, 11 cutters, 2 maritime patrol aircraft, 5 helicopters, 2 specialized boarding teams, and an entire Port Security Unit are supporting Department of Defense (DoD) COCOMs on all seven continents. In the Middle East, our squadron of six patrol boats continues to conduct maritime security operations on the waters of the Arabian Gulf in close cooperation with the U.S. Navy, promoting regional peace and stability.

Likewise, as one of the principal federal agencies performing Detection and Monitoring (D&M) in the southern maritime transit zone, the Coast Guard provides more than 4,000 hours of maritime patrol aircraft support and 2,000 major cutter days to DoD’s Southern Command (SOUTHCOM) each year.

Coast Guard authorities and capabilities bridge national security needs between DoD war fighters abroad and DHS agencies protecting our homeland. In addition to COCOM support, the Coast Guard partners with federal, state, local, territorial, tribal, private, and international stakeholders to address problems across an increasingly complex maritime domain. Our leadership on global maritime governing bodies and our collaborative approach to operationalize international agreements drive stability, legitimacy, and order. We shape how countries conduct maritime law enforcement and establish governance.

Looking forward, the performance capabilities and expected capacity of our future Offshore Patrol Cutter (OPC) fleet will provide the tools to more effectively enforce federal laws, secure our maritime borders, disrupt TCOs, and respond to 21st century threats. Continued progress on this acquisition is vital to recapitalizing our aging fleet of Medium Endurance Cutters (MECs), some of which will be over 55 years old when the first OPC is delivered in 2021. In concert with the extended range and capability of the NSC and the enhanced coastal patrol capability of the Fast Response Cutter (FRC), our planned program of record for 25 OPCs will be the backbone of the Coast Guard’s strategy to project and maintain offshore presence.

In the Arctic region, the Coast Guard remains steadfastly committed to our role as the lead federal agency for homeland security, safety, and environmental stewardship. There, we enhance maritime domain awareness, facilitate governance and promote partnerships to meet security and safety needs in this geo-strategically and economically vital area. As access to the region continues to expand, strategic competition drives more nations to look to the Arctic for economic and geopolitical advantages, and the Coast Guard stands ready to provide the leadership and sustained surface presence necessary to protect our rights and sovereignty as an Arctic Nation.

Looking to the Antarctic, the 43-year-old CGC POLAR STAR, the Nation’s only operational heavy icebreaker, returned home after successfully completing Operation DEEP FREEZE (DF-19), the annual McMurdo Station breakout, though not without overcoming several high-risk casualties to the ship’s engineering systems. The ship’s crew had to battle a fire that left lasting damage to electrical systems; ship-wide power outages occurred during ice breaking operations. And in the same transit, divers were sent into the icy waters to investigate and repair a propeller

²In addition to the Coast Guard’s status as an Armed Force (10 U.S.C. § 101), see also Memorandum of Agreement Between DoD and DHS on the Use of Coast Guard Capabilities and Resources in Support of the National Military Strategy, 02 May 2008, as amended 18 May 2010.

shaft seal leak. Events like these reinforce the reality that we are only one major casualty away from leaving the Nation without any heavy icebreaking capability.

With increased activity in the maritime reaches and growing competition for resources, we cannot wait any longer for increased access and a more persistent presence in the Polar Regions. Our sustained presence there is imperative to ensuring our Nation's security, asserting our sovereign rights, and protecting our long-term economic interests.

Last year we released a request for proposal and in April, we awarded a contract for detail design and construction of the first Polar Security Cutter (PSC) with options for two additional PSCs. I am thankful for your support for the \$675 million in the FY 2019 appropriation. This funding, coupled with the \$300 million in Shipbuilding and Conversion, Navy (SCN) funding in FY 2017 and 2018, made contract award possible and is sufficient to fund construction of the first PSC as well as initial long lead time material for a second PSC.

Our value to the Nation is observed on the farthest shores around the globe as well as closer to home where we continue to be "Always Ready" to answer the call for help. The 2018 hurricane season led to yet another historic Coast Guard response effort. The Coast Guard mobilized over 8,600 active duty members, reservists, and civilians for hurricane response across the United States for hurricanes Florence and Michael in the mid-Atlantic states and Gulf Coast respectively, as well as typhoon Mangkhut in Guam.

In support of, and in coordination with the Federal Emergency Management Agency (FEMA) and other federal, state, local, and territorial agencies, the Coast Guard saved nearly 1,000 lives using helicopters and shallow water craft, provided logistical support to first responders, and oversaw the safe and effective resumption of commerce at over 20 impacted sea ports.

While such a level of professionalism and distinction is what the American people have come to expect from your Coast Guard, that response comes at a cost. We continue to do our very best to stand ready to respond to all maritime disasters, both natural and manmade; however, these efforts consume future readiness. Our aging assets and infrastructure require increased maintenance and repairs, all of which is compounded by the on-going recovery and restoration operations of the historic hurricane season of 2017.

In 2017 alone, the Coast Guard lost the equivalent of two major cutters (e.g., over 300 operational days) due to unplanned repairs. Expanding that to the last two years, we have lost three years' worth of major cutter patrol days. In 2017 and again in 2018, shortages in parts and supplies cost the Coast Guard over 4,500 flight hours each year, or the equivalent of programmed operating hours for seven MH-65 helicopters. Each hour lost in the transit zones keeps us further from reaching our interdiction targets and helps the TCOs deliver their illicit cargoes.

Service readiness starts with our most valuable asset—our people. We must continue to recruit, train, support, and retain a mission-ready total workforce that not only positions the Service to excel across the full spectrum of Coast Guard missions, but is representative of the diverse Nation we serve. Our workforce end strength was reduced by over 1,250 personnel during a three-year period from FY 2012 to FY 2015. And compared to the workforce of FY 2012, the Coast Guard has nearly 1,000 fewer personnel to accomplish an ever increasing mission set. Adequate increases to depot maintenance funding, coupled with strategic human capital investments, are critical to addressing these readiness challenges.

CONCLUSION

The Coast Guard offers a capability unmatched in the federal government. Whether combating TCOs to help stabilize the Western Hemisphere, responding to mariners in distress in the Bering Sea, or supporting U.S. Central Command (CENTCOM) on the Arabian Gulf, the Coast Guard stands ready to execute a suite of law enforcement, military, and regulatory authorities and capabilities to achieve mission success anytime, anywhere. We cannot do this on the backs of our people—now is the time to address the erosion of readiness experienced in our Service over the past decade due to near flat line funding for operations and support.

While the demand for Coast Guard services has never been higher, we must address our lost purchasing power, the growing backlogs of deferred maintenance on our capital assets, and the degraded habitability of our infrastructure.

Our 48,000 active duty and reserve members, 8,500 civilians, and over 25,000 volunteer members of the Coast Guard Auxiliary need your support to maintain a *Ready, Relevant, and Responsive* Coast Guard.

With the continued support of the Administration and Congress, your Coast Guard will live up to our motto—*Semper Paratus*—Always Ready. Thank you for your support of the men and women of the Coast Guard.

FY 2020 BUDGET REQUEST

The Coast Guard's FY 2020 Budget request is focused on three main priorities:

1. Maximize Readiness Today and Tomorrow
2. Address the Nation's Complex Maritime Challenges
3. Deliver Mission Excellence Anytime, Anywhere

Maximize Readiness Today and Tomorrow

The Coast Guard's top priority is Service readiness. The FY 2020 President's Budget request begins to address the erosion of readiness that resulted from years under the Budget Control Act. Critical investments in the workforce as well as depot maintenance for the fleet will put the Service on the path to recovery to sustain critical frontline operations.

Additionally, investments in asset modernization sustain recapitalization momentum while advancing other critical programs. The FY 2020 Budget request supports the Service's highest priority acquisition, the OPC, and continues recapitalization efforts for cutters, boats, aircraft, IT systems, and infrastructure.

Address the Nation's Complex Maritime Challenges

As one of the Nation's most unique instruments of national authority across the full spectrum of maritime operations, the Coast Guard cooperates and builds capacity to detect, deter, and counter maritime threats.

While nefarious activities destabilize and threaten vulnerable regions, the Coast Guard offers capabilities, authorities, and established partnerships that lead to a more secure maritime border. The FY 2020 Budget invests in a holistic approach to combat TCOs through targeted detection and interdiction of suspected drug smugglers, at-sea biometrics, and increased partnerships with allied law enforcement nations in Central and South America, to quell illegal migration.

As the Marine Transportation System (MTS) grows increasingly complex, the Coast Guard's marine safety workforce must adapt to continue to facilitate commerce. The FY 2020 Budget increases the marine inspection workforce while addressing key findings from the report on the tragic sinking of the freight vessel EL FARO and the loss of 33 crewmembers.

Deliver Mission Excellence Anytime, Anywhere

The Coast Guard is an agile and adaptive force whose greatest value to the Nation is an ability to rapidly shift among its many missions to meet national priorities during steady state and crisis operations.

As new threats in the cyber domain emerge, the Coast Guard's cyber workforce serves as the critical link between DoD, DHS, and the Intelligence Community. The FY 2020 Budget increases the cyber workforce to promote cyber risk management and protect maritime critical infrastructure from attacks, accidents, and disasters.

The Coast Guard seeks to continually improve organizational effectiveness and the FY 2020 Budget eliminates redundant and outdated IT services to reinforce the culture of continuous innovation and enhance information-sharing across the Service.

FY 2020 BUDGET HIGHLIGHTS

Procurement, Construction, & Improvements (PC&I)

Surface Assets: The budget provides \$792 million for the following surface asset recapitalization and sustainment initiatives:

- National Security Cutter (NSC)—Provides funding for post-delivery activities for the seventh through eleventh NSCs, and other program-wide activities. The acquisition of the NSC is vital to performing DHS missions in the far offshore regions around the world. The NSC also provides a robust command and control platform for homeland security and contingency operations.
- Offshore Patrol Cutter (OPC)—Provides funding for construction of the third ship and long lead time materials (LLTM) for the fourth and fifth OPC. The OPC will replace the Medium Endurance Cutters, now well beyond their service lives, which conduct multi-mission operations on the high seas and coastal approaches.
- Fast Response Cutter (FRC)—Funds procurement of two FRCs, totaling 54 of the 58 vessels needed for the domestic program of record. These assets provide coastal capability to conduct Search and Rescue operations, enforce border secu-

rity, interdict drugs, uphold immigration laws, prevent terrorism, and enhance resiliency to disasters.

- Polar Security Cutter (PSC)—Provides funding to support detail design and construction activities of the joint Coast Guard-Navy Integrated Program Office (IPO) and program management associated with construction of the lead PSC. PSCs will provide the Nation with assured surface access to the Polar Regions for decades to come.
- Polar Sustainment—Supports a multi-year Service Life Extension Project (SLEP) for CGC POLAR STAR, including program management activities, materials purchases, and production work.
- Waterways Commerce Cutter (WCC)—Provides funding for acquisition planning activities, including continued evaluation of options to replace the capabilities provided by the current fleet of inland tenders and barges commissioned between 1944 and 1990. These multi-mission platforms are integral to the protection of maritime commerce on the inland rivers.
- Cutter Boats—Continues funding for the production of multi-mission cutter boats fielded on the Coast Guard's major cutter fleet, including the NSC, OPC, and PSC.
- In-Service Vessel Sustainment—Continues funding for sustainment projects on 270-foot Medium Endurance Cutters, 225-foot seagoing Buoy Tenders, and 47-foot Motor Lifeboats.
- Survey and Design—Continues funding for multi-year engineering and design work for multiple cutter classes in support of future sustainment projects. Funds are included to plan Mid-Life Maintenance Availabilities (MMA) on the CGC HEALY, CGC MACKINAW, and the fleet of 175-foot Coastal Buoy Tenders.

Air Assets: The budget provides \$200 million for the following air asset recapitalization or enhancement initiatives:

- HC-144—Continues Minotaur mission system retrofits and provides high-definition electro-optical infrared cameras to meet DHS Joint Operational Requirements.
- HC-27—Continues missionization activities, including funding for spare parts, logistics, training, and mission system development.
- HH-65—Continues modernization and sustainment of the Coast Guard's fleet of H-65 short range recovery helicopters, converting them to MH-65E variants. The modernization effort includes reliability and sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite. Funding is also included to extend aircraft service life for an additional 10,000 hours.
- MH-60—Includes funding to support a service life extension for the fleet of medium range recovery helicopters to better align recapitalization with DOD's future vertical lift program.
- sUAS—Continues program funding to deploy sUAS onboard the NSC allowing increased interdiction through greater Intelligence, Surveillance, and Reconnaissance (ISR).

Shore Units and Aids to Navigation (ATON): The budget provides \$174 million to recapitalize shore infrastructure that supports Coast Guard assets and personnel, as well as construction and improvements to ensure public safety on waterways. Examples include:

- Replacement of covered boat moorings at Station Siuslaw River, Oregon; recapitalization of failed aviation pavement at Sector Columbia River, Oregon; construction in Boston, Massachusetts to support arriving FRCs; and construction in Sitka, Alaska to support arriving FRCs.

Other (Asset Recapitalization): The budget provides \$69 million for other initiatives funded under the Procurement, Construction, and Improvements account, including the following equipment and services:

- Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR)—Provides design, development, upgrades, and assistance on C4ISR hardware and software for new and in-service assets.
- Program Oversight and Management—Funds administrative and technical support for acquisition programs and personnel.
- CG-Logistics Information Management System—Continues development and deployment of this system to Coast Guard operational assets.
- Cyber and Enterprise Mission Platform—Provides funding for emerging Command and Control, Communications, Computer, Cyber, and Intelligence (C5I) capabilities.

- Other Equipment and Systems—Funds end-use items costing more than \$250,000 used to support Coast Guard missions, including equipment to support operation and maintenance of vessels, aircraft, and infrastructure.

Operations and Support (O&S)

Operation and Maintenance of New Assets: The budget provides \$59 million and 297 FTE to operate and maintain shore facilities and sustain new cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts:

- Shore Facilities—Funds operation and maintenance of shore facility projects scheduled for completion prior to FY 2020. Projects include: Coast Guard Yard dry dock facilities in Baltimore, Maryland; FRC Homeport Facilities in Galveston, Texas; Electrical Utilities for Air Station Barbers Point, Hawaii; and Housing for Station Jonesport, Maine.
- FRC—Funds operation and maintenance and personnel for five FRCs and shore-side support for FRCs in Galveston, Texas; Key West, Florida; and Apra Harbor, Guam.
- NSC—Funds crew of NSC #9, as well as personnel for sensitive compartmented information facility (SCIF) crews and analytical support, and shore-side support personnel in Charleston, South Carolina.
- OPC—Funds a portion of the crew for OPC #1, as well as shore-side personnel to develop operational doctrine for the new class of cutter to be homeported in Los Angeles/Long Beach, California.
- HC-130J Aircraft—Funds operations, maintenance, air crews, and pilots for HC-130J airframe #12.

Pay & Allowances: The budget provides \$118 million to maintain parity with DoD for military pay, allowances, and health care, and for civilian benefits and retirement contributions, including a 3.1 percent military pay raise in 2020. As a branch of the Armed Forces of the United States, the Coast Guard is subject to the provisions of the National Defense Authorization Act, which include pay and personnel benefits for the military workforce.

Asset Decommissionings: The budget saves \$12 million and 119 FTE associated with the planned decommissioning of one High Endurance Cutter (WHEC) and three 110-foot Patrol Boats (WPBs). As the Coast Guard recapitalizes its cutter and aircraft fleets and brings new assets into service, the older assets that are being replaced will be decommissioned:

- High Endurance Cutter (WHEC)—The budget decommissions one WHEC. These assets are being replaced with modernized and more capable NSCs.
- 110-foot Patrol Boats (WPBs)—The budget decommissions three WPBs. These assets are being replaced with modernized and more capable FRCs.

Operational Adjustments: In FY 2020, the Coast Guard will make investments that begin to address the erosion of readiness of the Service while investing in new workforce initiatives:

- Aircraft Federal Aviation Administration (FAA) Compliance—The budget provides \$22 million to replace obsolete aircraft equipment and systems necessary to comply with FAA 2020 airspace requirements.
- Cyber and IT Infrastructure—The budget provides \$16 million and 38 FTE to mature the cybersecurity defense program. The budget also provides funding for an information technology framework and platform to establish a consolidated user interface primarily for Command Centers.
- Restoring Depot Readiness—The budget provides \$10 million to begin to restore eroded vessel and aircraft readiness and address critical information technology maintenance and inventory backlogs.
- Human Capital and Support Infrastructure—The budget provides \$17 million and 22 FTE to improve enterprise-wide support for the workforce, including the transition to electronic health records and training and support for the Coast Guard Reserve.
- Counter Transnational Criminal Organizations (TCO)—The budget provides \$7 million and 26 FTE to expand the Coast Guard's capacity to execute a multi-layered approach in the Western Hemisphere maritime transit zone, dismantle TCOs, and secure our Nation's borders from illicit smuggling of all kinds.
- Maritime Safety, Security, and Commerce—The budget provides \$6 million and 20 FTE to strengthen the Coast Guard's marine safety program through improved marine inspector training, establishment of a third party oversight and auditing program, expansion of the marine inspector workforce, and improved accession opportunities for marine inspectors.

Mr. MALONEY. Impressive example, Admiral Schultz. You brought that in with 5 seconds to spare.

[Laughter.]

Mr. MALONEY. Master Chief, no pressure. Thank you so much. You may proceed.

Master Chief VANDERHADEN. Full committee Chairman DeFazio, Chairman Maloney, Ranking Member Gibbs, distinguished members of the committee, thank you for the honor of appearing before you to represent the terrific members of your United States Coast Guard.

First and foremost, I want to say thank you for your support for the Pay Our Coast Guard Parity Act. With each unit I visit I hear firsthand our members' concerns about another shutdown, and I hope I can count on your continued support to drive this legislation through to enactment.

As I travel the country speaking with the men and women of our mission-ready total workforce, I can see the pride they take in serving their country. They are standing the watch, carrying out global operations, protecting our homeland in the maritime domain. But in order to continue to be successful, they need more resources.

Last year's massive hurricanes in the Atlantic and gulf coast, as well as Typhoon Mangkhut in the Pacific, devastated communities around the United States and its Territories. The men and women of your Coast Guard responded heroically, saving nearly 1,000 lives and millions of dollars in property.

Each day we patrolled maritime domain, domestically and globally, performing the multitude of missions entrusted by our Government and the American public. This others-before-self attitude is consistent throughout our Service, and speaks to our core value of devotion to duty. The American people place their trust in and count on the men and women of our Service, and we will not fail them.

The size of the Coast Guard and the scope of their duties requires delegation of responsibilities far down the chain of command. We empower our junior officers and enlisted members far beyond our sister Services, and they always make me proud. We maximize the talents of our people and utilize every resource to accomplish the mission. Your return on investment for every dollar spent on a Coastie is immeasurable. With your continued support in recapitalizing our fleet, we will enable our dedicated professionals to excel in our missions.

Building upon the success of the National Security Cutter and the Fast Response Cutter, the new Offshore Patrol Cutter will provide Coast Guard tools needed to efficiently and effectively meet our missions.

Furthermore, we are thankful for the fiscal year 2019 appropriation, which provided funding for the first Polar Security Cutter. The Coast Guard currently operates America's only heavy and medium icebreakers, and employs a small specialized community of polar sailors. The unique skills necessary to operate these ships in the high latitudes of the Arctic and the Antarctic require specialized training and experience. And with your support we will be able to retain and actually grow this important workforce.

We are the world's finest coast guard, and the demand for our Service has never been greater. However, I am concerned about the erosion of our readiness that has negatively affected the quality of

life for our servicemembers. Our people, your Coast Guard, deserve adequate housing, appropriate medical services, and access to affordable child care. This country still honors the right to employ an all-volunteer military, and we hope to make the Coast Guard an employer of choice, by providing benefits that offset the sacrifices that our families endure.

Despite these challenges I am exceptionally proud to serve in the world's best coast guard, alongside my shipmates, including both my son and my daughter, who recently reenlisted for the second time. Our people feel valued, and they serve their country with pride. They enjoy coming to work, they enjoy the missions we do, and they serve their country with pride. As their representative before you today, it is my job to raise your awareness of the challenges they face, which have been caused by an erosion of readiness.

Mr. Chairman, members of the committee, on behalf of the servicemembers of your United States Coast Guard, I thank you for your continued support, and for the opportunity to highlight some of the successes and challenges, and I look forward to your questions. *Semper paratus*.

Mr. MALONEY. Thank you, Master Chief. We are also joined by Rear Admiral Mark H. Buzby, the Administrator for the Maritime Administration.

Admiral Buzby, you may proceed.

Admiral BUZBY. Good morning, Chairman DeFazio, Chairman Maloney, Ranking Member Gibbs, and members of the subcommittee. I appreciate the opportunity to testify this morning on the President's fiscal year 2020 budget priorities for the Maritime Administration.

Congress recognized long ago that a robust U.S. merchant marine is critical for defending our Nation and growing our economy. It provides the essential sealift capacity our Nation needs to respond to domestic and international crisis. It supports hundreds of thousands of jobs at sea and ashore. If properly valued and supported, it offers our Nation the opportunity to control its domestic and international commerce.

Regrettably, over the past several decades we have allowed this indispensable national asset to erode. Today, of approximately 50,000 large oceangoing commercial vessels operating around the world, only 181 of them fly the U.S. flag. Of those, only 81 operate exclusively in international trade. The remaining 100 operate almost exclusively in domestic Jones Act trade. This decline in ships has contributed to a drop in the number of qualified U.S. mariners that a long-term national emergency would require.

While commercial vessels provide sustained sealift, our Nation relies on the 46 Government vessels of the Ready Reserve Force for initial emergency sealift response to domestic crisis and military deployments. However, these vessels now average 44 years of age. We struggle to maintain their readiness. While funded by the Defense Department, the Maritime Administration supports the Navy's surge sea left recapitalization strategy, which includes a combination of targeted service life extensions, acquiring and converting used vessels, and building new vessels in U.S. shipyards.

I would add that a central challenge is the fact that our maritime industry is not competing on a level playing field. We are matched against lower priced foreign competitors, who benefit from state subsidies, lax regulatory requirements, and favorable tax policies. This is all part of their attempt to achieve a strategic advantage against the United States.

To help ensure a strong domestic maritime industry and the U.S. merchant marine by supporting the competitiveness of the U.S.-flag fleet and the education and training of the next generation of merchant mariners, the President's fiscal year 2020 budget requests \$682.5 million for the Maritime Administration.

The budget request supports the Maritime Security Program, which provides a \$5 million stipend per U.S.-flagged ship enrolled, in return for assured access to the 60 enrolled ships for military sealift, and to a multimillion-dollar global intermodal network. The stipend also supports the employment of the qualified mariners necessary to crew the Ready Reserve Force.

The President's budget also invests in the U.S. Merchant Marine Academy, which trains and educates leaders obligated to serve as shipboard officers at sea and commissioned officers in our Active and Reserve Armed Forces. It also provides funding assistance to our six State maritime academies, which graduate approximately three-quarters of our entry-level merchant marine officers and, critically, includes funding for a third new training ship. We greatly appreciate the work of those on this committee and across the Congress who support this critical investment in our merchant marine training infrastructure.

Finally, the request provides funding for the ship disposal program, including support to maintain the Nuclear Ship *Savannah*, while decommissioning its defueled reactor.

In brief, as a Nation we must once again prioritize maritime issues if we are to adequately defend our Nation and grow our economy. Mr. Chairman, I appreciate the subcommittee's continued support of these priorities, and look forward to your questions, sir.

[Admiral Buzby's prepared statement follows:]

**Prepared Statement of Rear Admiral Mark H. Buzby, U.S. Navy (Ret.),
Administrator, Maritime Administration**

Good morning, Chairman Maloney, Ranking Member Gibbs and members of the Subcommittee. I appreciate the opportunity to testify this morning on the President's Fiscal Year (FY) 2020 budget priorities for the Maritime Administration (MARAD). MARAD's statutory mission is to foster, promote, and develop the United States merchant marine and maritime transportation industry to meet the economic and security needs of the Nation. This budget request furthers that mission by investing in U.S. mariner training, supporting programs that help U.S.-flag commercial vessels compete globally, and maintaining sealift readiness to meet national security requirements.

FY 2020 BUDGET REQUEST

The United States is—and must remain—a maritime nation. A strong, resilient, reliable and efficient marine transportation system is required to keep the United States competitive in the global economy and to maintain our military strength. MARAD's programs strengthen and promote the U.S. merchant marine industry to ensure sealift capacity is available to support our defense and economic security needs.

The number of U.S.-flag vessels operating in international trade has been at historic lows over the past several years. Of approximately 50,000 large, oceangoing commercial vessels operating around the world today, only 181 fly the U.S. flag. Of those, 81 vessels operate exclusively in international trade. The remaining 100 operate almost exclusively in domestic ("Jones Act") trade. These U.S.-flag vessels are critical to the employment base for mariners with the unrestricted credentials and training required to crew Government ships used to deploy and sustain our armed forces around the world. As the fleet dwindles, so does the employment base for U.S. merchant mariners and the U.S. shipbuilding and repair industry, which are all essential components of national security. In addition, ensuring our capability to participate as a nation in international maritime commerce is a critical component to remaining globally and economically competitive. Without U.S.-flag vessels operating in international trade, the U.S. would become completely reliant on foreign-flag shipping services.

The Budget requests a total of \$682.5 million to support MARAD's programs in FY 2020. These resources will focus on maintaining the competitiveness of the U.S.-flag internationally trading commercial fleet and training the next generation of well-qualified merchant mariners. MARAD remains committed to marine transportation policies that improve security, address our Nation's critical maritime infrastructure gaps, and leverage technology to meet the needs and challenges of the marine transportation industry. MARAD works in a variety of areas involving shipyards, ports, waterways, ships and shipping, vessel operations, national security and strategic mobility, ship disposal, and maritime education. A summary of the FY 2020 request is provided below.

NATIONAL SECURITY

The U.S. merchant marine is a fundamental component of our national defense strategy. Our strategic sealift relies on a Government-owned fleet and assured access to commercially operated U.S.-flag vessels, as well as the intermodal networks maintained by these vessel operators, to transport equipment and supplies to deploy and sustain our military forces anywhere in the world. Critical to the operation of both Government-owned and commercial U.S.-flag vessels is an adequate supply of qualified U.S. mariners to crew them. Currently, we face significant readiness challenges due to aging Government-owned vessels, historically low numbers of U.S.-flag vessels operating in international trade, and ensuring we have a sufficient number of qualified U.S. mariners that would be needed in the event of a long-term national emergency. I am concerned that the current fleet size could impact our ability to quickly assemble an adequate number of qualified mariners with the proficiency to operate large ships (unlimited horsepower and unlimited tonnage) needed for surge and sustainment sealift operations during a mobilization that lasts more than six months. We may be short of the number of mariners needed to meet crewing requirements beyond those first six months.

Maritime Security Program (MSP)

For FY 2020, \$300 million is requested for the MSP, providing the full authorized stipend level of \$5 million for each of the 60 ships enrolled in the program. The Maritime Security Act of 1996 established the MSP, which ensures access to 60 active, commercially viable, militarily useful, privately owned U.S.-flag vessels and crews operating in the international trade, and the necessary global intermodal logistics networks to move military equipment and supplies during armed conflict or national emergency. This program also facilitates critical employment for up to 2,400 U.S. merchant mariners qualified to sail on oceangoing vessels, some of whom would be called upon to crew the Government-owned fleet when those vessels are activated, and approximately 5,000 shore side maritime professionals each year. Participating MSP operators commit to making their ships and multibillion-dollar global networks of intermodal facilities and commercial transportation resources for service to the Department of Defense (DOD) during times of war or national emergency.

Overall, the MSP fleet's military capacity is at the highest level in the program's history. Being at full capacity bolsters the ability of MARAD and the U.S. merchant marine to meet DOD mission requirements. The ships and crews receiving MSP stipends have supported every U.S. conflict since its inception in 1996, including Operations Enduring Freedom and Iraqi Freedom, by providing cargo preference-contracted DOD transportation services. These vessels stand ready to play a vital role in support of U.S. military operations worldwide.

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

MARAD maintains a fleet of Government-owned vessels in the NDRF, which include training ships on loan to the six state maritime academies (SMAs) and the U.S. Merchant Marine Academy (USMMA or Academy). The fleet includes 46 RRF vessels that are maintained and ready for operation within five or ten days for transport of military cargo to critical areas of operation. In addition to providing strategic sealift support for DOD, these RRF vessels are relied upon to provide support services to emergency response personnel, such as meals and berthing, and deliver relief supplies, equipment, vehicles and emergency personnel to impacted disaster areas during national emergencies, including severe weather events. Our Nation has called upon RRF and NDRF vessels to respond to several recent disasters providing support for thousands of emergency responders.

The FY 2020 Budget for the DOD requests \$352 million for MARAD to maintain the RRF. Funds will allow MARAD to continue to provide ready surge sealift support and special mission vessels from the RRF fleet, and also maintain MARAD's NDRF fleet mooring sites. This request includes an increase from FY 2019 that is necessary for maintaining the aging RRF fleet of ships, which have an average age of more than 44 years and significantly increased maintenance, repair, and regulatory compliance costs due to more stringent vessel inspections.

For the past year, we have struggled to maintain readiness levels across the fleet. Older, increasingly obsolete equipment and systems require more time and money to repair or replace, if replacement parts, equipment and systems are even available. Thus, the escalating cost of service life extensions is an ongoing concern. Requested funding is needed to complete necessary repairs to comply with new regulatory requirements, such as upgrading and installing enclosed lifeboats, addressing exhaust emissions, and treating ballast water. MARAD is working with the U.S. Transportation Command (USTRANSCOM) and the U.S. Navy to address the urgent need for recapitalization of the RRF to ensure the readiness of these 46 ships. Long-term, MARAD supports the Navy's surge sealift recapitalization strategy, which includes a combination of targeted service life extensions, acquiring and converting used vessels, and building new sealift vessels in U.S. shipyards.

MARITIME EDUCATION AND TRAINING

MARAD provides funding and oversight for mariner training programs to produce highly skilled U.S. Coast Guard (USCG) credentialed officers for the U.S. merchant marine. It takes many years of training to develop the necessary mariner competencies for deck and engineering officer positions on large vessels in international trade. An adequate pool of U.S. merchant mariners is vital to both the peacetime commercial success of the U.S.-flag fleet and to crew Government-owned surge sealift vessels to deploy and sustain U.S. forces overseas in times of national emergency.

The USMMA and SMAs support our Nation with well-educated and trained merchant mariners entering the maritime industry who can serve in support of military operations, national emergencies, and humanitarian missions. The USMMA graduates an average of 225 USCG-credentialed merchant marine officers annually who hold an unlimited license available to crew U.S.-flag ocean-going ships. Additionally, the combined six State Maritime Academies (SMAs) graduate approximately 900 USCG-credentialed merchant marine officers annually.

United States Merchant Marine Academy

The President's FY 2020 Budget requests \$82 million for the USMMA. Of this amount, \$78 million will support Academy operations, and \$4 million will fund priority maintenance and repairs to the Academy's facilities, grounds, and equipment. These resources will enable the Academy to effectively achieve its core responsibility to educate and train the next generation of outstanding leaders as shipboard officers at sea and commissioned officers in our active and reserve armed forces. This funding will also support an approximately seven percent increase in the size of the regiment as the Academy gets back to the full student capacity following the completion of renovation of the barracks.

The USMMA is an accredited institution of higher education operating under the DOT and managed by MARAD. The USMMA offers a four-year maritime-focused program, centered on rigorous academic and practical STEM-based technical training that leads to a Bachelor of Science degree, a USCG merchant mariner credential (MCC) with an unlimited tonnage or horsepower officer endorsement, and a commission (if offered) as an officer in the reserve or active Armed Forces. Distinctly, USMMA graduates incur an obligation to serve five years as a merchant marine officer aboard U.S. documented vessels or on active duty with the U.S. Armed Forces

or uniformed services. If serving in the reserves, they must remain as a commissioned officer for eight years.

The Academy, MARAD, and DOT are committed to ensuring the safety of Midshipmen both on campus and during their sea year. We have significantly improved Academy programs and procedures related to sexual harassment and sexual assault, and are making progress to instill a culture that does not tolerate such behavior. I am pleased with the direction and momentum of change at the Academy, but am also cognizant that eliminating sexual assault and sexual harassment is an issue that requires consistent attention. As such, addressing sexual harassment and sexual assault at the Academy and during sea year training remains a top priority for myself, our new Superintendent, RADM Jack Buono, and DOT leadership. MARAD will work with USMMA and DOT leadership to not only continue to establish effective procedural safeguards to respond to sexual assault and harassment, but to also ensure USMMA adopts a proactive mindset to respond immediately to conduct that enables assault and harassment. Proactive prevention measures are also critical to creating a learning environment that will enable the Academy to support MARAD's strategic goal of a maritime workforce that draws from all communities across the Nation.

State Maritime Academies

In addition to providing oversight of the USMMA, MARAD provides funding assistance to six SMAs¹, which collectively graduate more than three-fourths of the entry-level merchant marine officers annually. The President's FY 2020 Budget includes \$242.3 million for SMA program support. This request includes \$205 million for the construction of a third training ship. Unlike the USMMA, SMA cadets receive most of their sea time while sailing on board MARAD-provided training ships under instruction by their academy, with some training on commercial or military vessels. The current SMA training ships are very old and must be replaced. We appreciate the support Congress has provided for the School Ship recapitalization program, by appropriating funding for one vessel each in FY 2018 and FY 2019. Since that first appropriation in March 2018, MARAD has developed and implemented an acquisition strategy, incorporated industry feedback into the ship design, and is well along in evaluating proposals to select a Vessel Construction Manager who will contract for the construction of the vessels.

Additionally, the request provides \$30.1 million to maintain the six existing SMA training ships in accordance with the USCG and American Bureau of Shipping requirements, and training ship capacity-sharing measures to allow uninterrupted availability of mandatory at-sea training opportunities for SMA cadets. Ensuring the continued availability of SMA training vessels is a critical need and high priority for MARAD. Training ship maintenance work is increasingly critical and costly as the ships age and approach or exceed their designed service life. MARAD will use the funds to sequence and address priority maintenance needs across all the training vessels, and to ensure that cost effective viable alternatives are available for SMAs that require additional training capacity.

Additionally, the request provides \$2.4 million to fund the Student Incentive Program (SIP), which provides educational financial assistance to 75 new cadets each year (across all SMAs) who participate in this service obligation program. SIP students must maintain an unlimited USCG credential for six years, fulfill a three-year service obligation to serve as a merchant marine officer aboard U.S. documented vessels, and serve in a reserve unit of an Armed Forces or uniformed service for eight years if a commission is offered. The Budget also includes \$3 million for direct payments to provide for operational support to each of the six SMAs, and \$1.8 million for training ship fuel payments. The SMAs regard the SIP program and support for their training ships as among the most important recruiting tools to encourage potential cadets to pursue a merchant marine career. These programs and resources will also help ensure MARAD can fulfill its commitments to National security and supporting the growth of the Nation's maritime workforce, by creating opportunities for individuals from all backgrounds to serve as mariners.

OTHER MARITIME PROGRAMS

Ship Disposal Program

The President's FY 2020 Budget requests \$5 million for the ship disposal program, including \$3 million to maintain the Nuclear Ship SAVANNAH (NSS) in pro-

¹The six SMAs are: California Maritime Academy; Great Lakes Maritime Academy; Texas A&M Maritime Academy; Maine Maritime Academy; Massachusetts Maritime Academy; and State University of New York Maritime College.

tective storage, according to Nuclear Regulatory Commission (NRC) requirements, while decommissioning of the vessel's defueled nuclear reactor, components, and equipment is in progress. The ship disposal funding request also includes \$2 million for staff and administrative program costs.

MARAD is the ship disposal agent for Federal government-owned merchant-type vessels of 1,500 gross tons or greater and has custody of non-retention ships in the NDRF. When ships are determined to be no longer of sufficient value to merit the cost of further preservation, MARAD arranges for their responsible disposal, with priority emphasis on the disposal of vessels in the worst condition. Currently, MARAD has seven obsolete NDRF vessels not yet under contract for disposal, which is a historic low.

As a Federal licensee, MARAD is responsible for continuing the required protective storage activities for the NSS until decommissioning and license termination are complete. Protective storage activities include radiological protection, vessel maintenance, lay berthing, and custodial care. The program received funding for decommissioning in FY 2017 to initiate and complete Phase I, and additional funding in FY 2018 for Phase II and Phase III, fully funding the three-phased and seven-year decommissioning project. Phase I is comprised of administrative and industrial activities that complete the prerequisites for commencement of the heavy engineering and industrial activities in Phase II. Phase III is the final license termination period before release of the vessel to MARAD for final disposition. All decommissioning and license termination activities are on track for completion ahead of the December 2031 required NRC deadline.

CONCLUSION

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

Mr. Chairman, thank you for the opportunity to present and discuss the President's Budget for MARAD. I appreciate the Subcommittee's continuing support for maritime programs and I look forward to working with you on advancing maritime transportation in the United States. I will be happy to respond to any questions you and the members of the Subcommittee may have.

Mr. MALONEY. Thank you, Admiral.

We are also joined by the Chairman of the Federal Maritime Commission.

Mr. Khouri, you may proceed.

Mr. KHOURI. Thank you and good morning, Chairman DeFazio, Chairman Maloney, Ranking Member Gibbs, and members of the committee. Thank you for the opportunity to discuss the Federal Maritime Commission's fiscal year 2020 funding request.

I am joined today by my colleagues, Commissioners Louis Sola and Daniel Maffei.

Last year this committee was instrumental in passing the Frank LoBiondo Coast Guard Act of 2018. The act broadened the Commission's authority to carry out its mission to protect the shipping public, and we are working diligently to implement the various parts of that legislation.

The American economy relies on a competitive and efficient ocean transportation system. To meet that requirement, the Commission administers a focused antitrust regime tailored to the ocean liner industry.

We continuously monitor cooperative operational agreements filed at the Commission by ocean carriers and by marine terminal operators. These collaborative business arrangements allow the ocean carriers or the marine terminals to achieve operating efficiencies and cost savings.

We closely monitor the agreement parties' business activities, together with the broader international ocean shipping marketplace, for signs of improper collusive or anticompetitive behavior. We

have a comprehensive and ongoing monitoring and compliance system that is constantly evolving to respond to changes in agreements, the industry, and the marketplace.

Compared to the last decade that witnessed significant changes in the ocean transportation services market, 2018 was a more stable period for the industry. There have been no further consolidations among the top tier of ocean carriers. There does remain a surplus of ocean vessel capacity, and the marketplace is highly competitive, suggesting that cargo shippers will continue to benefit from lower freight rates offered by the ocean carriers.

One area of uncertainty in the coming year is the International Maritime Organization mandate for vessels to either burn low-sulphur fuel or to install exhaust stack scrubbers to remove the sulfur from the higher sulfur bunker fuels. The mandate begins in January 2020. Estimated implementation and then ongoing industry-wide compliance costs run as high as \$15 billion per year.

Now, normally, ocean carriers will try to pass these added direct costs on to shippers. The Commission is monitoring this issue to ensure that carrier cost recovery efforts do not violate the Shipping Act and harm U.S. exporters and consumers. Commissioner Dye is leading an investigation to examine carrier and marine terminal practices in assessing detention and demurrage charges. These are fees that cargo shippers pay when a container sits at a terminal facility beyond allowed free time, or a container is not unloaded and returned to the ocean carrier within an agreed period. Commissioner Dye is in the final phase of this effort, and will present her final report and recommendations to the Commission by September.

Regarding our budget, the Commission is an agency with a specialized mission, requiring a small but highly skilled workforce. We are requesting \$28 million to support 128 full-time-equivalent personnel in fiscal year 2020. Slightly more than \$24 million of this request goes to salaries and office rent. All other expenses associated with operating the agency, such as information technology, consulting, and outsource services, travel, and supplies are funded from the remaining roughly \$4 million.

I am proud of the work that our dedicated FMC staff performs every day, and the contribution our agency makes towards ensuring competition and integrity for America's ocean supply chain. We are grateful for the support of this committee and its members, and I look forward to working with each of you.

I am happy to answer any questions you might have about the Federal Maritime Commission and its work. Respectfully, I request the full written testimony be accepted to the record. Thank you.

[Mr. Khouri's prepared statement follows:]

Prepared Statement of Hon. Michael A. Khouri, Chairman, Federal Maritime Commission

Chairman Maloney, Ranking Member Gibbs, Members of the Committee, thank you for this opportunity to appear before you today to testify in support of the Fiscal Year 2020 budget request of the Federal Maritime Commission and to discuss the work of the agency as well as developments in the international ocean transportation industry we monitor. I am joined today by my colleagues, Commissioners Rebecca F. Dye and Daniel B. Maffei.

THE FEDERAL MARITIME COMMISSION

The FMC is an independent agency with specialized experience in the international ocean transportation industry. We administer a focused antitrust regulatory regime tailored to the particular factors affecting the ocean liner trade.

Based on economic and non-economic conditions affecting the international ocean liner trade, Congress enacted the Shipping Act of 1916 and first constituted the United States Shipping Board. The 1916 Act provided for certain types of competitor collaborations that would not traditionally be permitted under other antitrust statutes in order to ensure the availability of ocean transportation and stability of the shipping infrastructure upon which our international commerce depends. Under the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998, Congress found that collaborative joint venture agreements between and among ocean carriers and marine terminal operators may and do provide efficiencies and reduced costs that ultimately benefit U.S. exporters and saves the U.S. consumer money *provided that such agreements are review by the Commission and determined to not be materially anticompetitive*. The FMC reviews and monitors these joint collaborations and agreements under the Shipping Act to ensure that procompetitive efficiencies and cost savings are obtained for the benefit of U.S. consumers, and that any anti-competitive effects are prevented or properly mitigated.

Our Annual Report was submitted on April 1, 2019 and provides a comprehensive summary of the Commission's activities and industry developments in Fiscal Year 2018. Our Fiscal Year FY 2020 Budget Justification was submitted on March 18, 2019 and provides detailed support for our budget request.

FISCAL YEAR 2020 BUDGET REQUEST

The FMC's Fiscal Year (FY) 2020 Budget Request is \$28,000,000 to support 128 full-time equivalent positions (FTEs). This funding level builds on the Commission's FY 2019 budget request of \$27,490,000 and primarily reflects necessary increases in operating costs and information technology modernization.

The FMC is a small agency with a technical, commercial, and competition focused mission requiring a specialized workforce. The great majority of our budget, \$24,057,000, goes to Personnel (\$20,638,000) and Rent (\$3,419,000). All other costs associated with operating the agency such as interagency expenses, utilities, information technology, travel, supplies, equipment, miscellaneous purchases, and consulting services are funded from the remaining \$3,943,000.

The FMC staff includes a high percentage of economists and attorneys—career fields that tend to command higher compensation in order to successfully recruit and retain qualified candidates. The agency must continue to invest in our workforce, particularly in attracting and retaining the economists and transportation analysts who perform the critical economic analysis and oversight of the marketplace. Overhead costs such as interagency services, commercial services, travel and transportation, supplies, and equipment account for most of the remaining budget dollars. We constantly work to find a balance between our resources and our workload, working to prioritize our mission-critical activity.

LOBIONDO LEGISLATION

On December 4, 2018, the “Frank LoBiondo Coast Guard Authorization Act of 2018” was enacted as Public Law No. 115-282 (LoBiondo Act). Most of the changes are aimed at broadening the Commission's authority and increasing the tools at the Commission's disposal to carry out its mission. It makes several changes and places further restrictions on cooperation between or among ocean carriers and marine terminal operators (MTOs). These changes include: removing antitrust immunity for certain activities; prohibiting certain joint procurement activities; restricting overlapping agreement participation; and modifying the legal standard for enjoining agreements to jointly procure certain services. The LoBiondo Act also expands and clarifies the Commission's authority to seek information from MTOs, and, during agreement review, to seek information from interested parties other than the filing parties. The legislative history reveals that many of these provisions were intended to address concerns regarding carriers' ability to form alliances and then collectively negotiate with certain domestic service providers, and the potential impacts on shippers and such port service providers. H.R. Rep. No. 115-1017 at 5-6 (2018).¹

The Commission applauds the Committee's work on this important legislation. We are diligently working on the LoBiondo Act's implementation and I assure the Com-

¹ H.R. Rep. No. 115-1017 accompanied H.R. 2593, an earlier authorization bill that contained several of the provisions later incorporated in the Authorization Act.

mittee that the additional authorities provided in the legislation will be implemented and enforced by the Commission as intended by Congress.

INDUSTRY DEVELOPMENTS 2018

The container shipping industry plays an integral role in America's international trade and commerce. American importers and exporters rely on container shipping to meet domestic retail demand, to provide the inputs manufacturers require, and to allow our companies and farmers to reach markets overseas.

In FY 2018, approximately 35 million TEUs (twenty-foot equivalent units) moved through our Nation's ports, a 5 percent increase from FY 2017. The U.S. imported over 23 million TEUs last fiscal year valued at \$803 billion. This was an increase of over 6.3 percent by volume from FY 2017. In the same period, the U.S. exported approximately 12 million TEUs in FY 2018 with a value of \$290 billion, a 2.7 percent increase over FY 2017 by volume. The U.S. share of the world's container trades was 16 percent, down slightly from FY 2017. Primarily as a result of continued growth in U.S. imports, the U.S. container trade imbalance worsened in FY 2018. Such imbalance is measured by the number of imported loaded containers versus exported loaded containers. For every 100 loaded export containers shipped from the U.S., 195 loaded containers were imported into the U.S. For FY 2017, that metric was 190 loaded import containers.²

The last decade has seen significant changes to the ocean transportation services marketplace. Mergers and acquisition activity among shipping lines and the bankruptcy of a top-ten ocean carrier reduced the number of major ocean carriers serving the international trade. Further, the formation of three global alliances—2M,³ OCEAN,⁴ and THE⁵—then realigned the operation of the U.S. east-west trades. Compared with prior years that experienced these changes, 2018 was a more stable period for the container shipping industry.

2019 INDUSTRY CHALLENGES

The calm of 2018 suggests the ocean carriers are in a settling period, assimilating companies they have acquired or merged with while adjusting to the new marketplace structure. Nevertheless, the industry faces business and operational issues that may challenge their revenues and financial health.

Excess Capacity

There continues to be a surplus of carrier vessel capacity compared to global trade volumes. Shipping lines traditionally address this imbalance by offering lower freight rates in order to fill vessels or maintain an individual carrier's market share. Ocean freight rates have been relatively flat over the past decade, 2009-2018. Average revenue (rate per container) from China to the U.S. West Coast declined by nearly 17 percent in nominal terms. However, adjusted for inflation, real rates are 29 percent lower over this period. This decline provides an insight into the competitive pressure ocean carriers face as well as the real value ocean transportation has provided to American companies through consistently low ocean freight rates. In terms of growth, the vessel capacity of the ocean lines continues to expand through new vessel building at a rate that exceeds the growth in global trade volumes.

IMO 2020 Low Sulphur Rule Requirement

An International Maritime Organization (IMO) Rule, commonly referred to as "IMO 2020", requires ocean carriers, beginning in January 2020, to burn low sulfur fuel that has a 0.5 percent sulfur content or install exhaust scrubbers in order to continue to run their vessels with heavy bunker fuel that contains 3.5 percent sulfur content. The low-sulphur requirements could boost ship fuel costs by as much as one third, and estimates run between \$10 to \$15 billion dollars a year in additional costs for ocean carriers. There is uncertainty about how some ocean carriers will comply with the IMO requirements, whether adequate supplies of low-sulphur fuel will be available, whether adequate supply of scrubber equipment will be available, and how individual ocean carriers will try to pass on part or all of these additional costs to cargo shippers.

The Commission is monitoring this issue because of our interest in an efficient marketplace and to ensure that carrier efforts to recover costs associated with the new standards do not violate the Shipping Act. A primary concern to the Commis-

²Source: PIERS Interactive.

³The 2M Alliance carriers are Maersk Line and Mediterranean Shipping Company.

⁴The Ocean Alliance carriers are CMA CGM, COSCO Shipping Line, Evergreen, and Orient Overseas Container Line.

⁵THE Alliance carriers are Hapag Lloyd, ONE, and Yang Ming.

sion under the Shipping Act is whether ocean carrier bunker charge adjustment formulas are clear and definite.

REVIEW OF OCEAN CARRIER AND MARINE TERMINAL OPERATOR AGREEMENTS

Ocean Carrier Agreements

As noted above, nine of the major ocean carriers serving the U.S. trades have organized themselves under the Shipping Act into three major global alliances—2M, OCEAN, and THE. These alliances are joint operating agreements of ocean carriers where they are allowed to discuss and agree on the deployment of specific service strings of vessels in various trade routes. Each alliance operates multiple services in the major Trans-Pacific (Asia-U.S. and Canada), and Trans-Atlantic (Europe-U.S. and Canada) trades. These three alliances supply 80 percent of the vessel capacity in each of these trade lanes.⁶

By all accounts, the marketplace for containerized ocean transportation services remains open and highly competitive. The Herfindahl-Hirschman Index values for the Trans-Pacific and North-Atlantic trade lanes reveal that the marketplace remains unconcentrated. Smaller companies in specialized trades continue to exist and there are even new market entrants. No one company, even among the top carriers, has a dominant position in trade volumes to or from the United States. At year end, for U.S. combined import and export trades, the market share for all container operators were as follows: Maersk (13.2%), CMA CGM (12.8%), MSC (12.6%), COSCO/OOCL (12.0%), Ocean Network Express (10.8%), Hapag Lloyd (8.5%), Evergreen (7.7%), Yang Ming (3.9%), HMM (3.8%), Zim (2.6%), and all other combined carriers such as Crowley, Seaboard, PIL, SM Lines, Wan Hai, Matson, and ACL (12.1%).⁷

As discussed below, a critical function of the Federal Maritime Commission is to ensure that these carrier agreements do not violate the Shipping Act's competition standard.

Marine Terminal Operator Agreements

There are 276 Marine Terminal Operators along the U.S. East, Gulf, and Pacific coasts that are registered with the FMC. The Commission oversees 89 port and MTO joint and/or collaborative agreements among these operators. To facilitate operations, some U.S. marine terminals enter into agreements on rates and/or terminal charges, or to cooperate in their daily terminal operations and related practices.

The demands of significantly bigger vessels unloading larger numbers of containers at each port call demands more of marine terminals in terms of productivity and infrastructure. As a result, ports and marine terminal operators have filed agreements to combine aspects of their operations, finance necessary infrastructure improvements, increase terminal velocity, develop collective solutions to mitigate cargo bottlenecks, and a host of other business activities, all aimed at enhancing their ability to compete against other ports for cargo.

In recent years, it has become increasingly important for ports and marine terminal operators to address and mitigate air quality and traffic congestion impacts on their local communities. Ports use agreements filed at the Commission to address environmental and community impact issues that require coordination within a port or region.

Ports and MTOs use agreements filed at the Commission to address concerns that require a collective solution. For example, the supply of chassis in ports is critical to moving containers into and out of the ports. FMC-filed agreements have been used to help ports and MTOs in an area or region to manage chassis availability.

COMPETITION AND INTEGRITY FOR AMERICA'S OCEAN SUPPLY CHAIN

Ensuring Competition

At the heart of the mission of the Federal Maritime Commission is ensuring a competitive and reliable international ocean transportation system that supports the U.S. economy and protects the public from unfair and deceptive practices. We keep constant oversight of the marketplace in general and the specific monitoring of ocean carrier and/or marine terminal operator behavior under agreements filed at the Commission. The FMC monitors agreements, service contracts, and tariffs in key trades as barometers of market cycles and shifts in the balance of supply and demand.

⁶Source: PIERIS Interactive.

⁷Source: PIERIS Interactive.

The reporting requirements mandated by the Commission for the purposes of marketplace and agreement monitoring are not static. The Commission continuously refines procedures and requirements to help us better monitor and interpret developments in the shipping industry.

The Commission may challenge an agreement in Federal District Court during the 45-day initial agreement filing period or any time after the effective date if we find evidence that service levels, freight rates, or charges by and among a group of ocean carriers or MTOs operating within an agreement are not reflective of the overall prevailing market conditions.

Ensuring Integrity

The FMC engages in a variety of activities to protect the public from financial harm, including licensing, registration, and monitoring of financial bond requirements for over 6,000 ocean transportation intermediaries (OTI)⁸; periodic auditing of these OTIs, investigating and prosecuting unreasonable or unjust practices, ruling on private party complaints alleging Shipping Act violations, and helping mediate and resolve disputes concerning the shipment of goods or the carriage of passengers. These activities contribute to the competitiveness, integrity, fairness, and efficiency of the Nation's import and export supply chains and ocean transportation system. In addition, the FMC ensures that passenger vessel operators maintain proper financial coverage to reimburse cruise passengers in the event their cruise is cancelled or to cover liability in the event of death or injury at sea.

REMOVING REGULATORY BURDENS, CLARIFYING THE SHIPPING ACT, AND REMOVING OBSTACLES IN THE OCEAN SUPPLY CHAIN

The Commission systematically reviews its regulatory requirements, interpretations of the Shipping Act, and processes for efficiency and effectiveness. A valuable and important role for the Commission is its ability to bring stakeholders together and facilitate workable solutions to problems.

Regulatory Reform Initiatives

The Commission established a Regulatory Reform Task Force in March 2017 with Managing Director Karen V. Gregory assigned as the Task Force leader. Since its establishment, the Task Force has undertaken a comprehensive examination of Commission rules and regulations, published notices and solicited the views of the public as part of the process, and released a strategy and time schedule for achieving those priorities.

41102(c) Interpretive Rule

Effective December 17, 2018, following full notice and public comment procedures, a new Commission interpretive rule clarified for the industry and shippers the FMC's jurisdictional and evidentiary requirements when alleging conduct that would violate the Shipping Act's prohibition on unjust or unreasonable practices under 46 U.S.C. 41102(c). Pursuant to this rule, a common carrier, OTI, or MTO must engage in a practice or regulation in a normal, customary, and continuous basis and such practice or regulation must be found to be unjust or unreasonable in order to constitute a violation of the Shipping Act. This interpretation restores the standard of what constitutes a violation under section 41102(c) of the Shipping Act to its traditional and proper definition under the Shipping Act of 1984, reflects longstanding Commission case law and related legal precedent, and reflects the clear intent of Congress.

Fact Finding 28

On March 5, 2018, the Federal Maritime Commission initiated Fact Finding Investigation No. 28, a non-adjudicatory investigation into the practices of vessel operating common carriers and MTOs relating to U.S. demurrage and detention charges. Demurrage is the charge per container for the use of ground space at the marine terminal. Detention is the charge by the ocean carrier for use of the container equipment. All charges are subject to a set number of free days.

The Commission designated Commissioner Rebecca F. Dye as the Fact-Finding Officer and directed her to develop a record through public or nonpublic sessions, and issue interim and final reports and recommendations. In April 2018, Commissioner Dye issued an Informational Demand on ocean carriers and marine terminal operators that provided the informational foundation for her investigation. The second phase of her work consisted of field interviews that took place at the Ports of

⁸Ocean Transportation Intermediaries include non-vessel operating common carriers and ocean freight forwarders

Los Angeles and Long Beach, the Port of Miami, and the Port of New York and New Jersey. As a part of that phase of her investigation, she also conducted interviews in Washington, D.C.

The Fact-Finding Officer conducted the investigation and issued an Interim Report on September 4, 2018 finding that bringing clarity, access, and efficiency to the delivery of cargo from carrier to shipper is key to improving the process for how and when detention and demurrage charges are levied. The Interim Report also considered organization of Innovation Teams of industry leaders to meet on a limited, short-term basis to refine commercially viable demurrage and detention approaches. On December 3, 2018, the Fact-Finding Officer issued a Final Report. The Commission approved the Fact-Finding Officer's Final Report on December 7, 2018.

The work of Innovation Teams consisting of industry experts who are part of the ocean freight transportation system and global supply chains commenced the next phase of Fact Finding 28. The Teams met with Commissioner Dye at the Commission in early April and considered four areas identified in the Fact Finding 28 Final Report as offering the best opportunities to refine commercially viable demurrage and detention approaches: (1) transparent and standardized language for detention and demurrage practices; (2) clear, simplified, and accessible billing and dispute resolution practices for detention and demurrage charges; (3) evidence that would be relevant to resolving demurrage and detention billing disputes; and (4) consistent notice to cargo interests of container availability.

A report to the Commission on the Innovation Teams, Commissioner Dye's findings, and any possible recommendations she may make, is scheduled to be filed by September 3, 2019.

CONCLUSION

I am proud of the contribution our agency makes toward ensuring competition and integrity for America's ocean supply chain. The Commission is grateful for the support of this Committee and its Members. I look forward to working with each of you. I am happy to answer any questions you may have about the jurisdiction, work, or budget request of the Federal Maritime Commission.

Thank you.

Mr. MALONEY. I thank the gentleman and will now proceed to Members' questions. I begin by recognizing myself for 5 minutes.

Admiral Schultz, you were good enough to spend some time with me in District 7 recently. You saw the incredible work we are doing in the Joint Interagency Task Force. We saw the work you do from the Bahamas and Turks and Caicos. We spent some time together on the U.S. Coast Guard cutters *Isaac Mayo* and *Bear*. You were good enough to dangle me out of the back of an C-140. And I remember a young man named Kyle Suga, who was our boatswain's mate, BM1, who piloted that OTH boat up into the back of the *Isaac Mayo* and notched it up there pretty good. Not a bad day's work for a young man carrying the Coast Guard Commandant and the chairman of his oversight committee.

And I want to ask you sir, because I know you are a straight shooter and you care about your Coasties, since you and I met first at Michael Kozloski's funeral in Mahopac, New York. The President's budget would take \$1 billion a year out of your capital plan, out of your PC&I. I am not going to ask you to opine on that, except to tell us, sir, what would that mean? If we took at face value the President's budget request of \$1.2 billion, what would that mean for the United States Coast Guard? What would you do?

Admiral SCHULTZ. Well, Chairman, first, thank you for spending some time with the men and women of the Coast Guard. And obviously, I think that had an impact on your awareness of what our folks do to support the security of the Nation.

You know, your question, specifically on the capital budget, sir, I would tell you the 2020 budget submitted by the administration

here—you know, forwarded by the Coast Guard up to the Department—does focus on our key acquisition priorities. First and foremost, the Offshore Patrol Cutter I mentioned in my opening statement: That will be about 70 percent of our offshore capability when we build out that fleet of 25 cutters.

There is the second Offshore Patrol Cutter funding, production funding. There is long lead materials for the third and fourth cutter in that class, the Polar Security Cutter program. There is bridging monies, about \$35 million.

You know, the 2019 budget included a big lift of \$675 million. If you look at about a 6- to 8-year trajectory on our capital budget, as proposed versus enacted, we have been the benefactors of a lot of strong congressional support on Coast Guard acquisitions. But there has been a slight continuous uptick: 2019 had that \$675 million on top of that trajectory; 2020 is an off-year, in terms of big funding for polar security; as we get into 2021, 2022, 2023 our goal would be to build out three Polar Security Cutters, the program of record, between now and 2027, 2028.

So I think that some of that \$1 billion you talked to, sir, is accountable with the noninclusion of \$675 million for the Polar Security Cutter in 2020. This is a bridging year. The \$35 million allows us to keep the program of record moving forward, program management. It is not a big amount of money. But I think, sir, we can stay on track with that.

Mr. MALONEY. And Master Chief, that young man, Kyle Suga, you know, what he said to me on that boat that day was, “What I like about the Coast Guard is, if you do your job, it takes care of its own. The Coast Guard takes care of its own, and the Coast Guard will have your back.”

What are your concerns about the retention and development of young men like that, your young Coasties, when you look at this budget?

Master Chief VANDERHADEN. I am glad you had a good experience with them. Our boat drivers are some of the best boat drivers in the world, and I am thoroughly impressed with them every time I am out with them, as well.

So, you know, we are wringing every efficiency we can out of the training system. We could use assistance with operations and support funds. That has been fairly flat over the years, and as the new assets come online, and they are a little bit more expensive to maintain, we are having to find those offsets from other places. And they are coming from some of the places that affect our quality of life.

I would like to be able to offer them a little better conditions for their housing, a little better opportunities for training. And, you know, just basically take care of their families a little bit better through more opportunities for daycare affordability, things like that. Those are the things that take away from their focus while they are at sea. So I want them to take care of their families and take care of the things back home, and make sure they have everything they need to be successful, so they can focus on the mission.

Mr. MALONEY. I thank the gentleman. Admiral Buzby, we have a terrible shortage of mariners in this country. What should we be doing to fix that?

Admiral BUZBY. Sir, the most direct way we can fix that shortage is by having more ships at sea for them to be employed. Quite simply, that is how we are going to grow our mariner pool. They have to have some place to work. So we have to have a larger fleet, be it a Jones Act fleet and internationally trading fleet, to have employment places for those mariners to practice their trade and to be promoted.

Mr. MALONEY. Thank you, sir.

Mr. Gibbs?

Mr. GIBBS. I thank the chairman. Thank you.

Admiral Schultz, I want to talk a little bit more about the budget request—and pretty bipartisan here, I guess—some similar questions.

When I look at the procurement, construction, and improvements account, I am told that we are 10 years behind on cutter acquisitions, 15 years behind on acquisition for new heavy icebreakers, nearly \$2 billion behind on shoreside facilities construction, \$1 billion behind on shoreside facility maintenance, no plan to replace our HH-65 helos, a number of outdated freestanding databases.

I guess my first question—I haven't heard anybody mention IT systems. You know, I guess replace the aging, freestanding, you know, incompatible databases currently limiting the Coast Guard's mission and your effectiveness.

So, Admiral, you want to comment on this part of the budget, but then also comment on what your thoughts are about improving our IT capabilities?

Admiral SCHULTZ. Sure, Ranking Member Gibbs. I appreciate the question. We absolutely do have an aging and arguably obsolete enterprise mission platform, what we call the system that all our applications ride one. And we are focused on that.

What we have included in the 2020 budget is—the first time—it is a PC&I acquisition-side \$14 million line item that starts to tackle that problem. You know, that is a big undertaking. We are watching what Department of Defense is doing as they talk about JEDI and a cloud-based application. We are actually going to the cloud this summer with some specific applications, the auxiliary data system that the—so we are informing our own knowledge, we are—we have got our—what we call our CG6, that is our technical folks, smart folks there. They are mapping a roadmap for us. This is a big function. It has got to be a step function.

I am not sure, when I took over last summer on 1 June, I anticipated this requiring my attention as soon as it did. But I think on my watch we will be laying the groundwork for a major recapitalization of our enterprise mission platform, and we are starting to do that in 2020 with this budget request, which is encouraging to me.

What we have got to do is get our brain around exactly how you do that. We fielded about 1,100 what we call mobility devices, iPads, to the field so we can have men and women actually bring some of the technology that is out there societally that these young bright men and women want to have. They don't want to do their work, write down notes, go back and spend hours at the office, when we should be able upload that stuff in the field.

So we are working this on an enterprise basis, we are working on a field that mobility—it has created a sense of urgency to the folks that manage this, to say now that we put those iPads in people's hands, you know, how are we going to give them the technology? Initially, it was a replacement for a bunch of books in a backpack. We are starting to see some solutions now in innovation that sort of forced ourselves to be a little bit more forward leaning. So I am encouraged by that, sir.

Mr. GIBBS. I appreciate it. In prior years the capital investment plan was required with the President's annual budget request, and a change in the law was required to submit the plan 60 days after the President's annual budget request.

I was told that Friday the committee still has not received that capital investment plan. When would we expect to receive that 5-year plan? And will the Coast Guard efforts to modernize Coast Guard databases such as MISLE be trackable through future capital investment plans, or will those efforts use operating funds?

Admiral SCHULTZ. Congressman Gibbs, that capital 5-year investment plan for 2024 is in the pipeline, clearing the administration. We also owe you the unfunded priority list, which is in the same clearing process. I don't ultimately own the final—you know, when those are released.

Mr. GIBBS. Yes.

Admiral SCHULTZ. But my understanding is they are moving through the process. I hope they would be imminent. We would welcome the opportunity to come back and brief yourself or the committee staff when available.

Mr. GIBBS. Thank you. Also, we got a new polar icebreaker. And when do you expect the first one to be commissioned, in 2023?

Admiral SCHULTZ. Congressman, the way the recently awarded contract the VT Halter was rolled out, it is rolled out with a 2024 deliverable date, but there is incentives in there for early delivery, possibly, you know, walking that back into fiscal 2023. But contractually, it is in 2024, with the options of pulling that left here a little bit earlier into 2023.

So I am optimistic, you know, that we will meet the 2024, and we will see where the next year and a half plus really completes the detail design of this first Polar Security Cutter. So there is—we haven't built a ship like this in the Nation here in many, many years. So I think we will see where that goes. But 2024 is the no-later-than date, sir.

Mr. GIBBS. Is it correct to think that the majority of the time of the Polar Security Cutter will be used in Antarctica to break out the research base down there, or would see additional operating time available in the Arctic? As I know my predecessor, Don Young, would say, Alaska.

Admiral SCHULTZ. Well, Ranking Member Gibbs, I would tell you this. My strategy that I have coined since day one on the watch has been a 6-3-1 strategy: six icebreakers; the minimum of three are heavy, what we designated, now Polar Security Cutters; the conversation on the one was one now. And one, obviously, now doesn't translate to the previous question of 2023, 2024.

The first cutter will be almost a direct one-for-one for the *Polar Star*. That mission is an essential mission. I mentioned in my open-

ing statement about a 105-day trek to sail out of its home port, get down there, break out into McMurdo. But there is probably 60, 85 days of shoulder dates availability that I think we would anticipate that first Polar Security Cutter spending some time in the Arctic. When you get into the second and third hulls, we are having a conversation about a lot more of a persistent presence in the Arctic. So we would be represented in both high latitude areas, sir.

Mr. GIBBS. My time is up, Mr. Chairman, but just one quick statement. The Great Lakes also needs another icebreaker. My time is up.

Mr. MALONEY. I thank the gentleman.

Mr. DeFazio?

Mr. DEFAZIO. Thanks, Mr. Chairman.

Admiral, I read a news article yesterday that Senator Rubio inserted a provision into the pending disaster assistance that would allow renegotiation or negotiation of the fixed-price contract to the Eastern Shipbuilding Group; their justification is their shoreside facilities were damaged. Of course, I am pretty sure they had insurance. They say their labor costs are up. But I question whether or not this has something to do with their original bid, which some thought was low.

I would like to know, as you move forward, if this is authorized, what are the factors that are involved in this? Because we don't want someone to bid low, get a contract, and then use a hurricane as an excuse to change a no-bid contract and then up the price to the Coast Guard. So I have concerns there.

And I particularly—I have got to say I have got concerns when a former Commandant is in the news saying now he is going to have authority to negotiate with the Coast Guard. That concerns me a little bit. So that is one point.

I am also concerned about the polar icebreaker contract. My understanding is there was a value to Government that is rumored to be worth \$120 million per ship. When I was at the White House a few weeks ago, the President was quite upset at the price tag per ship. And I guess—I know that—I don't know if it is from protest or not, but I certainly would like to know what is the value per ship, and what was the number? Was it really \$120 million? And what is the value, since apparently other bids were considered qualified, but this was a greater value?

So those are not really questions, those are requests that I am making to you today.

Master Chief, I got 187 people on the bill to pay the Coast Guard when we shut down. I hope we won't shut down. I put my 2 cents' worth in on how we might not shut down the Government. We shouldn't pass the DoD appropriations bill—because they get paid—until we have negotiated and passed. Mick Mulvaney in the White House did not have a shutdown, and in that case none of our servicemembers will be paid, and then perhaps that will bring a quick halt to any stupid shutdown that radiates from downtown.

And I appreciate your concerns, and I know it hurt morale a lot, and I really don't want people anticipating that this is going to happen again.

Admiral Buzby, I would just like again—in my conversations at the White House on infrastructure, the issue has come up of the

Jones Act, and I am told we really don't need the Jones Act. And particularly the President's chief economist says we should be competitive. And I asked him, well, so should we compete with the Communist Government of China selling things below cost? He didn't have much of an answer for that.

I mean do we get competition under the Jones Act? Is there, you know, still somewhat of a robust shipbuilding industry in the United States of America?

Admiral BUZBY. Yes, sir, we do. There are a lot of Jones Act carriers, and there is pretty robust competition between them. So it is not a free-for-all, by any means. And it is absolutely critical to our ship—we would not have a domestic shipbuilding industry, save for Government contracts, if we didn't have a Jones Act.

Mr. DEFAZIO. I think there are at least two fleets that supply Puerto Rico. And aren't they both undergoing major renovation of their fleets, in order to better serve Puerto Rico?

Admiral BUZBY. Both TOTE Maritime and Crowley Services have just inaugurated two new ships each, both are all LNG-burning ships, they are the most modern ships out there right now that have been invested in that market.

Mr. DEFAZIO. Right. The Governor of Puerto Rico has recently said they could do better if they just went into the international market. Do you think it is likely that little, tiny Puerto Rico would be able to get daily or weekly service out of Jacksonville, Florida, from the international shipping conglomerates?

Admiral BUZBY. I am sure, if there was a business case for some shipping company to do that, that they would do that. I think it would come down to finding, you know, the economic conditions that would permit that. I don't know of those, off the top of my head.

Mr. DEFAZIO. OK, thank you.

Admiral BUZBY. What they may be.

Mr. DEFAZIO. I thank you, Mr. Chairman.

Mr. MALONEY. I thank the gentleman. I was remiss in not recognizing a former colleague of ours, the distinguished Dan Maffei, from central New York. Good to see you again. Nice to know there is successful life after Congress. You give us all hope. He served his constituents in central New York so well.

Mr. Weber?

Mr. WEBER. Thank you, Mr. Chairman. Gosh, I don't know where to start.

Admiral Buzby, you said in your comments earlier I think there are 50,000 vessels worldwide?

Admiral BUZBY. Yes, sir, 50,000 oceangoing, large oceangoing vessels.

Mr. WEBER. OK. And you said 180 of those fly the U.S. flag?

Admiral BUZBY. 181. Yes, sir.

Mr. WEBER. Well, who is keeping score? One hundred and eighty-one. Thank you. You said 80 of those are international?

Admiral BUZBY. Eighty-one.

Mr. WEBER. Eighty-one? I can do this. OK.

Admiral BUZBY. And 100 are large Jones Act ships.

Mr. WEBER. OK. And then you also mentioned having budget funding for a third new training ship.

Admiral BUZBY. Yes, sir.

Mr. WEBER. Now, you know, I am from the gulf coast of Texas, and we happen to have an academy down there. I don't know if you all are aware of that or not.

Admiral BUZBY. A fine academy, sir.

Mr. WEBER. Yes, sir, we would argue the best academy of the six, of course. Things are bigger and better in Texas.

And so, you know, we are working on a ship. You are aware of the ship that they have down there.

Admiral BUZBY. Yes, sir.

Mr. WEBER. Do you know how many cadets it houses, holds?

Admiral BUZBY. About 50 at a time for training. Yes, sir.

Mr. WEBER. OK. About 50 at a time. And how does that compare with the other academies, do you know?

Admiral BUZBY. Michigan Maritime has the same class of ship, so very similar.

Mr. WEBER. All right.

Admiral BUZBY. New York and Massachusetts both have ships on the order of 600 cadets each.

Mr. WEBER. Right.

Admiral BUZBY. Both Maine and California have ships that hold on the order of about 350.

Mr. WEBER. Does Michigan get a lot of hurricanes?

Admiral BUZBY. None that I am aware of. They get a lot of storms, but no hurricanes.

Mr. WEBER. Well, Admiral Schultz knows, the great Coast Guard was down when Hurricane Harvey came through, and it was a big thing, and we really appreciated that. The Coast Guard was fab on helping with that, and we sure appreciate that.

Of course, I am pushing for another big ship. Of the six training academies, do you know the count of cadets in each academy, off-hand? This semester, for example.

Admiral BUZBY. Yes, I know each—for instance, I think Texas graduates—they have two graduations a year. I think they graduate on the order of 150 or so per graduation.

Mr. WEBER. How does that compare to the other five lesser academies?

Admiral BUZBY. Well, I know Kings Point is going to graduate about 230 this year. Maine and New York just had their graduations recently, on the order of the low 200s.

Mr. WEBER. OK. So we would agree that we really need funding for another ship. Would you agree with that, Admiral?

Admiral BUZBY. I would agree that all of the training ships are in need of replacement. Yes, sir.

Mr. WEBER. Right. Well, we are hoping that we can get them the budget. I have to hope and pray and believe that maybe the President's budget is an attempt to push way down low to see where we can come back up and we can get you all funded. We want to be sure that we fund the Coast Guard.

I am on the bill, I think the chairman said—how many signatures—182 or 183 on the Pay Coasties bill. So we are glad to see that.

A couple of questions for you. You mentioned Crowley Services and LNG in Puerto Rico under the Jones Act, for example. Now,

for us LNG is huge. We would also like shipbuilding in our country to come up to that level. You did mention in your exchange with the chairman, I think, that you felt like there is a good shipbuilding industry, but I would argue that we want it even better, and we want to keep the Jones Act, and we want to make sure that we can train more mariners.

I was looking over some of the notes here on training mariners. One of the things that—you say you have—a shortfall of mariners exists. And is that across all sectors of the industry?

Admiral BUZBY. The 1,800 number that I have used in the past, that is primarily unlimited tonnage, unlimited horsepower, ocean-going mariners.

Mr. WEBER. I was curious. The Master Chief called them boat drivers. I thought maybe pilots, or captains, or whatever. But do the credentials of those qualified mariners match the needs of the surge sealift vessels?

Admiral BUZBY. Yes, and those are the ones that I am primarily interested in. While all mariners are important to me for the—

Mr. WEBER. Sure.

Admiral BUZBY [continuing]. Across the industry, the mariners that I am going to need to flesh out the crews on the Ready Reserve Force ships are limited horsepower, limited tonnage mariners.

Mr. WEBER. How can you do that? How can we do that?

Admiral BUZBY. Well, again, it kind of comes back to kind of the earlier question. We have to have enough of a peace time commercial merchant marine in order to have jobs for those people, in order to progress. A lot of what we are—you know, we are graduating a lot of new midshipmen every year, a lot of new mates and engineers.

Mr. WEBER. Right.

Admiral BUZBY. But they are not staying all the way through, because they don't have the opportunities for many of them to—

Mr. WEBER. Sure.

Admiral BUZBY [continuing]. Progress all the way to master or chief engineer.

Mr. WEBER. I appreciate your focus. And I appreciate this hearing, Mr. Chairman, and I am so looking forward to getting that extra funding for our Galveston Academy. And I yield back, Mr. Chairman.

Mr. MALONEY. I appreciate the gentleman, appreciate my friend from Texas listing the fact that everything is bigger and better in Texas, except when compared to New York, apparently.

[Laughter.]

Mr. MALONEY. Mr. Garamendi?

Mr. GARAMENDI. Thank you, Mr. Chairman. I have a whole lot of questions here.

First of all, for all the Members here, this is the maritime subcommittee. We have been trying for about 6 years to get a Congressional Gold Medal for the merchant mariners of World War II, who had the highest death rate of any of the Services. So I would appreciate all the Members signing on to that. We need a whole lot of names, so keep that in mind, and we will be around.

Now, moving on. Admiral Schultz, what is the cost of the Polar Security Cutter?

Admiral SCHULTZ. The contract award here was for \$749 million. Coupled with some previous years' appropriations, there is about \$300 million available. I anticipate that first ship is going to be north of \$900 million. We hope hulls 2 and 3 would probably come down below \$700 million. It is a little premature, but those would be my rough order of magnitude numbers, sir.

Mr. GARAMENDI. So to meet your 6-3-3 cutter, or—

Admiral SCHULTZ. The 6-3-1, sir, the—

Mr. GARAMENDI. Yes, would be somewhere—what, \$2 billion, \$2½ billion?

Admiral SCHULTZ. Congressman, the award is for, you know, the initial ship and an option for two additional ships, a total of three hulls. The conversation—you know, additional icebreakers was possibly—you are looking at maybe something less than a heavy breaker to fill the need.

We may find, as we get into production, that we have, you know, stable requirements, stable funding, predictable funding that—the differentiation between this heavy Polar Security Cutter and something that looks—from a cost—but we would have to have those puts and takes. It is premature, but I think, sir, it is about \$1.9 billion on the first three, and then we would inform the conversation on what we are talking about beyond hull 3.

Mr. GARAMENDI. There was a gee whiz moment for the U.S. Navy this last 18 months, and that is, oh my God, the Arctic is opening up. Yes, it is. So for a couple of billion dollars we could have the heavy icebreakers. I draw this to the attention of the committee, particularly those that are on either the Appropriations or the Armed Services Committee, that this is absolutely critical, and that we simply ought to move forward and get those three underway now, not wait until—current would be about 2030, the current plan.

Next, Admiral Buzby, thank you for your leadership on the shipbuilding. I draw the attention of the committee to the comment of my—the previous Texan a moment ago—and, by the way, the academy in California, gentlemen and ladies, is the best.

[Laughter.]

Mr. GARAMENDI. Now that we have settled that, yes, we do need ships. And Texas is a big exporter of natural gas.

The Energizing American Shipbuilding Act is about to be introduced. If it becomes law we will build perhaps 50 ships, tankers, oil tankers, and LNG tankers over the next 15 years or so, a major opportunity to use a critical national security asset, natural gas and oil, and combine it with two other national security assets, the ability of our shipyards to produce large oceangoing commercial ships, and also the mariners that go with them. It is about to be introduced. On the Senate side it would be Senator Wicker. I draw the attention to the members of the committee to that opportunity to meet the needs.

Admiral Buzby, specifically to you, the question really goes to the Ready Reserve Fleet. You have been with several plans on what ships need to be built. You have mentioned refurbishing used

ships, and the like. Has that plan B—is it updated? Is it available? And how does it fit in with the current budgets?

Admiral BUZBY. Thank you for the question, sir, and a very important area, and one that I have a lot of focus on, as you can—and as we have discussed, working very closely with the Navy. I actually had some discussions with Secretary Spencer last week about this. He is very, very focused on this, the Navy's three-pronged plan of service life. Extensions, purchasing, with Congress' approval, used ships to bring in to be modified, and then new construction is still the plan of record.

We are working through what is the right business case, or what is the right ships to go after. The special mission ships of the Ready Reserve Force are of particular interest because they are all steamships, and they are all aging, and they all have very special capabilities. So we heard you, we are focusing very closely on those ships, in particular.

Mr. GARAMENDI. Admiral, you produced a couple of placemats. If you could share those with the committee I think it would be eye-opening for all of us. And if you could also provide a memo as to what the current plan is, it would be very helpful.

Admiral BUZBY. Yes, sir.

Mr. GARAMENDI. Thank you very much. I yield back.

Mr. MALONEY. I thank the gentleman.

Mr. Gallagher?

Mr. GALLAGHER. Thank you, Mr. Chairman.

Admiral Schultz, good to see you again. I have heard a lot from my constituents in the Port of Green Bay—it is Tiletown U.S.A., Green Bay, Wisconsin, in case anyone is paying attention—that there is an imminent need for a new Great Lakes heavy icebreaker. We currently have the *Mackinaw*-class icebreaker. It is only half as wide as the vessels it escorts, because it was intended to be working in tandem with a second icebreaker of its class. But the second icebreaker was never built. By itself, then, the lone *Mackinaw* has to double-back on the same path, which, of course, slows progress, slows commerce on the Great Lakes.

It should be noted also that much of the iron ore shipped by the American steel industry travels on the Great Lakes. Obviously, we are in an interesting position right now, due to our disagreements over steel tariffs. That may be getting resolved, but that adds another complicating variable to it.

So my question is I understand that the Coast Guard contract that procured the current *Mackinaw* was written to allow a second icebreaker to be procured, but it was never funded. Is that a correct understanding?

Admiral SCHULTZ. Congressman, I will take that for the record. I am not sure I can tell you that definitively, but we can answer that very quickly and get back to you on that.

Mr. GALLAGHER. OK. My other understanding is that the Coast Guard has begun a whole new analysis on the issue of a new *Mackinaw* icebreaker. Do you have any insight into that, whether that is correct?

Admiral SCHULTZ. Yes, sir, Congressman. Congress has supported us from 2017, 2018, 2019, I think, with \$2, \$3, and \$5 mil-

lion, for a total \$10 million, you know, this is design and survey-type funding.

We are looking at kind of inventorying our current capabilities there. We have a report due back to the Congress, the Great Lakes Icebreaking Acquisition and Program Report that was directed in the 2018 Coast Guard authorization, so we will be delivering a plan to you on how we are looking at taking those design and survey funds and using them here.

But some of it is inventory and what we have, looking at what it would take, requirements-wise, to build this ship at least as capable as the current *Mackinaw* for potential service on the Great Lakes in the years of the future.

Mr. GALLAGHER. Is there an estimate of when the report will be completed and delivered?

Admiral SCHULTZ. Yes, I think we are in final phases of that, but let me let me circle back to your staff and give you—

Mr. GALLAGHER. Yes, and I understand that. You know, any time you write a report in DHS or DoD, you have to get—

Admiral SCHULTZ. Yes, sir, it—

Mr. GALLAGHER. The interagency does its thing.

Admiral SCHULTZ. We are working on the report, and we owe you some, you know, clarity and transparency on what we have planned and done to date with those funds provided by the Congress.

Mr. GALLAGHER. I guess my concern would be related to the first question, that if we have already gone on record as saying that a new icebreaker is needed, that a second one was intended to be built, that is—if the new analysis is just a cause for delay, when we know we need to do that, that would concern me. So I just throw that out there. And

Admiral SCHULTZ. If I could, just—

Mr. GALLAGHER. Please.

Admiral SCHULTZ. Let me—you know, there is a lot of conversation about sufficiency of capability, capacity on the Great Lakes. We are focused on our current fleet. We are doing a 15-year service life extension of the six 140-foot icebreaking tugs on the Great Lakes. That will push them out into the 2030 timeframe.

But, you know, there is some urgency to look beyond that. Currently we finished up the sixth hull last summer. The seventh and eighth hulls are under, you know, service life extension now. We will tackle the ninth hull. There is nine in Coast Guard, writ large: three on the eastern seaboard, six on the lakes. And we think, capacity-wise, we are there today. But this conversation warrants some feedback from us on what the longer term plan is to—

Mr. GALLAGHER. And I just want to say your young men and women who are stationed up there in Sturgeon Bay are doing a phenomenal job, and have really done a good job of integrating into the local community. And the local community has, in turn, embraced them. Indeed, during the Government shutdown, I mean, the outcry I heard from non-uniform-wearing local residents was very loud. And so I think that is a testament to the good work that they have done. You should be very proud.

The other thing I just would ask on this issue of Great Lakes icebreaking: do we get any help from, for example, the Canadian Coast Guard? And if so, what does that look like?

Admiral SCHULTZ. Sir, we have an MOU with the Canadian Coast Guard. We have a terrific relationship. Our ninth district commander aligns with the Canadian Coast Guard counterpart. I will be meeting with Commissioner Jeff Hutchinson up in Seattle here the second week in June, and our collaboration with Canadians has never been at a stronger point. I think that is how we mitigate some of the challenges.

You know, there is extreme ice years, you know, and then there is the typical ice years. I would tell you, capacity-wise, what we have done is we have brought a 140-foot icebreaking tug in from the eastern seaboard to the Great Lakes during those heavier—into the earlier parts of the year that is going to be a heavy year, we bring an additional 140, and we rely on the Canadians. That MOU allows us to both look at what are we bringing in, ship-wise. So collaboratively, we try to meet the needs of all the mariners on the Great Lakes there, working together.

Mr. GALLAGHER. Sure. With the 20 seconds I have left, did they actually—did the Canadians actually assist with any port needs this past winter in the U.S. that you know of?

Admiral SCHULTZ. Sir, I don't have a—I would answer probably so, but I can get back to you with a definitive answer.

Mr. GALLAGHER. And I am all for cooperation with the Canadians, but I don't think we should outsource any of our icebreaking alliance to them.

With that I yield back.

Mr. MALONEY. I thank the gentleman.

Mr. Lowenthal?

Mr. LOWENTHAL. Thank you, Mr. Chair. And this question is for Admiral Buzby.

First, thank you for appearing before this panel, this subcommittee once again. Your important work to really promote our country's maritime industry—and I want to applaud MARAD's request for full funding of the Maritime Security Program. As you have already pointed out in your testimony, your support of the critical mission of a U.S.-flag ship, which, I think, is always at risk tremendously, and I think that your support is really very, very important.

You know, when you were here in March, I asked you about the port security infrastructure development program at that time, which received nearly \$300 million in the most recent appropriations legislation. Ports and other stakeholders across the country are eagerly anticipating this program. This is a huge thing for the ports.

According to the American Association of Port Authorities their recent assessment, all ports have identified over \$66 billion in needed infrastructure investment. This Federal funding is a step in the right direction.

The question I have for you, Admiral, is can you tell me why the President's budget proposes to eliminate this program before we have even awarded the first grants?

Admiral BUZBY. Yes, sir, I am happy to answer that.

As you recall, the timing was a little bit off on the two budgets. When Congress put the money in for—the port infrastructure development money in the 2019 budget, our 2020 budget had already left the hangar. It was already out. So we weren't really canceling it, it was not part of our budget initially.

Mr. LOWENTHAL. Can you speak—would you support it?

Admiral BUZBY. Well, I think port development is extremely important. We are looking forward to getting the notice of funding opportunity out here very shortly, it will be within the coming months, very soon. You know, we do have a lot of other port grant money that we do distribute, part of the BUILD program.

Mr. LOWENTHAL. Right. I believe there is an additional \$100 million in additional funding in that program, as you point out. But that doesn't make up for the \$300 million that we are going to lose without the continuation of the port infrastructure development program.

Admiral BUZBY. Again, the 2020 budget is here. I mean it was developed before the Congress put the money in the 2019 budget, and we are just beginning the 2021 budget right now. So we will see where that goes. Obviously, the funding priorities will have to be—

Mr. LOWENTHAL. Well, as I pointed out, with the tremendous backlog, and the tremendous importance of our ports, and the \$66 billion, and having that \$300 million in this year in the appropriations just being—for the first time, beginning to address some of those, even those grants are not all out yet. It is a big loss. And I just wanted to convey that to you.

My last thing is not a question, but a statement to Admiral Schultz. I also represent the port area of Long Beach as part of the L.A.-Long Beach complex. And we couldn't do it without the Coast Guard. And I am very, very proud of the work that—we work with the Coast Guard and America's largest port complex, and vitally, vitally important, not just for the port, but for the national security of the entire west coast. And I thank you.

And with that I yield back.

Mr. MALONEY. I thank the gentleman.

Mrs. Miller?

Mrs. MILLER. Thank you, Chairman Maloney and Ranking Member Gibbs, and thank you all on the panel for being here today.

I would first like to thank you, Admiral Schultz, for the important work and sacrifice the brave men and women of the Coast Guard make every single day. As you know, the Coast Guard has been invaluable to my district in southern West Virginia, performing the dangerous search-and-rescue missions and saving many lives. We all agree that it is important that the Coast Guard has the resources needed to continue to perform their duties, while using our taxpayer money both efficiently and effectively.

Admiral Schultz and Master Chief Vanderhaden, what major capital investments are needed most to maintain the Coast Guard's readiness? Is the Coast Guard's airborne fleet ready to meet the search-and-rescue challenges facing the inland parts in our country?

Admiral SCHULTZ. Congresswoman, good to see you, ma'am. Thanks for those words of gratitude for your Coast Guard men and women in West Virginia.

And Congressman Lowenthal, thank you, as well, for the work and the men and women in Los Angeles.

Congresswoman, I would say, as I testified in my opening statement, our number-one capital investment, you know, acquisition priority, is that Offshore Patrol Cutter, because that will be the backbone of the fleet. We are continuing to build National Security Cutters, we are continuing to build Fast Response Cutters. We have taken acceptance of 34 on a program of 58. On the latter, the Fast Response Cutter.

In terms of your question about airborne fleet and search-and-rescue work, you know, we are flying what we call MH-65 Dolphin helicopters, an Aérospatiale product that—we got 98 of those. We will fly those, and we have already flown those further than others, and will continue to fly those into probably 30,000-plus hours. We are in a similar situation with our MH-60 Blackhawk helicopters, with the Jayhawks and the Coast Guard variant. We are going to fly those.

We are watching closely what the Department of Defense is doing with future vertical lift. We have some service life extension programs in mind for our 60 helicopters. That is something that, you know, because those dates seem to get pushed out, it has my attention. My Vice Commandant is an aviator, we are watching that closely. But we have got a plan here through this current decade, as we get into 2030. We are really going to be keenly focused on, you know, just how far we can stretch those out. But right now I am comfortable where we are at. But we have got to start really putting together a long-term strategy on how we are going to do our air assets on the rotary side.

Fixed-wing, we are continuing to field, with the support the Congress, C-130Js. We are upping the missionization of our C-27 medium-range, long, you know, aircraft. And that is going to be a good airplane. We have got a little bit of—we have got 14 of those transferred to us, but we are playing some catchup on the sustainability, the missionization. But we are getting there, so I am encouraged on where we are, the air fleet. But we have got some challenges, sort of a decade-plus down the road, ma'am.

Mrs. MILLER. Good. Mr. Vanderhaden, do you have anything to add?

Master Chief VANDERHADEN. I would say that our aviation career fields are very popular. We have no problem finding people that want to fly in our Coast Guard aviation assets, and our folks do a magnificent job keeping them available and ready. We put more hours on them than any other branch in the Service, and that is a testament to the quality of work that our folks do, especially down in Elizabeth City.

So I thank you for your concern for our aviation readiness. We have been very fortunate. We have put a lot of effort into our safety, and we have had very few aviation mishaps because our folks try really hard.

Our air stations can use some help out in Hawaii. You know, as we get the C-130J, they are a little longer, they don't fit in the

hangar so well. So we could use some help there. But by and large, I very much appreciate the plan that the Commandant and our leadership team put together to transition our aircraft.

Mrs. MILLER. Another quick—

Admiral SCHULTZ. Congresswoman, if I could, just—

Mrs. MILLER. OK.

Admiral SCHULTZ. Just one follow-on. One thing we are trying to do is there are no more Dolphin helicopters, MH-65s, built in the world. So that fleet, you know, is in a different situation. The 60s, we have an ability called the sundown program, and we have got low-hour aircraft that the Navy put out in the desert. And for about \$14 million we can take that airframe at our aviation logistics center in Elizabeth City and basically bring that into service for a long service life ahead. So with some of the supplemental fundings and recent hurricane supplementals, we have—actually bringing three on board.

My intention would be, wherever we have the chance to bring some of those former sundowner hulls onboard and offset some of our Dolphins with 60s, that is the bridging strategy. We are going to transition Borinquen in the near future from a 65 air station—sorry for the—

Mrs. MILLER. You just used up a lot of time.

I also wanted to ask you about the major role that you all play in seizing the illegal and dangerous drugs flowing into our country. Has the Coast Guard seen an increase in the seizure of drugs, other than cocaine and fentanyl?

Admiral SCHULTZ. Congresswoman, most of our efforts are in the transit zone, the area between the Indian Ridge, where the drugs—the cocaine is produced, and reaching the United States shore. So we predominately are thwarting that cocaine threat.

I think, if you look across Government writ large, I wear what they call the interdiction committee hat. You know, opioid use, methamphetamine use, those type of uses are all on the upswing. Where we focus our efforts is really on the cocaine threat, and we have—last year was a slight downtick from the previous year. I think our—explainable with some of our assets pulled off for hurricanes. But we are on trajectory this year for more than probably 430,000 or 450,000 pounds of uncut cocaine interdicted again, ma'am.

Mrs. MILLER. Thank you.

Mr. MALONEY. I thank the gentleman.

Mr. Larsen?

Mr. LARSEN. Thank you, Mr. Chairman.

Admiral Buzby, at the March 6th subcommittee hearing I asked you, for the small shipyard grant program, if the budget number would be higher than zero. And you emphasized that you had strong support for the program. I am not suggesting that you said yes or no, but you did say strong support for the program.

As it turns out, the budget proposal number is not higher than zero, it is zero, it is a \$20 million cut from the enacted 2019, which I think Congress had to put in because the administration proposed eliminating it last year. I assume we will fix your problem for you again. And as well, a Senate committee passed a reauthorization

of MARAD programs, including a \$35 million authorization for small shipyards.

So we are going one way, and the administration is going the other way on small shipyards. Can you let me know what changed between the March 6th hearing and the release of the budget?

Admiral BUZBY. Congressman, what I can tell you that has not changed is the importance that we believe that program brings to the maritime industry.

Again, this comes down to the realities of the budget we are given to work within to prioritize the things that absolutely had to be budgeted for. And very regrettably, that was one that didn't make the cut. It does not by any way diminish how important we think it is, and how much good it does to the industry.

Mr. LARSEN. Well, I anticipate that we will fix your problem.

Admiral, at the March 6th subcommittee hearing I requested details on the Coast Guard's plans regarding oil spill prevention and response in the Pacific Northwest, related to the Trans Mountain pipeline extension project, and have yet to receive specific information. Can you all get that to me for the record?

Admiral SCHULTZ. Absolutely, Congressman.

Mr. LARSEN. Thank you. We will do a followup with you on that.

Would you comment, though, on the flat funding for the maritime oil spill prevention program for the 2020 budget, and whether or not those resources are adequate, if that funding considers the approval of the Trans Mountain pipeline extension project?

Admiral SCHULTZ. Well, sir, regarding the Trans Mountain pipeline, you know, we have a terrific relationship with the Canadians, Canadian Coast Guard, Transport Canada. We have a joint VTS up there where we track the traffic. I mean currently we are looking at potentially one of those transits a week under the current pace.

Mr. LARSEN. Right.

Admiral SCHULTZ. This could go to one a day, as you know.

Marine environmental response is a top priority for me. We work in a joint contingency model with the Canadians for oil spill response. I think, at the end of the day, sir, with this bitumen, with this heavy crude, I think this is something, the response operations that work there on the international scene, are quite capable, sir.

I think this is—obviously, we have to see where the Canadian Coast Guard and the First Nations go with their deliberations or decisionmaking, but we are postured to be responsive. I think the risk is manageable, and is obviously high on my list of priorities to make sure that pristine region of the Nation is not subject to some type of spill. It has my attention, sir.

Mr. LARSEN. Good. And certainly we can't control a Canadian Government decision and how it plays out, but in the eventuality it does play out we need the plan. So we will follow up with more detail with you.

With regards to the backlog on shoreside infrastructure, we have the GAO study that shows that 45 percent of Coast Guard shore infrastructure is beyond its service life. So we are working with you all, having discussions with you all about OPC home-porting in the Northwest as a possibility. If that were to occur, how does new shoreside infrastructure fit into the backlog that you have? How do

you end up budgeting for new infrastructure, versus what you have to fund now?

Admiral SCHULTZ. Congressman, I appreciate the question. What we do is we do—as you say, we have a high backlog. We have \$1.7 billion of shore infrastructure that we are dragging along. We are not recapitalizing at a healthy pace like an organization—you normally tackle to 2, 2½ percent of that on an annual basis. We are in tenths of percentages. I would say we are making a small dent in that. We have got some money through supplementals and hurricanes.

To your question about new assets, we use what we call major acquisition shore infrastructure, MASI, account. We anticipate those needs. Ideally—we asked for funds for that about 3 years ahead of the actual arrival of the new assets. So when the asset shows up, the pier, the shore ties, the infrastructure, landside buildings to support and enable the operations are all in place.

Regarding OPCs, you know, the fifth and sixth OPC are programmed to go to the Pacific Northwest. We have been looking at, you know, a range of options: Everett, Astoria, Seattle. We had our folks up in Everett here recently that are on our cutter home-porting working group. The mayor of Everett was in here in April talking to Coast Guard folks. So I think in this calendar year we will probably roll out a decision on where home-porting will occur in the Pacific Northwest. It is a lot of factors: proximity to the area, the ability to support our people, you know, existing infrastructure, where we don't have to expend tax dollars, what are the upgrades to have sufficient infrastructure.

But MASI, sir, that is the approach we take about 3, 3-plus years ahead of the actual arrival of the cutter to make sure when the ship arrives it is able to do the mission and we can support our men and women that are assigned to that unit.

Mr. LARSEN. All right, thank you. Just—I am not going to ask a question, but I will follow up with you all about pilots, and pilot shortages, and how it all impacts you, as well, because we are trying to coordinate with the—on the private-sector side, making sure they are not poaching too much on the public-sector side.

Admiral SCHULTZ. Yes, sir—

Mr. MALONEY. The gentleman—

Mr. LARSEN. We will follow up, thanks.

Mr. MALONEY. I thank the gentleman.

Mr. Mast?

Mr. MAST. Thank you, Chairman.

Thank you all for being here. Semper paratus. Good to see you. I will be out on the Ibis next week, so I am looking forward to that, as well.

I will just give you everything that I have and let you—Admiral, Master Chief—just start going off on all this.

I want to start with shoreside infrastructure, as well. Undoubtedly, there is a lot of needs that need to be met out there. If you could triage a few of the most important, you know, a no-B.S. response to why these are the most important things that need to get done, that would be important for us to hear.

Moving a little bit over beyond that into the 65s, how many of those 65s do we have available to replace? Can we meet that entire need with refurbishing those 60 airframes?

And then what is the balance with doing that, with looking at the future of rotary lift? Do you want to see all of those 65s replaced with refurbished 60s, or do you want to hold off on that a little bit, looking forward to what the future airframes might be out there in terms of rotary?

I would love to hear you all speak a little bit on that. Thank you.

Admiral SCHULTZ. Let me grab that, and let the Master Chief offer some color commentary.

I would say, first off, on the infrastructure, sir, with the pull from the Congress, the unfunded priority list—which we were delinquent on, behind schedule on, but that will come to the Hill—that reflects much of our prioritized list of unfunded projects that are in that \$1.7 billion. So that is the best vehicle, it allows us to sort of rack and stack—and, obviously, what is attractive to the members of the committee, other Members of Congress have a chance to weigh in on that, and I think that is the best way forward there.

In terms of 65s, there are 98. There are no more available in the world. So that will be—you know, we have been fortunate we kept them in flight. We have got great mechanics that work on these. We have got a depot down at ALC, Aviation Logistics Center. But at some point they become unsustainable. So where we can we would like to replace them with service life extension—you know, sundowner hulls, bring down new 60s. That is where we got to put a little bit of a more, you know, brushstroke details on a plan here, moving forward, as future vertical lift just seems to, you know, continually increment to the right there a little bit. We have got to make sure we have got a bridging strategy.

Is it sustainable within our existing fleet, the 60s and increasing that number? Is there some type of interim period where we may have to contract some support? I think we have got to take a little more holistic view than we have to date on that, sir.

Master Chief?

Mr. MAST. Just to throw one more thing in the middle of that, can you talk a little bit about what is the risk? Is it responsible for risk to add another 10,000 hours or something to those air—to those 65s? Is it responsible to the pilots to ask that of those airframes, if that is—

Admiral SCHULTZ. Congressman, we will obviously—you know, the pilots, the safety of our men and women in the cockpit, in the backside of that airplane, is the number-one priority. We will delve into that very thoughtfully. That is a composite hull, it is not an aluminum-type hull. So we have got to make sure we understand it. There is not a track record there. So we will proceed with the best industry advice, the best scientific advice, and make sure, you know, we are not taking any undue risk with the safety of our men and women in the Coast Guard.

Master Chief, do you have anything to add?

Master Chief VANDERHADEN. Yes, we have a lot of senior enlisted folks that are on those product lines that are rehabbing those, and they would let me know immediately if they thought there was an

issue, there was a safety issue there, so I am confident. I am confident in them.

Charleston, South Carolina, is going to be a big hub for us. That is going to be—we are going to—it is a strategic location. We desperately need to rebuild some piers in Charleston, South Carolina. Station Tybee Island in Georgia could use some help, just being perfectly frank with you, and then Alaska is going to be a big challenge, preparing those home ports in Alaska for the cutters that are going to be up there is a big deal.

We want to be sure that Alaska is an attractive place to be stationed, we have a lot of interests up there, so we want the quality of life for our folks in Alaska to be good. And so we need to build that out correctly.

Mr. MAST. Thank you, Mr. Chairman. I yield back.

Mr. MALONEY. I thank the gentleman.

Mr. Brown?

Mr. BROWN. Thank you, Mr. Chairman.

Admiral Schultz, I would like to talk to you a little bit about the—you know, more broadly, the Coast Guard mission. And I know it is to ensure maritime security and stewardship. I often think about the Coast Guard, you know, operating within the U.S. maritime limits and boundaries, and I also think about the Coast Guard, for example, when I went to Guantanamo Bay, that you provide port security to the Navy and around the world.

But I want to ask you about your operations in the South China Sea.

In September of 2017 the Director for Intelligence and Information Operations for the U.S. Pacific Fleet raised concerns about the U.S. Coast Guard operating in the South China Sea. Later that same year the Naval War College expressed concerns that the use of—and that is people at the War College, not the War College as an institution—that the use of the Coast Guard forces in the region could increase the risk of war, instead of easing tensions.

Earlier this year a U.S. Coast Guard cutter was deployed to the South China Sea to transit the Taiwan Strait and conduct operations with Philippine coast guard vessels.

I mean, given the small size of your budget, and the nature of your mission, can you sort of make the case of why that makes sense, that the Coast Guard is operating in a way that looks more like a naval freedom of navigation mission?

Admiral SCHULTZ. Congressman, I appreciate the question, and I will try to keep this short. I would tell you the Coast Guard brings unique capabilities, unique authorities. We are in the Indo-Pacific South China Sea AOR today with the Coast Guard Cutter *Bertholf*. We will replace her in the coming weeks with a second National Security Cutter. We will cover about 10 months of the 2019 calendar year. That is at the request of the four-star Indo-Pacific Commander.

You know, if you look at what is going on in that part of the world there, you look at how China is actioning, you know, things there, they are using their coast guard. You know, we—when you see a United States Coast Guard cutter with that orange and blue stripe, I think that represents, you know, model maritime governance and behavior. I think we are the gold standard. You know, if

you look across the world, including the China coast guard, they replicate that hull design here. Maybe different colors, but they use that Coast Guard symbol to brand their Service. I think having the Coast Guard there is a different tool in the kit.

You know, we have done some Taiwan Strait transits alongside a Navy combatant. We are in the presence. I think the best application of the Coast Guard—obviously, when I send a ship to the Indo-Pacific commander or the 7th Fleet commander, it is to do the business that they see most suitable in that region.

I think for us, you know, I think the Coast Guard offers an alternative, not just a—you know, we are below that threshold of war here. You know, we are looking to get out to the Oceania region here in the coming weeks with *Bertholf*, with the successor ship. We were in training with the Philippines at sea doing search-and-rescue exercises followed by port calls. We are offering an alternative to an increasingly aggressive China.

China is using force with their coast guard, with their military militia against Vietnamese fishermen and Filipino fishermen. So I think there is a different thinking here when you bring the Coast Guard in. You know, we are a locally based, nationally relevant, globally deployed coast guard—

Mr. BROWN. Let me ask you this.

Admiral SCHULTZ. There are choices—

Mr. BROWN. Can I just ask you this question, though? I mean, like, I think of the Coast Guard, and you enforce the law, the law of the United States, international law. I think about, for example, you know, drug runners in the Caribbean and, you know, you are engaged there.

I mean, but the notion that the Coast Guard is sort of enforcing the law against—or balancing against another nation state's coast guard—and, let's face it, their mission is different than yours, as you as you suggest. They are much more aggressive. They are patrolling alongside armed fishing boats. So what is the nature of that engagement, and what are you anticipating? And what are your concerns, in terms of that engagement with, for example, the Chinese Coast Guard?

Admiral SCHULTZ. Well, sir, I am going to pull it out of the South China Sea for a second and say, if you think about your Coast Guard, we are the face of the United States Government in the Arctic, in the Antarctic, the high latitudes. That is a competitive space. China has been up there 5 or 6 or 7 of the last 8, 9 years, projecting their presence. So I talk about presence equals influence in that region. On a day-to-day basis, sir, we are representing about five of the six geographic combatant areas.

We have just brought a ship back from Africa Maritime Law Enforcement Partnership, helping the Senegalese, Ghana, the Nigerians develop capability to protect, you know, protein sources from the sea, as China and others are raking, you know, through their waters and drawing more than 50 percent of their fish haul now off of Africa.

In the CENTCOM area I have got 350 Coasties operating 6 patrol boats supporting the 5th Fleet commander.

So I think the misnomer is that the Coast Guard is a domestic nearshore coastal organization. We are a global Coast Guard. I

mentioned in my opening statement, though, I get funded about \$340 million towards those defense operations, contributing about \$1 billion.

So I think those are choices. I obviously serve the Secretary of Homeland Security, and then I serve, you know, force provision to the combatant commander, sir. So that is the challenge. Those are the enterprise choices about taking, you know, an insatiable demand for Coast Guard, and allocating finite capacity against all those demand signals.

Mr. BROWN. Thank you, Mr. Chairman.

Mr. MALONEY. I thank the gentleman and ask unanimous consent to allow the gentleman from Louisiana to join the panel for the purposes of questioning the witnesses.

Without objection, Mr. Graves.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman.

Thank you all for being here, and thank you very much for your service.

Admiral, the Offshore Patrol Cutter, I have seen some news reports regarding the potential impact there. Can you tell us, is the builder of the OPC going to be on schedule agreed to in the contract, in terms of delivery of those vessels?

Admiral SCHULTZ. Congressman, thanks for the question. Chairman DeFazio made some points on that, but it wasn't in the form of question.

Sir, the Offshore Patrol Cutter is our number-one priority. It has our top leadership level interest, as of that of the Department. Eastern Shipbuilding Group owes us some deliverables here at the end of the month that are going to talk about the impacts. As you know and we all know, you know, Matthew—or Michael—was a devastating storm to the region recently, recategorized as a category 5 storm. So there is some impacts.

What we are looking for is the specificity from Eastern Shipbuilding's, you know, feedback to us about how that will impact, from their perspective, costs, and contracts, schedules, and things like that. When we get that at the end of—you know, a week from Friday is the due date, the 31st, we will put our team of experts—in-house and some contracted experts in the shipbuilding industry—and do our analysis of that. And then, based on that, you know, we will see what the path forward looks like.

This is a 25-ship procurement over the good part of two decades. You know, Mother Nature here dealt a pretty tough hand to Eastern Shipbuilding Group. So we are informing, you know, the way forward on that today.

Mr. GRAVES OF LOUISIANA. Sure. Admiral, you know our strong interest in recapitalizing the Coast Guard for many years. You all have been dealing with bubble gum and duct tape holding assets together for way too long. And we have very strong concerns about the recapitalization and how it is actually synchronized, because you have got certain vessels that are coming in that play an important role in the overall role of the Coast Guard, and if you don't have certain assets to come in and fill some of the voids that are there with some of the aged assets that we have, it potentially creates significant problems.

But—or can you tell us if you—if the vessels are going to be delivered according to the terms of the firm fixed-price contract?

Admiral SCHULTZ. Congressman, the deliverable on the first ship was 2021—the *Argus*, which is going to L.A.—and that is what we are going to have to see. We are going to have to see what exactly, you know, the puts and takes are as it impacts schedule, as impacts costs in the Eastern Shipbuilding Group.

You know, in terms of long ball, the 2020 budget has some money in there, as we look at a service life extension for our 270-foot Medium Endurance Cutters. Those started being produced around the 1984 timeframe. They are 33, 35 years old, some less than that. You know, we have a fleet of 14 210-foot cutters built in the 1960s, early 1970s, and 13 270s built in the mid-1980s into the early 1990s. You know, those 210s, at the end of the day, are going to be, you know close to 60 years old. We are operating them today at 50, 51, 52 years old at 92 percent availability.

So our engineers, our mission support folks, are doing remarkable things. I am confident we will be able to bridge that gap. This service life extension for the 270s that we are just getting going with 2020 money here seeding the way forward, you know, we will get there. It is not ideal to run 50-, 60-year-old ships.

Unfortunately, that is sort of the nature of where we are as a Service, and we will continue to attenuate that. But I am confident, sir. You know, obviously, we have got to get all the analysis of the data from Eastern to figure out the path forward, sir. But if we can keep this program on track or close to on track, we will have capacity to continue to do the work of the Coast Guard. We are just going to have to keep some older ships going potentially a little bit longer.

You know, arguably, we are a little behind where we are today, but I think this service life extension program is going to allow us to move forward here, sir.

Mr. GRAVES OF LOUISIANA. Admiral, look, you are well aware that we have been huge advocates to get the Coast Guard recapitalized. You have been dealing with an aging fleet of vessels that have been used well beyond their intended service life. And it is very important to us that we keep these things on schedule, and that we keep them on price to make sure that the men and women of the Coast Guard have all the assets that they need to do their job in this incredibly expensive mission that you all have been dealt over the last several years.

I heard you loud and clear. May 31 is when you are going to have the information that you need. But you indicated you all are going to be doing some internal processing on that. Can you tell me when you think you will be able to come back to the committee and inform us whether the firm price will be adhered to, and whether the schedule would be adhered to?

Admiral SCHULTZ. Congressman, I would tell you it is probably a matter of weeks, the process—you know, weeks, not months. And I would commit to you that we will do due diligence on that, obviously, keeping this moving forward.

You know, we do not want to lose any dates. You know, this need to replace those cutters, as you intimated, is absolutely essential. That said, you know, to go back to the drawing board here, were

we not to find a way forward successfully here with the Eastern Shipbuilding Group, there is a time consideration there, as well, sir.

So we are committed at the highest levels, including the Department, to make the right decisions on this procurement.

Mr. GRAVES OF LOUISIANA. So Mr. Chairman, I am hearing roughly mid-June for an update to the committee.

Is that is that fair?

Admiral SCHULTZ. Sir, I would say before the end of June. And, you know, we can certainly try to move earlier in June, but I got to get a sense of just, you know, did we get everything we need? We want to make informed decisions. Hopefully, the first tranche of homework, I will call it, for lack of better—from Eastern Shipbuilding answers the questions. But I suspect it is their first heavy lift with a Government contract. There may be some puts and takes there, sir. But we will do due dispatch to get that information to the committee as soon as possible.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman. I yield back.

Mr. MALONEY. The gentleman's time is expired. I will now proceed to the second round of questions and recognize myself for 5 minutes.

You know, gentlemen, I think what is clear in the first round of questioning is that there is remarkably bipartisan consensus on this committee, with respect to the priorities that we think are important and that are being underfunded in the President's budget request. So I don't want to put you on the spot, but I think that the more you look at this budget request, I would just like to point out for the record that, when you look at the 11 statutory missions of the Coast Guard, when you look at what you guys are doing on border security—we talk a lot about that up here—when you look at what you are doing on drug interdiction, not just in the Caribbean, but in the Eastern Pacific, when we think about what the next generation of technology and improvements ought to be in that area—persistent overflight, use of drones, when we look at your Dolphin fleet, we know you have got to replace them.

We know you have got airframe problems. We know we are not where we should be on the Polar Security Cutter program. We are way behind the Russians and the Chinese in our presence in the Arctic. We did a whole hearing on that the other day.

We know what you can say and can't say about that, but we up here in a bipartisan way know that we haven't invested in that yet, if we were to follow the President's budget, we would continue a decade of neglect in the Arctic. We know we are not investing in our shoreside infrastructure. We see there is a \$170 million cut in that.

We know what it would mean to our personnel, where their costs of living are going up because they live in expensive seaside communities that have experienced all kinds of price inflation. We know what you make, and we know how hard it is to pay for your housing. We know what your retirement packages look like.

The fact is that there is nothing about this budget that demonstrates a respect for the growing and critical nature of your missions. And that would be true if you weren't doing anything new.

But the fact is that we have major emerging concerns about things like the export of LNG, and the security of that, things about the Arctic, and the great power competition there. These are new. We have an aging fleet of vessels and aircraft. We have all kinds of needs on shoreside.

And so I just want you to know that we take that all seriously. And in a bipartisan way up here I think you will see us do what ought to be done on this. I think it is disappointing that we can't get a document from the administration either that reflects the genuine needs that that this industry, and particularly the Coast Guard, requires, but also that would at least, you know, let us know what the unmet needs are in a timely way for this hearing, so that we could get that document, as the ranking member points out, in time to do us some good. Because we are going to care about that, and we are actually going to keep faith with that.

I am glad we are moving the pay issue, so that if we shut down the Government again we don't do to you again what we did to you last time. That was a disgrace. And most of the Members up here agree on that on a bipartisan basis. We ought to stop treating you like an afterthought. And when we are paying the rest of our military, we sure as heck ought to pay the Coast Guard.

So—and by the way, if we didn't pay Members of Congress, we wouldn't shut down in the first place, so we ought to start by not paying the people up here, and we wouldn't put you in that place in the first place.

So, with all of that, I just wanted to unburden myself with some of that. But because this a question-and-answer format, I am interested, Commandant, in the Arctic. We did hear a lot of testimony on this recently, but I would like to give you an opportunity to talk particularly about—following up on some of Mr. Brown's questions around the emerging missions we are going to ask of you in terms of what is happening in the Arctic, what we are seeing from the Chinese and others, and why that really puts a real urgency behind the Polar Security Cutter program.

If you could, sir, what are you seeing in the Arctic?

Admiral SCHULTZ. Thank you, Chairman, and thank you for, you know, sort of your overview of the committee's bipartisan support here for the work of the Coast Guard and the maritime interests of the Nation, sir. That is encouraging to know, and there is a lot in that statement.

You know, in the Arctic, sir, we are seeing different behaviors. You know, China has a fleet of more than four dozen icebreakers. China is an Arctic nation with a broad Arctic coast. They are deriving more than 20, 25 percent of their GDP from activities in the Arctic. They are reestablishing bases—

Mr. MALONEY. Did you mean China, sir, or did you mean Russia?

Admiral SCHULTZ. I mean Russia first, talking about—

Mr. MALONEY. Yes, I thought so, because China is about 900 nautical miles from the Arctic—

Admiral SCHULTZ. Oh, I am talking—

Mr. MALONEY [continuing]. And yet they call themselves an Arctic nation. But I take your point. Go ahead, sir.

Admiral SCHULTZ. Just talking about the competing nature of the Arctic space. The Arctic off of Russia, you know, they are deriving

LNG, they are partnering with the Chinese with a 30-percent stake in the Amal energy project. They are looking to tax a Northern Sea Route. That will bring Russia back as a player in terms of deepening their pockets, you know, despite sanctions. That is the Russian game. They are in the meddlesome game.

I think if you look at the Arctic off of Alaska, we have seen China up there. China is a non-Arctic state, they are a self-declared near-Arctic nation. You know, they have now a second research vessel, the *Xue Long 2*, they launched last summer. It probably becomes operational maybe as soon as this year. They are talking about building a heavy breaker. So they are invested in continually projecting presence off the Alaskan—in the Arctic, and we are concerned about it.

You know, the Arctic is a space with very limited communications capability, with limited domain awareness. The Polar Security Cutters are a part of that conversation. In April I rolled out a new Arctic Strategic Outlook that takes a 10-year look at the Arctic. We had just rolled one out in 2013, so a little bit early for a refresh, but things have changed. We talked about the Arctic as a peaceful, collaborative, environmental space when we rolled out our first strategy. Now we talk about it as an area of national security.

And I say repeatedly, you know, presence equals influence. You know, until that second, third Polar Security Cutter, we won't really have much of a game up there, in terms of presence. But, you know, China is paying attention to the sighting of F-35 fighters, you know, fifth-generation fighters in Elmendorf. They are paying attention to the undersea cables that allow communications. From a national security standpoint, you hear General T.J. O'Shaughnessy at NORTHCOM talking about the pivotal importance of the access across the—you know, the polar regions here to the Nation, posing a national security threat.

So the Arctic is a competitive space. It is a national security conversation. And, you know, the Navy will continue to do ice edge and show up there on a, you know, every-other-year basis, but we are the face of the Government there. It is about projecting sovereignty. And we take that seriously, and we will continue to inform our understanding. We will do Arctic Shield operations this summer again, some portion of a 3- or 4-month period to continue to define our learning there, continue to work with the indigenous populations. Because as we increase our presence up there, we have got to be sensitive to the—you know, to the stakeholders there across the full landscape.

Mr. MALONEY. I thank the gentleman.

Mr. Gibbs?

Mr. GIBBS. Thank you.

Mr. Khouri, I woke you up, I guess, because—anyways, back in the last Congress you testified before the subcommittee dealing with the consolidation operations among international container lines and the Federal Maritime Commission Authorization Act.

We expanded your Commission's authority to do things like prohibit the lines participating vessel sharing and rate discussion agreements, prohibit joint contract negotiations between towing vessel operators and international carrier alliances, restrict joint

contract operations between marine terminal operators and international carrier alliances, and so on.

A couple of questions there. Has the Commission used these authorities? And also, has the existence of these expanded authorities led to carriers to maybe change their behaviors without the Commission taking action?

Mr. KHOURI. Yes, there has been some activity in that regard. For example, the Trans-Pacific Stabilization Agreement, which was the largest rate discussion agreement in our Pacific trades, in the face of the legislation, decided to just close operations. So that removed a large amount. This was part of the LoBiondo bill where you cannot be simultaneously in a rate discussion agreement and also in a vessel sharing agreement that might discuss capacity allocations. So they voluntarily left the rate discussion part of that. So, you know, that was, I think, a good good result.

The other part, in terms of implementing the LoBiondo Act, we have been going through—there are 438 different types of agreements that we have active at any—you know, currently. So we have been very meticulously going through every single one of them. There are about 160 that have been preliminarily flagged as perhaps having some need for modification due to the LoBiondo new requirements. We have been reaching out to each one of those, and see—is there a need to come in, amend that those authorities to make sure everyone understands exactly what is going on.

Mr. GIBBS. Yes.

Mr. KHOURI. So that is in process. There has been no new activity in requesting joint purchasing authority. So I think the industry heard Congress loud and clear, and that is our—

Mr. GIBBS. Has these—anything—less competition or anything increased consolidation between the international carriers?

Mr. KHOURI. There has been—as I said in my testimony, in the last year there has not been any new mergers, consolidations, either completed or announced.

Mr. GIBBS. OK, I need to move on. I want to ask Admiral Schultz another question about the Great Lakes. Thank you, Mr. Khouri, I appreciate that.

Is it my understanding—am I correct, the Merrimack class and the Coast Guard wants to develop a whole new icebreaker class for the Great Lakes, or why don't we just, you know, stick with what we got that works, and—are we trying to—is the Coast Guard trying to move on to a different class of icebreaker for the Great Lakes?

Admiral SCHULTZ. Ranking Member Gibbs I would tell you where we are today, sir, is we are focused on the current fleet of Great Lakes icebreakers. We have one *Mackinaw*-class, 240-foot, more capable buoy icebreaking ship, a tremendous ship.

Congressman Gallagher asked about whether that contract was built in with a provision for a second. I need to get back on that. I don't know the answer there.

We have the six 140s of the nine 140-fleet Coast Guard writ large, and we are doing a service life extension to push them out 15 additional years. So, you know, 15 additional years puts us into the 2030, 2035 timeframe. So we need to be thinking about the future on Great Lakes.

I would tell you today, sir, I believe we have sufficient capacity in our approach on the Great Lakes with the *Mackinaw*, with the six breakers, and our partnership with the Canadians. There is obviously interest from the Congress here about looking at an additional large icebreaker capability on the Great Lakes, something *Mackinaw*-like. So with the funding that was provided by the Congress over the 2017, 2018, and 2019 appropriations we are doing some analysis work on that. That will inform our way forward, sir.

Mr. GIBBS. Well, I guess what I was wondering—if the *Mackinaw*-class is, you know, sufficient, do we need to develop a whole new class, or—you know, or—it would be cheaper—obviously, it would be more cost efficient to use that, if it is, you know, meeting the requirements.

Admiral SCHULTZ. Congressman, I think what might be the smart approach for us, as we had a conversation here with some of your colleagues about, you know, a 6-3-1 strategy, Mr. Garamendi said, you know, beyond these three polar security heavies, you know, we talk about maybe what a medium breaker looks like. There might be some parallel construct between a medium breaker that could serve places in Greenland and other things to get after the high latitude work, and a breaker on the Great Lakes. There might be some commonality, sir. So that is a conversation we would like to take.

You know, we just awarded this detailed design construction for a Polar Security Cutter. There has been a lot of bandwidth as we are building NSCs, PSCs. We are—Congress is interested in these Waterways Commerce Cutters. I think that is sort of what is forward here. So I think this report that we owe you will start to share a little bit of what our thinking is, moving forward, sir.

Mr. GIBBS. OK, thank you.

Mr. MALONEY. I thank the gentleman.

Mr. Brown?

Mr. BROWN. Thank you, Mr. Chairman.

I am going to ask Admiral Buzby a question, but I just do want to, without piling on too much, Admiral Schultz—I mean, look, you guys do a lot with a little. In the President's budget request for 2020, you know, your budget is 5 percent of the Navy's, right, \$11.3 billion, and the Navy's is \$205.6 billion. The Navy doesn't do a lot of what you all do. So I guess my point is I don't want to see you doing a whole lot of what the Navy ought to be doing.

The Arctic, different story. South China Sea, I have got concerns. Outside of providing maritime security or port security for our Navy, or perhaps training our allies' coast guards, I just have concerns with what might look like mission creep. But I do appreciate your response and that you are responding to what our Nation asked the Coast Guard to do. So I want to thank you for that.

Admiral Buzby, based on data in the military sealift commands 2018 in review, nearly one-quarter of all petroleum products transported in the sealift program were on foreign-flagged tankers. Additionally, it is my understanding that only 2 of the 60 ships in the Maritime Security Program are dedicated tankers. The rest are roll-on/roll-off ships, containerships, or a multipurpose cargo ships, which can occasionally be used, I think, for that tanker roll. But only two dedicated for are exclusively tankers. It is concerning that

the United States military is relying on foreign-flagged tankers to meet its military sealift requirements.

I guess my question for you is how many additional tankers that are exclusively tankers do we need? And what I outlined, does that raise concerns to you, you know, maybe national security risks, or an overreliance on foreign tankers?

Admiral BUZBY. Thank you for that question, Congressman, and you have hit on a very important point. Of all of the programs that we have in place for national sealift, we have the dry side pretty well covered: the Maritime Security Program, other programs. What we don't have: assured access to our tankers. And that is a concern. Yes, yes, it is a concern, especially if we got into a protracted sealift in the Pacific, where we have to traverse great distances and be moving large volumes of petroleum.

You know, there are a total of six U.S.-flag internationally trading tankers. Two of them, as you point out, are under the Maritime Security Program. The others are—you know, get chartered from time to time by military sealift command. But you know, the projections are that we would need upwards of 86 tankers to fulfill a continuous sealift out to the Western Pacific.

Mr. BROWN. Right. So I understand, you know, we always need more than what we have and what is, you know, probably within reach, given the resources we dedicate to address the threats and the risks.

But if we are at two to six, as you described, I mean, is there a strategy to get to a larger number? And, if so, what is the larger number, and what is the timeframe?

Admiral BUZBY. Well, there are a number of ways that we could get after that.

Congressman Garamendi outlined one approach in his legislation that he is proposing, along with Senator Wicker, a way to incentivize ships to come under the U.S. flag, to be available to us in time of need. Again, it comes down a business case, as pretty much all shipping really is, of—the business case of having—operating your vessel. There are many, many U.S.-owned tankers in the world. But business case and cost of operating often keep them out from underneath the U.S. flag.

So there are a number of ways that could be used to approach—to bring the—incentivize them, and we are looking at several of those. And a Maritime Security Program-like approach could be applied to tankers, for instance.

Mr. BROWN. Thank you. And Mr. Chairman, I yield back.

Mr. MALONEY. I thank the gentleman.

Mr. Graves?

Mr. GRAVES OF LOUISIANA. Thank you. I want to go through this very quickly, because the chairman has made it clear to me that I don't have my full 5 minutes.

Admiral, going back to the OPC, does the Coast Guard have the authority to modify the fixed-price contract without additional legislation?

Admiral SCHULTZ. No, sir.

Mr. GRAVES OF LOUISIANA. Would you—I mean so it is feasible that, if your evaluation determines that it is not in the interest of

taxpayers, it is feasible that could actually be put back out on the street. Is that possible?

Admiral SCHULTZ. Congressman, I think, you know, we awarded a firm, fixed-price contract. As I understand it, my understanding is to go back in and look at costs and schedule, things like that, would require some type of legislative authority to revisit that.

Mr. GRAVES OF LOUISIANA. Are you requesting any type of additional—

Admiral SCHULTZ. We have responded to ask for Congress about some drafting assistance on legislation that gets into, you know, an ability to open that up and possibly look at something like that. There is no numbers associated that—we don't have any data. So at the request of Congress we provided some language—

Mr. GRAVES OF LOUISIANA. But because you haven't done your assessment, it would be premature to—for the Coast Guard to request any type of additional authority. Is that safe to say?

Admiral SCHULTZ. Sir, I think we would say it is safe to say that we understand the impacts of a cat 5 hurricane and—

Mr. GRAVES OF LOUISIANA. Absolutely.

Admiral SCHULTZ. And Eastern Shipbuilding Group will have an impact on the OPC program. So recognizing a window of opportunity here with this disaster supplemental that is moving here, you know, we have provided language recognizing this is in our interest moving forward to at least have that option on the table. The Congress will decide if that is something they want to look at—you know, include or not.

You know, we have steered clear of, you know, substantiating—there is Eastern Shipbuilding Group, advocacy on the Hill. We are detached from that. They are doing their thing. We are doing our thing. And right now our thing with Eastern is you need to show us the impacts, we will do our assessment. If there is a mechanism to possibly revisit the contract, then we will see where we are at the end of the day.

Mr. GRAVES OF LOUISIANA. And so, Admiral, I just—I want to flex the chairman's muscles here a little bit—being the authorizing committee, it sounds like that is authorizing legislation. So certainly, if the Coast Guard is requesting authorizing legislation, I certainly would hope that the Coast Guard would come before the authorizing committee staff and members and have an opportunity to discuss it with us, if that is the case.

Admiral SCHULTZ. Sir, we will make sure our efforts are full transparency to the committee. If we haven't done that to date, we will circle back and do that.

Mr. GRAVES OF LOUISIANA. Admiral, thank you very much, and I want to thank you all again for your service.

Last comment. There were a number of news reports—and this isn't a question, just a comment—a number of news reports about Jones Act and potential discussion within the administration. I think it is really important for all of you, Admiral Buzby, Commandant, all of you, to continue sharing within the administration thoughts on modifications to the Jones Act.

I know that some of the different advocates for changes in the Jones Act are some of our allies. And those same allies are not putting up their appropriate NATO dues. They don't have an appro-

priate defense industrial base and, in many cases, are having their ships built in countries that are not necessarily friendly to the United States.

And I think that it is a really important discussion. I think that ensuring we continue to advocate for the Jones Act under these existing conditions is entirely consistent with this administration's policies on defense, and in ensuring we put America first. And I just wanted to flag that, as I try and do each hearing when you are here.

It is important to this country. I think it is important to our security. And again, I think it is consistent with other policies of this administration.

So with that I want to yield back 1 minute and 20 seconds to the chairman.

Mr. MALONEY. I thank the gentleman. And I don't believe there are any other Members' questions, but I do want to close the hearing by thanking you all once again for your service. So I want you to know, Admiral Schultz, we appreciate the work your Coasties do. We don't take it for granted. You make extraordinary and difficult things look routine.

We know the sacrifices your Coasties make, Master Chief. Same comment to you. You know, as you know, a constituent from my district lost his life in the last year. It is a good reminder of the sacrifices our families make.

We apologize for the additional burdens we put you through during the shutdown. We should never do that again. And you have our commitment that we are going to work in a bipartisan fashion to make sure we do not.

Maritime Administration, Federal Maritime Commission, we appreciate the work you gentlemen do. Again, we are disappointed in some of the numbers the President's budget sent up here, but as you have heard on this panel we understand the work you do, we understand the importance of the Maritime Security Program, and the Jones Act. And I think you will see that bipartisan support continued.

With that, that concludes today's hearing. Thank you all very much. The hearing stands adjourned.

[Whereupon, at 11:55 a.m., the subcommittee was adjourned.]

SUBMISSIONS FOR THE RECORD

Prepared Statement of Hon. Sam Graves, a Representative in Congress from the State of Missouri, and Ranking Member, Committee on Transportation and Infrastructure

As everyone will note today, the Coast Guard is at least a decade behind in completing its fleet recapitalization.

It has no plan for replacing or extending the life of its helicopters, and its backlog for shoreside construction, maintenance, and environmental cleanup is in the billions.

I look forward to hearing from the Commandant as to how we are going to catch up so the Coast Guard can carry out its important missions.

I also want to hear from the Chairman of the Federal Maritime Commission about implementation of the changes Congress made last year to the Commission's authorities.

Finally, I want to hear what the Maritime Administrator has to say about how we can increase the pool of available merchant mariners to assure our national defense sealift needs are met.

I look forward to the witnesses testimony. I yield back the balance of my time.

APPENDIX

QUESTIONS FROM HON. RICK LARSEN FOR ADMIRAL KARL L. SCHULTZ, COMMANDANT, U.S. COAST GUARD

Question 1. At the hearings on March 6 and most recently, May 21, you mentioned you would provide the Committee with details on the Coast Guard's plans regarding oil spill prevention and response in the Pacific Northwest, related to the Trans Mountain pipeline extension project. Please provide that information.

ANSWER. Within the United States, vessels carrying bulk liquid petroleum, non-tank vessels (self-propelled vessels of 400 gross tons or greater operating on the navigable waters of the United States and carrying oil of any kind as fuel for main propulsion), marine transportation-related facilities, pipelines and offshore facilities must submit oil spill response plans for approval by the U.S. government. The response plan specifies a means to mobilize and manage necessary personnel and resources required to mitigate up to a worst-case discharge. The vessel response plan (VRP), the non-tank vessel response plan (NTVRP) and facility response plan (FRP) holders must cite specific Oil Spill Removal Organizations (OSROs) with whom the plan holder has a contractual agreement to provide equipment and personnel to abate a spill. OSROs provide specific amounts of core equipment to plan holders per regulations set out in 33 Code of Federal Regulations (CFR) 155 (tank and non-tank vessel requirements) and 33 CFR 154 (marine transportation-related facility requirements).

In District 13, the United States Coast Guard (USCG) has at its disposal the entire commercial OSRO equipment inventory resident in the region, US Navy spill response equipment, and the USCG's National Strike Force who are available to provide oil spill response expertise and have access to pre-positioned oil response equipment staged around the United States.

Additionally, the USCG directs an Area Committee comprised of federal, state, and local agencies as well as federally recognized Indian Tribes. The Area Committee is responsible for drafting Area Contingency Plans to prepare for a worst case discharge and to mitigate or prevent a substantial threat of such a discharge in U.S. coastal zones. The Area Committee, under the direction of the USCG on-scene coordinator, will take into consideration any changes in potential worst case discharge scenarios associated with the Trans Mountain Pipeline expansion (i.e. transiting tanker ships and catastrophic pipeline system failures) and will ensure that the Area Contingency Plan properly addresses any new worst case discharge scenarios.

Finally, the USCG engages in joint preparedness initiatives with Canada. The USCG and the Canadian Coast Guard (CCG) have a long history of cooperation in executing responsibilities to prepare for and respond to oil and hazardous substance incidents under the auspices of a bilateral agreement. The USCG/CCG established the Joint Marine Pollution Contingency Plan (JCP), a bilateral agreement for planning, preparing, and responding to harmful substance incidents in the contiguous waters along shared marine borders. The JCP contains a CANUSPAC annex specific to response procedures in the Canadian/US Pacific region. The USCG has and will continue to utilize this collaborative mechanism to ensure proper planning for potential spills.

QUESTIONS FROM HON. MIKE GALLAGHER FOR ADMIRAL KARL L. SCHULTZ, COMMANDANT, U.S. COAST GUARD

Question 1. Following up from the hearing, is it correct that the Coast Guard contract that procured the current *Mackinaw* was written to allow a second icebreaker to be procured, but it was never funded?

ANSWER. The *Great Lakes Icebreaker [GLIB]* contract was not scoped to permit the procurement of a second icebreaker.

Question 2. Is there an estimate of when the Great Lakes Icebreaking Acquisition and Program Report will be completed and delivered to Congress?

ANSWER. The U.S. Coast Guard estimates that this report will be submitted to Congress no later than September 30, 2019.

Question 3. At the May 21st hearing, you stated that you would provide an answer on whether the Canadians assisted with any port needs this past winter in the U.S. that you know of. Please provide that answer.

ANSWER. The United States Coast Guard and the Canadian Coast Guard work collaboratively to facilitate commerce on the Great Lakes during the ice season. In the 2018-2019 winter season, ten United States Coast Guard and five Canadian Coast Guard Icebreakers collectively maintained navigable waterways in the Great Lakes for 109 days. During that time, the joint icebreaking operations assisted 763 vessel transits through ice-laden waters, supporting approximately 14.8 million tons of dry and liquid critical commodities estimated at a value of \$536 million. While the ice covered 75% of the Great Lakes at the height of the season, the major waterways were open 95% of the season.

QUESTIONS FROM HON. ANTHONY G. BROWN FOR REAR ADMIRAL MARK H. BUZBY,
U.S. NAVY (RET.), ADMINISTRATOR, MARITIME ADMINISTRATION

Question 1. What are the costs to transport the N.S. *Savannah* (NSS) per nautical mile?

ANSWER. The Maritime Administration (MARAD) has solicited proposals to drydock the NSS for underwater hull maintenance and repair. Price offers were received on July 8th and are under evaluation. Transporting the NSS for drydocking would be accomplished as a "dead-ship" tow, in accordance with U.S. Coast Guard requirements. The costs for a dead ship tow are variable, and are highly dependent on the distance of the tow, the cost of marine diesel fuel at the time of the tow, and the tow route to its destination (whether the ship enters open ocean or not). Based on recent estimates, towing the NSS from its current berth in Baltimore, MD to Philadelphia, PA, for example, is estimated to cost approximately \$1,900 per nautical mile and to Norfolk, VA is estimated to cost approximately \$1,200 per nautical mile.

Question 2. What is the cost of providing protective storage per nautical mile for the NSS?

ANSWER. The average annual cost for protective storage is approximately \$3 million. The costs to maintain the NSS in protective storage are ongoing, incidental to the cost of towing the vessel, and are not assessed on a per nautical mile basis. Protective storage is the Nuclear Regulatory Commission (NRC) designation required to carry out MARAD's basic license activities. This includes lay berth services, NRC license technical services, radiological protection, facility management, and maintenance. Funding to maintain protective storage and manage basic license activities of the NSS is required until decommissioning and license termination are completed.

Question 3. How many days would it take to prepare and move the NSS from its current location to a port other than the Port of Baltimore?

ANSWER. MARAD estimates moving the NSS within 30-45 days after awarding the drydocking contract. Under the terms of our license with the NRC, MARAD must first develop and approve an Emergency Port Operating Plan and then provide a minimum 30-day notification to the NRC before moving the ship. Additional vessel preparations prior to departure include providing a notice of intent to the U.S. Environmental Protection Agency (EPA) for a vessel general permit, which informs the EPA of MARAD's intent to operate (tow to a shipyard) the NSS and to conduct in-water hull cleaning to mitigate the spread of aquatic invasive species.

Question 4. With the NSS currently moored in Baltimore, MD, what is the estimated cost savings for the Department of Transportation and MARAD with drydocking the NSS for ship disposal in Baltimore, MD compared to Hampton Roads, VA or Philadelphia, PA?

ANSWER. MARAD received bids only from shipyards in Philadelphia to perform the NSS drydocking. No offers were received from shipyards in Baltimore. Because no bid was submitted from a Baltimore shipyard, there is no basis upon which to estimate cost savings.

Question 4a. Would dry-docking the NSS in Baltimore, MD for ship disposal facilitate MARAD's objective to begin the decommissioning and dismantling process as soon as possible?

ANSWER. As noted above, no Baltimore shipyards submitted bids for drydocking the NSS. MARAD issued a request for proposals for the drydocking the NSS on May 30, 2019, with a deadline of July 8, 2019 for submitting proposals. MARAD received two proposals, both from shipyards located in Philadelphia, and expects to award a contract by August 2, 2019.

For background, drydocking, decommissioning of the nuclear power plant on the NSS, and disposing of the NSS are separate activities. During the drydock some pre-requisite work will be done on the infrastructure of the ship to support decommissioning; however, industrial dismantlement of the nuclear power plant on the NSS will begin next year with the award of the decommissioning and license termination contract. NSS decommissioning and license termination must be completed before the vessel could physically be disposed. Should the final disposition of the NSS be to dismantle the vessel, such work would have to be conducted in a qualified ship recycling facility. By statute, MARAD is required to qualify domestic ship recycling facilities to protect the environment and worker health and safety. To date, MARAD has qualified five ship recycling facilities, all located in Texas and Louisiana.

Question 5. What specific ports or authorities has MARAD communicated with to dry dock the NSS among the three possible locations?

ANSWER. In March 2019, MARAD issued a request for information to ascertain interest from commercial shipyards in the Baltimore, Philadelphia, and Norfolk areas. In Baltimore, MARAD communicated with two entities about the possibility of utilizing the former shipyard at Sparrows Point, MD, for the drydocking of the NSS; however, neither entity submitted an offer.