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**BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION**

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Good afternoon Chairman Cummings, Ranking Member LoBiondo, and Members of the Subcommittee. Thank you for inviting me here today to discuss the President's budget priorities and initiatives for the Maritime Administration (MARAD) for fiscal year 2011. I am pleased to appear before you to describe how the President's budget request will support maritime transportation and its contributions to economic competitiveness, environmental sustainability, and transportation system safety, security and readiness.

FY 2011 BUDGET REQUEST

The Maritime Administration budget request for 2011 is \$352 million, which will support the agency's coordinated program of activities and initiatives advancing Departmental and national objectives. The 2011 request proposes a \$26 million increase above 2010 for the U.S. Merchant Marine Academy (USMMA), which primarily supports substantive capital improvements for Midshipmen facilities, including the regimental galley and two dorms, and upgrades to the academic program and IT infrastructure. The USMMA program increase is offset by decreases in other programs and initiatives. This funding level is sufficient to sustain current services levels for the full range of MARAD program operations and activities.

UNITED STATES MERCHANT MARINE ACADEMY

Improving the profile and prestige of the U.S. Merchant Marine Academy is Secretary LaHood's number one priority for the Maritime Administration. To that end, the President requested \$100 million for the USMMA in fiscal year 2011, an increase of \$26 million above the 2010 level. This increase will support capital improvements; operational funding for necessary IT upgrades and academic program enhancements; and compensation for possible Midshipman Fee overcharges.

The President requested \$30.9 million (an increase of \$15.9 million above fiscal year 2010) for capital improvements. Of the funding in the fiscal year 2011 request, \$23 million will support the priority renovation of the Delano Hall midshipman galley, where the Regiment receives all of its meals. The Academy will also initiate the architecture and engineering studies (\$3 million) for future renovation of Cleveland Hall and Rogers Hall student dormitories, the two remaining barracks in need of major renovations. In addition, the Academy will install a new tug and barge simulator (\$2 million) in 2011, and will accomplish dry-docking of the Kings Pointer (\$1 million) training ship necessary

to maintain U.S. Coast Guard certification. Another \$1.9 million will support general capital repairs.

The fiscal year 2011 request also includes \$63.1 million for Academy operations, reflecting an increase of \$4 million above the fiscal year 2010 enacted level for operational enhancements and inflationary increases. The program increase will support critical IT infrastructure improvements needed to meet Federal Information Security Management Act (FISMA) and Clinger-Cohen requirements and wireless campus capabilities (\$2.181 million); improvements and enhancements to the Academy's instruction program, including four new instructor positions (\$707,000); new equipment and supplies to upgrade classrooms and the learning environment (\$400,000); and a recruitment diversity initiative (\$145,000).

Lastly, the MARAD request also includes \$6 million to repay students who attended the Academy during the past six years for possible Midshipman Fee overcharges. These funds would be available to repay students who attended the Academy from 2003 to 2009. The Secretary would be authorized to establish compensation levels by class year that would represent fair payments to students of those years.

Providing support and oversight to restore and strengthen USMMA programs and controls is an agency management imperative. The agency is making significant progress in implementing management and process improvements responding to recommendations in the GAO audit report, and this has been designated a priority of the Department. Our plan is to successfully address all 47 GAO recommendations by the end of FY 2010. Thus far, we have completed actions addressing 19 of the recommendations, and are on target to complete 34 of the 47 recommendations by the end of the second quarter of this fiscal year.

ECONOMIC COMPETITIVENESS AND RECOVERY

Maritime transportation contributes more than \$10 billion per year to the national economy, and the industry comprises more than 265,000 jobs. MARAD's work with commercial shipping, shipbuilding, port operations, and vessel operations supports the maritime industry, which is a significant employer. MARAD's Title XI and Assistance to Small Shipyards programs provide loan guarantees and grants supporting the industry, which can be an engine for efficiency and capacity improvements and economic growth. America's Marine Highways help move freight more efficiently and contribute to reducing transportation's environmental footprint.

Assistance to Small Shipyard Grants

In fiscal 2010, Congress provided \$15 million in funding to support capital improvements at qualified shipyards to improve the ability of domestic shipyards to compete for domestic and international commercial ship construction. This follows \$117.5 million in Omnibus and ARRA funding provided in fiscal year 2009. For the fiscal year 2010 grant program, MARAD has received about 160 applications, and we anticipate awarding

between 10 and 15 grants with an average grant amount of \$1 to 1.5 million. We will award all 2010 fiscal year grants by April 15, 2010.

Maritime Guaranteed Loan Program (Title XI)

Title XI offers loan guarantees for shipyard modernization projects and for building vessels in U.S. shipyards for operation under U.S. flag, supporting infrastructure investment and economic growth. The program helps by providing applicants long-term financing at stable interest rates, sustaining efficient facilities for shipbuilding and ship repair within the U.S., and promoting system capacity and jobs. The current Title XI subsidy balance for new loans is \$78 million. The \$78 million comprises carryover funding and funds provided in the 2010 Appropriation. The funding will enable MARAD to issue commitments to worthy applicants in 2011. The fiscal year 2011 request proposes funding of \$3.7 million for the administration of the Title XI guaranteed loan portfolio.

America's Marine Highways

On February 17, 2010, the anniversary of the Recovery Act, the Department of Transportation announced \$1.5 billion in Transportation Investment Generating Economic Recovery (TIGER) Discretionary grants for fiscal year 2010. Of this amount, \$120.4 million has been designated for seven port and maritime-related projects, most of which will be supplemented by state and local funds. MARAD will administer these port-related grants under the oversight of the Office of the Secretary. These grants will support new marine highway services, add capacity to ports, and improve shoreside linkages to inland markets. The fiscal year 2010 program also includes 2-4 Marine Highway grants supported by \$7 million in funding for the Presidential Initiative for Secure and Efficient Ports.

SECURITY, PREPAREDNESS, AND RESPONSE

Security, preparedness, and response are critical missions for the Agency and commands the largest share of the budget request. The Agency's activities focus on developing and maintaining a vital and viable U.S. merchant marine for domestic and international commerce, emergency response, and national security. The budget request will also support Agency programs contributing to defense mobilization and emergency response readiness: United States Merchant Marine Academy (highlighted earlier), State Maritime Academies, and the Maritime Security Program.

MARAD's programs help ensure the readiness of sealift capacity to respond to national and international crises and DOD mobilizations. The U.S. Merchant Marine Academy and State Maritime Academies educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. The Maritime Security Program sustains a fleet of commercial vessels capable of supporting national security and federal emergency response requirements.

The importance of the readiness of this capability was underscored recently with the Agency's activation of vessels to support the disaster relief for Haiti. Four Ready Reserve Fleet (RRF) vessels and two Title XI high speed ferries were activated for Haiti operations. In addition, 17 U.S.-flag vessels were used in active support of Haiti relief operations carrying USAID food aid, DOD cargo/supplies obtained under the military universal services contract, and providing passenger ferry service. Each active vessel is crewed by approximately 25 commercial merchant mariners.

State Maritime Academies

The fiscal year 2011 request for the State Maritime Academy (SMA) program includes \$15 million. MARAD's fiscal year 2011 request includes funds for: (1) annual direct payments to each of the six state maritime academies, (2) the Student Incentive Payment (SIP) program, and (3) payment of maintenance and repair costs for training ships on loan to the state academies. Of the \$15 million request:

- \$2 million will be paid directly to the SMAs for maintenance and support, a payment of \$333,333 to each school in fiscal year 2011.
- \$2 million will fund the SIP program, for which the annual incentive payment per cadet was increased to \$8,000 in fiscal year 2011.
- \$11 million will fund maintenance and repair costs for Federally-owned training ships on loan to the various state academies.

The state academies regard the SIP Program as among the most important recruiting tools to encourage state maritime academy cadets to pursue careers as Civil Service Mariners. We are eager to assess the impact of the increase in SIP payments in 2010 from \$4,000 per year to \$8,000 on recruitment.

Maritime Security Program

The Maritime Security Program (MSP) is the Agency's largest appropriated program. The primary purpose of the MSP is to provide the Department of Defense (DOD) with assured access to commercial U.S.-flag ships and related intermodal systems, as well as a pool of trained U.S. mariners available to support national security requirements during war or national emergency. MSP vessel participants also deliver cargoes supporting overseas deployments of U.S. forces. The DOD Surface Deployment and Distribution Command reports that since September 11, 2001, U.S.-flag commercial ships have delivered over 430,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. MSP ships have also supported the rebuilding of Iraq. For fiscal year 2011, the President's request of \$174 million will fund 60 ships in the MSP fleet at the authorized level of \$2.9 million per ship. Funding at this level will enable MARAD to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve the Nation's commercial and national security needs.

ENVIRONMENT

MARAD environmental programs are aimed at reducing pollution and the adverse environmental effects of maritime transportation and facilities on communities and livability; focusing on obsolete vessel disposal, reducing marine air emissions, and treating ballast water.

Environmental Programs

The impact of marine transportation on the human and natural environment has become more evident in port and coastal communities, which are feeling the brunt of environmental quality impacts from marine transportation activities. At the same time, marine transportation is expected to grow considerably due to increased use of our Nation's waterways for freight and passenger movement. Marine-related environmental impacts will therefore become more profound. The environmental impacts of marine transportation must be adequately anticipated and addressed or they will adversely affect the Nation's economic growth and the quality of life of our port and seaside communities.

The three most pressing environmental issues facing the maritime industry are invasive species in ballast water, and energy use and air emissions. The Maritime Administration has been called upon by industry and government agencies to provide technical advice and expertise, data, and assistance for the development of policy, regulation, research and studies in these areas. While MARAD has funding in FY 2010, no funding has been requested for FY 2011; yet, MARAD will continue to support industry efforts. The MARAD 2011 program will further critical multi-modal transportation research to reduce environmental pollution, advancement of a ballast water discharge standard, infrastructure and methodologies for certifying and verifying ballast water technology, improving vessels emissions data, and reducing the Agency's carbon footprint.

Ship Disposal

Of the fiscal year 2011 request of \$10 million for the Ship Disposal program, \$7 million will support the disposal of obsolete ships in the National Defense Reserve Fleet. The President, Secretary LaHood, and I are committed to the proper disposal of these ships. In fiscal year 2009, for the first time in three years, ships began to leave the Suisun Bay Reserve Fleet in California and even more will leave this year. The fiscal year 2011 request supports the removal of an additional 15 ships from the inventory, providing for domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available).

The 2011 budget request also includes \$3 million in funding to continue nuclear license management for the inactive Nuclear Ship SAVANNAH. The budget will support the continued maintenance and safeguarding of the SAVANNAH nuclear plant, and technical actions to keep the vessel into conformance with Nuclear Regulatory Commission standards.

Mr. Chairman, I wish to express my appreciation for the opportunity to present and discuss the MARAD programs for fiscal year 2011, and for the Committee's continuing support for maritime programs. We will continue to keep this Committee apprised of the progress of our programs in these areas in the coming year, including our efforts improving processes and internal controls at the USMMA.

I look forward to working with you on advancing maritime transportation in the United States, and am happy to respond to any questions you and the members of this Committee may have. Thank you.