

REVIEW OF FISCAL YEAR 2025 MARITIME TRANSPORTATION BUDGET REQUESTS, PT. 1: MARITIME ADMINISTRATION AND FEDERAL MARITIME COMMISSION

(118-55)

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

SECOND SESSION

APRIL 30, 2024

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

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APRIL 26, 2024

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Subcommittee Hearing on “*Review of Fiscal Year 2025 Maritime Transportation Budget Requests, Pt. 1: Maritime Administration and Federal Maritime Commission*”

I. PURPOSE

The Subcommittee on Coast Guard and Maritime Transportation of the Committee on Transportation and Infrastructure will hold a hearing on Tuesday, April 30, 2024, at 2:00 p.m. ET in 2167 Rayburn House Office Building to receive testimony on the “*Review of Fiscal Year 2025 Maritime Transportation Budget Requests, Pt. 1: Maritime Administration and Federal Maritime Commission*.” The Subcommittee will receive testimony from the Maritime Administrator and the Chairman of the Federal Maritime Commission (FMC).

II. BACKGROUND

MARITIME ADMINISTRATION

The Maritime Administration (MARAD) was established in 1950 and is responsible for promoting and developing the maritime industry of the United States to meet the Nation’s economic and security needs.¹ MARAD administers financial assistance programs to build, promote, and operate the United States flag fleet, manages the disposal of Federal government-owned vessels, regulates the transfer of United States documented vessels to foreign registries, maintains a reserve fleet of federal government-owned vessels essential for National defense, operates the United States Merchant Marine Academy (USMMA), and administers a grant-in-aid program for state-operated maritime academies and other financial assistance programs to support the United States maritime and shipbuilding industries.² Rear Admiral Ann C. Phillips, United States Navy (Ret.), has served as the Administrator of MARAD since being sworn in on May 16, 2022.³ The Committee on Armed Services has jurisdiction over the Merchant Marine Academy, Federal assistance to state

¹ U.S. DEP’T OF TRANSP., *A Short History of the Maritime Administration*, available at <https://www.maritime.dot.gov/outreach/history/short-history-maritime-administration>.

² U.S. DEP’T OF TRANSP., BUDGET ESTIMATES FISCAL YEAR 2025: MARITIME ADMIN., available at <https://www.transportation.gov/mission/budget/marad-cj-fy-2025-estimates> [hereinafter DOT FY 2025 Budget Estimate].

³ U.S. DEP’T OF TRANSP., *Key personnel*, available at <https://www.maritime.dot.gov/office-administrator/key-personnel/rear-admiral-ann-c-phillips-us-navy-ret>.

maritime academies, and the National defense aspects of the Merchant Marine.⁴ The Committee on Transportation and Infrastructure has jurisdiction over the non-National defense aspects of the Merchant Marine.⁵

FEDERAL MARITIME COMMISSION

FMC was established in 1961 as an independent agency that regulates ocean-borne transportation in the foreign commerce of the United States through the administration of the limited anti-trust exemption provided to ocean carriers.⁶ FMC protects shippers and carriers from restrictive or unfair practices of ocean carriers, including foreign-flagged carrier alliances. 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 non-performance of a voyage.⁷

FMC is composed of five commissioners appointed for five-year terms by the President, with the advice and consent of the Senate. The Honorable Daniel B. Maffei was designated Chairman of the Commission by the President in March 2021.⁸

III. BUDGET FOR THE MARITIME ADMINISTRATION

The President's fiscal year (FY) 2025 budget request for MARAD compares to the FY 2024 enacted funding levels as shown here:⁹

MARAD FY 2024 Enacted to FY 2025 President's Budget Request Comparison

(Dollars in Thousands)

Account	FY 2024 Enacted	President's FY 2025 Budget Request	FY 2024 to FY 2025 Change (\$)	FY 2024 to FY 2025 Change (%)
Operations and Training	\$ 267,775	\$ 285,000	\$ 17,225	6.43%
Maritime Environmental and Technical Assistance Program	\$ 7,500	\$ 6,000	\$ (1,500)	-20%
United States Marine Highway Program	\$ 5,000	\$ 10,000	\$ 5,000	100%
Assistance to Small Shipyards	\$ 8,750	\$ 20,000	\$ 11,250	128.57%
Ship Disposal Program	\$ 6,000	\$ 6,000	\$ —	0%
Maritime Security Program	\$ 318,000	\$ 318,000	\$ —	0%
Title XI—Administrative Expenses	\$ 3,000	\$ 3,700	\$ 700	23.33%
Title XI—Loan Guarantees	\$ 50,586	\$ —	\$ (50,586)	-100%
State Maritime Academy Operations	\$ 125,788	\$ 87,000	\$ (38,788)	-30.84%
Cable Security Fleet Program	\$ 10,000	\$ —	\$ (10,000)	-100%
Tanker Security Program	\$ 60,000	\$ 60,000	\$ —	0%
Port Infrastructure Development Program	\$ 120,460.124	\$ 80,000	\$ (40,460.124)	-33.59%
Total	\$ 970,359.124	\$ 859,700	\$ (110,659.124)	-11.4%

Funding levels for the Operations and Training Account and the Port Infrastructure Development Program Account do not include supplemental appropriations provided by the Infrastructure Investment and Jobs Act (P.L. 117-58).

The President requests \$859.7 million in FY 2025 for the activities of MARAD, a \$110.66 million decrease (11.4 percent) from the FY 2024 enacted level.¹⁰

MARAD's FY 2025 budget request does not include funding for:

- The Maritime Transportation System Emergency Relief Program;
- The Cable Security Fleet Program; or
- Title XI Loan Guarantees.

⁴ Rules of the House of Representatives, 118th Cong., Rule X, clause (1)(c).

⁵ Rules of the House of Representatives, 118th Cong., Rule X, clause (1)(r).

⁶ 46 U.S.C. § 46101.

⁷ FEDERAL MARITIME COMMISSION, FEDERAL MARITIME COMMISSION FY 2025 BUDGET JUSTIFICATION, available at <https://www.fmc.gov/wp-content/uploads/2024/03/FY2025CongressionalBudgetJustification2024.pdf> [hereinafter FMC FY 2025 Budget Justification].

⁸ FEDERAL MARITIME COMMISSION, Daniel B. Maffei, available at <https://www.fmc.gov/commissioners/daniel-b-maffei/>.

⁹ See DOT FY 2025 Budget Estimate, *supra* note 2; Consolidated Appropriations Act, 2024, Pub. L. No. 118-42, 137 Stat. 112 [hereinafter Consolidated Appropriations Act, 2024].

¹⁰ See DOT FY 2025 Budget Estimate, *supra* note 2; Consolidated Appropriations Act, 2024, *supra* note 8.

OPERATIONS AND TRAINING

The President's FY 2025 budget requests \$285 million for Operations and Training, an increase of \$17.225 million (6.43 percent) above the FY 2024 enacted level. Included in this request is: \$191 million for academic operating expenses, capital improvements, and facility maintenance and repair of the USMMA; \$6 million for the Maritime Environmental and Technical Assistance (META) program, which promotes the research, development, and demonstration of emerging technologies, practices, and processes that improve maritime industrial environmental sustainability; and \$10 million for the United States Marine Highway Program to support the development, expansion, and modernization of America's navigable waterways to reduce landside congestion and increase movement of freight by water.¹¹ The authorization levels for these programs in the National Defense Authorization Act (NDAA) for FY 2024 include: \$198.5 million for USMMA operations, capital improvements, and facility maintenance and repair; \$15 million for the META program; and \$15 million for the United States Marine Highway Program.¹² USMMA is under the jurisdiction of the House Committee on Armed Services. The FY 2025 funding request included for the United States Marine Highway Program is in addition to the \$25 million provided in the Infrastructure Investment and Jobs Act (IIJA) (P.L. 117-58) that will remain available through the end of FY 2032.¹³

ASSISTANCE TO SMALL SHIPYARDS

The President's FY 2025 budget requests \$20 million for the Assistance to Small Shipyards grant program, an increase of \$11.25 million (128.57 percent) above the FY 2024 enacted level. The Assistance to Small Shipyards grant program provides capital assistance to privately-owned shipyards to expand and modernize shipbuilding capacity, efficiency, and competitiveness. The program's authorized funding level was \$30 million in the FY 2024 NDAA.¹⁴ The application window for the FY 2024 round of the Small Shipyard Grant Program closes on May 8, 2024.¹⁵ Past grant awards can be found here: <https://www.maritime.dot.gov/grants-finances/historical-small-shipyard-grant-information>.

SHIP DISPOSAL

The President's FY 2025 budget requests \$6 million for the Ship Disposal Program, which is equal to the FY 2024 enacted level. The program's authorized funding level was \$6.021 million in the FY 2024 NDAA.¹⁶ This program provides for the proper disposal of outdated 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 unfueled nuclear reactor, components, and equipment is in progress.¹⁷ This funding also includes \$3 million for Ship Disposal Program support, including salaries and overhead.¹⁸ The National Defense Reserve Fleet is under the jurisdiction of the House Committee on Armed Services.

MARITIME SECURITY PROGRAM

The President's FY 2025 budget requests \$318 million for the Maritime Security Program (MSP), which is equal to the FY 2024 enacted level, to maintain a viable commercial fleet that can support a United States presence in foreign commerce. The program's authorized funding level was \$318 million in the FY 2024 NDAA.¹⁹ Under this program, \$318 million in direct payments are allocated among a maximum of 60 United States-flagged vessel operators engaged in foreign trade. MSP vessel operators must keep their vessels in active commercial service and provide intermodal sealift support to the Department of Defense in times of war or National emergency. This budget request enables vessel operators to remain active and available for service, and it results in \$5.3 million per stipend payment for each of the

¹¹ DOT FY 2025 Budget Estimate, *supra* note 2.

¹² National Defense Authorization Act for Fiscal Year 2024, Pub. L. No. 118-31, 137 Stat. 136 [hereinafter NDAA FY 2024].

¹³ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 [hereinafter IIJA].

¹⁴ NDAA FY 2024, *supra* note 12.

¹⁵ U.S. DEP'T OF TRANSP., MARITIME ADMIN., *Small Shipyard Grants, available at* <https://www.maritime.dot.gov/grants-finances/small-shipyard-grants#:~:text=Grant%20applications%20must%20be%20received,424%20must%20accompany%20all%20applications>.

¹⁶ NDAA FY 2024, *supra* note 12.

¹⁷ DOT FY 2025 Budget Estimate, *supra* note 2.

¹⁸ *Id.*

¹⁹ NDAA FY 2024, *supra* note 12.

60 ships in the program.²⁰ Allocating less than \$318 million annually for the program allows United States vessels to exit without penalty and would likely also lead to vessels exiting the United States flag registry.²¹ MSP is under the jurisdiction of the House Committee on Armed Services.

TITLE XI—ADMINISTRATIVE EXPENSES

The President's FY 2025 budget requests \$3.7 million for administrative expenses to carry out the guaranteed loan program, which is \$700,000 above the FY 2024 enacted level. \$3.02 million was authorized for Title XI administrative expenses in the FY 2024 NDAA.²² The Title XI Loan Guarantee Program helps to promote the growth and modernization of the United States shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering that may otherwise be unavailable to ship owners.²³

STATE MARITIME ACADEMY OPERATIONS

The President's FY 2025 budget requests \$87 million for the six State Maritime Academies (SMA), which is a decrease of \$38.788 million (30.84 percent) compared to the FY 2024 enacted level. This request includes: \$57.7 million for vessel management, logistics, and maintenance oversight to support the integration of National Security Multi-Mission Vessels (NSMV) into the fleet of SMA training vessels; \$17.1 million to maintain the legacy SMA training vessels; \$6 million in direct payments to the SMAs; \$2.4 million for the Student Incentive Payment Program; and \$3.8 million for training ship fuel assistance. SMA programs were authorized funding levels of \$66.58 million while the NSMV program was authorized \$75 million in the FY 2024 NDAA.²⁴ Much of the \$38.788 million funding decrease can be attributed to decreases in funding needed for the NSMV program and legacy SMA training vessel maintenance. The SMA Operations account provides Federal assistance to the six SMAs to help educate and train mariners to support the United States marine transportation system.²⁵ These graduates promote commerce in the United States and aid in the National defense by serving in the Merchant Marine.²⁶ SMAs are under the jurisdiction of the House Committee on Armed Services.

TANKER SECURITY PROGRAM

The President's FY 2025 budget requests \$60 million for the Tanker Security Program (TSP), an amount equal to the FY 2024 enacted level. TSP provides direct payments to United States-flagged product tankers capable of supporting national economic and Department of Defense contingency requirements. The program was authorized \$60 million per year through FY 2035 in the FY 2021 NDAA.²⁷ The purpose of this program is to provide retainer payments to carriers to support a fleet of militarily useful, commercially viable product tankers sailing in international trade, as well as assure access to a global network of intermodal facilities.²⁸ The program will also sustain a base of United States merchant mariners to support National security requirements during times of urgent need.²⁹ TSP is under the jurisdiction of the House Committee on Armed Services.

PORT INFRASTRUCTURE DEVELOPMENT PROGRAM

The President requests \$80 million for the Port Infrastructure Development Program (PIDP), which is a decrease of \$40.46 million (33.59 percent) below the FY 2024 enacted level. This request is in addition to the \$450 million in advanced appropriations that will be provided in FY 2025 under IIJA.³⁰ PIDP was authorized at a funding level of \$500 million in the FY 2024 NDAA.³¹ PIDP provides grants for coastal seaports, inland river ports, and Great Lakes ports infrastructure to improve the safety, efficiency, or reliability of the movement of goods, and to reduce

²⁰ DOT FY 2025 Budget Estimate, *supra* note 2.

²¹ 46 U.S.C. § 53104.

²² NDAA FY 2024, *supra* note 12.

²³ DOT FY 2025 Budget Estimate, *supra* note 2.

²⁴ NDAA FY 2024, *supra* note 12.

²⁵ DOT FY 2025 Budget Estimate, *supra* note 2.

²⁶ *Id.*

²⁷ William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116–283, 134 Stat. 3388.

²⁸ DOT FY 2025 Budget Estimate, *supra* note 2.

²⁹ *Id.*

³⁰ IIJA, *supra* note 13.

³¹ NDAA FY 2024, *supra* note 12.

environmental impacts in and around ports.³² The Notice of Funding Opportunity (NOFO) for the FY 2024 round of PIDP grants is currently available, and applications will be accepted through May 10, 2024. The NOFO can be found here: <https://www.maritime.dot.gov/ports/port-infrastructure-development-program/pidp-nof-fy2024>. Past grant awards can be found here: <https://www.maritime.dot.gov/PIDPgrants>.

IV. BUDGET FOR FMC

The President's FY 2025 budget request for FMC compares to the FY 2024 enacted funding level as shown here:³³

FMC FY 2024 Enacted to FY 2025 President's Budget Request Comparison

(Dollars in Thousands)

Account	FY 2024 Enacted	President's FY 2025 Budget Request	FY 2024 to FY 2025 Change (\$)	FY 2024 to FY 2025 Change (%)
Operations and Administrative Program	\$ 40,000	\$ 48,452	\$ 8,452	21.13%

The President requests \$48.452 million in FY 2025 for the activities of the FMC, an increase of \$8.452 million (21.13 percent) above the FY 2024 enacted level, and a decrease of \$748 thousand (1.52 percent) below the FY 2025 authorized level.³⁴ The request would permit the funding of salaries and benefits for 167 full-time positions, a two percent projected pay raise for personnel, rent and building security needs, and information technology system improvements.³⁵ This increase is to pay for implementation of the significant new responsibilities imposed on the Commission by Congress in the Ocean Shipping Reform Act of 2022 (P.L. 117–146).

IMPLEMENTATION OF THE OCEAN SHIPPING REFORM ACT OF 2022

The Ocean Shipping Reform Act of 2022 (P.L. 117–146) strengthened FMC authorities to promote the growth and development of United States exports through an ocean transportation system that is competitive, efficient, and economical. This legislation authorizes appropriations for FMC through FY 2025; sets standards that detention and demurrage charges must comply with and penalties for charges deemed inaccurate; allows FMC to set minimum contract standards for ocean shipping service contracts to protect United States shippers from actions that leave export cargoes stranded at United States ports; and increases protections for United States shippers from retaliation by foreign ocean carriers.³⁶

The Commission has signaled that all statutorily mandated requirements are well underway and projected to be complete before FY 2025.³⁷ Since the Act's enactment on June 16, 2022, FMC has:

- Provided industry guidance on filing charge complaints with respect to charges assessed by a common carrier that the complainant believes may not comply with statute.³⁸
- Provided industry guidance on the applicability of self-executing provisions of the law to common carriers, including compliance with demurrage and detention billing practices.³⁹
- Reviewed public comments and submitted to the Office of Management and Budget (OMB) materials detailing a new data collection system for container-

³² U.S. DEPT OF TRANSP., MARITIME ADMIN., *Port Infrastructure Development Program*, available at <https://www.maritime.dot.gov/PIDPgrants#:~:text=The%20Port%20Infrastructure%20Development%20Program,around%2C%20or%20within%20a%20port>.

³³ See FMC FY 2025 Budget Justification *supra* note 5; Consolidated Appropriations Act, 2024 *supra* note 8.

³⁴ Ocean Shipping Reform Act of 2022, Pub. L. 117–146, 136 Stat. 1272.

³⁵ FMC FY 2025 Budget Justification, *supra* note 5.

³⁶ Ocean Shipping Reform Act of 2022, Pub. L. No. 117–146, 136 Stat. 1272.

³⁷ FMC FY 2025 Budget Justification, *supra* note 5.

³⁸ FEDERAL MARITIME COMMISSION, *Industry Advisory—Interim Procedures for Submitting “Charge Complaints” Under 46 U.S.C. § 41310*, (July 14, 2022), available at <https://www.fmc.gov/industry-advisory-interim-procedures-for-submitting-charge-complaints/>.

³⁹ FEDERAL MARITIME COMMISSION, *Industry Advisory—Applicability of Provision Contained in PL 117–146*, (June 24, 2022), available at <https://www.fmc.gov/industry-advisory-applicability-of-provisions-contained-in-pl-117-146/>.

ized vessel imports and exports to and from the United States.⁴⁰ FMC has also updated existing Information Technology to ease the submission and processing of required data and anticipates OMB approval of the new system in FY 2024 with data collection beginning soon after.⁴¹

- Reviewed public comments on a proposed rule requiring inclusion of specific information on demurrage and detention invoices and is working to finalize the rule in FY 2024.⁴²
- Issued a supplemental proposed rule that would define unreasonable refusal to deal or negotiate with respect to vessel space accommodations provided by an ocean common carrier.⁴³
- Established the Bureau of Enforcement, Investigations, and Compliance for improved effectiveness of the Commission's enforcement and compliance activities.⁴⁴
- Entered into an agreement with the National Academies of Sciences, Engineering, and Medicine to carry out a study and develop best practices for the efficient supply of chassis for transporting intermodal containers.⁴⁵
- Published on their website the "Fact Finding Investigation 29 Final Report on the Effects of the COVID-19 Pandemic on the U.S. International Ocean Supply Chain: Stakeholder Engagement and Possible Violations of 46 U.S.C. 41102(c)".⁴⁶

V. WITNESSES

- Rear Admiral Ann C. Phillips, Administrator, Maritime Administration
- The Honorable Daniel B. Maffei, Chairman, Federal Maritime Commission

⁴⁰FMC FY 2025 Budget Justification, *supra* note 5.

⁴¹*Id.*

⁴²*Id.*

⁴³*Id.*

⁴⁴FEDERAL MARITIME COMMISSION, *New FMC Enforcement Structure*, (July 29, 2022) available at <https://www.fmc.gov/new-fmc-enforcement-structure/>.

⁴⁵NAT'L ACADEMIES OF SCIENCES, ENGINEERING, AND MEDICINE, *Best Practices for the Efficient Supply of Chassis for Transporting Intermodal Containers*, available at <https://www.nationalacademies.org/our-work/best-practices-for-the-efficient-supply-of-chassis-for-transporting-intermodal-containers#sectionContact>.

⁴⁶FEDERAL MARITIME COMMISSION FACT FINDING INVESTIGATION 29 FINAL REPORT, EFFECTS OF THE COVID-19 PANDEMIC ON THE U.S. INTERNAT'L OCEAN SUPPLY CHAIN: STAKEHOLDER ENGAGEMENT AND POSSIBLE VIOLATIONS OF 46 U.S.C. § 41102(C), (2022), available at <https://www2.fmc.gov/readingroom/docs/FFno29/Fact%20Finding%2029%20Final%20Report.pdf/>.

**REVIEW OF FISCAL YEAR 2025 MARITIME
TRANSPORTATION BUDGET REQUESTS, PT.
1: MARITIME ADMINISTRATION AND FED-
ERAL MARITIME COMMISSION**

TUESDAY, APRIL 30, 2024

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

The subcommittee met, pursuant to call, at 2:10 p.m. in room 2167 Rayburn House Office Building, Hon. Daniel Webster (Chairman of the subcommittee) presiding.

Mr. WEBSTER OF FLORIDA. The Subcommittee on Coast Guard and Maritime Transportation will come to order.

I ask unanimous consent that the chairman be authorized to declare a recess at any time during the committee hearing.

Without objection, show that ordered.

I ask for unanimous consent that the Members not on the subcommittee be permitted to sit in the subcommittee at today's hearing and ask questions.

Without objection, show that ordered.

As a reminder, Members, to insert a document into the record, here is where you send it: email it to DocumentsTI@mail.house.gov.

OK. I now recognize myself for the purpose of an opening statement for 5 minutes.

**OPENING STATEMENT OF HON. DANIEL WEBSTER OF FLORIDA,
CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION**

Mr. WEBSTER OF FLORIDA. We meet today to review the fiscal year 2025 budget requests for the Federal maritime transportation programs administered by the Maritime Administration and the Federal Maritime Commission.

Welcome to our guests, Rear Admiral Ann Phillips, Administrator of the Maritime Administration, and the Honorable Dan Maffei, Chairman of the Federal Maritime Commission.

First, I would like to thank both of your agencies for their efforts and coordination with other relevant agencies to ensure the continued operation of maritime commerce in the aftermath of the Francis Scott Key Bridge collapse in Baltimore. While recovery efforts continue, it is important that we also maintain stable trade

flows. So, we thank you for your assistance to the maritime industry. Thank you both for doing that.

MARAD is the promotional agency within the Department of Transportation responsible for fostering, promoting, and developing the maritime industry of the United States. The President's fiscal year 2025 budget request for MARAD includes \$859.7 million for the administration of programs that strengthen our national security and economy, train our future mariner workforce, and build a more efficient maritime transportation system.

Among these programs is the Port Infrastructure Development Program, known as PIDP, a discretionary grant program to fund infrastructure projects that improve the safety, efficiency, and reliability of the movement of goods at coastal seaports, inland river ports, and Great Lakes ports. The President's budget request includes \$80 million for this program, which is in addition to the \$450 million in advanced appropriations the program receives annually through fiscal year 2026 in the Infrastructure Investment and Jobs Act.

PIDP has grown exponentially since it was first appropriated funds in fiscal year 2019. Unfortunately, this growth comes with administrative challenges that severely impact the effectiveness of the program. These include long delays for grant recipients in getting grant contracts signed, which slows the obligation of funds and leaves project scopes vulnerable to inflationary pressures. These delays harm the program's ability to improve our ports. I look forward to discussing ways we can streamline this process to ensure that the program is carried out as efficiently as possible.

MARAD also oversees the Deepwater Port Licensing Program, which provides permits for the construction of ports in waters off the shore of the United States. While the prolonged timeline for processing these permits is an ongoing issue, I am encouraged by MARAD's recent approval of an application for construction of a deepwater port off the coast of Texas.

However, I remain concerned that there are several other applications waiting for a decision that are far beyond the 356-day statutory timeline for review. I hope to work with MARAD to ensure all applications are processed in a timely fashion as required by law, and I continue to work with my colleagues to correct the long-term administration of this important program.

Lastly, the subcommittee remains interested in the study currently underway that will inform the national maritime strategy. I hope to hear how MARAD is working with the federally funded research and development center conducting the study to ensure it serves as a helpful tool in the needed revitalization of our maritime industry.

Additionally, we have the Chairman of the Federal Maritime Commission, or FMC, with us today to discuss the state of the ocean shipping industry and their ongoing work implementing the Ocean Shipping Reform Act of 2022, known as OSRA. FMC is an independent agency responsible for the regulation of oceanborne transportation in the foreign commerce of the United States. The President's fiscal year 2025 budget request includes \$48.5 million to fund the salaries and capital needs of FMC.

The supply chain crisis caused by COVID-19 dramatically increased ocean shipping costs while congesting ports and impairing maritime trade flows. In response, Congress enacted and tasked FMC with implementing OSRA to help address many of the challenges experienced by United States exporters. FMC has worked diligently since the enactment of OSRA to implement its enhanced authorities. I look forward to hearing from Chairman Maffei today on the status of FMC's efforts.

Thank you both for appearing here.

[Mr. Webster of Florida's prepared statement follows:]

**Prepared Statement of Hon. Daniel Webster of Florida, Chairman,
Subcommittee on Coast Guard and Maritime Transportation**

We meet today to review the fiscal year 2025 budget requests for federal maritime transportation programs administered by the Maritime Administration and the Federal Maritime Commission. Welcome to our witnesses—Rear Admiral Ann Phillips, Administrator of the Maritime Administration, and the Honorable Dan Maffei, Chairman of the Federal Maritime Commission.

First, I'd like to thank both of your agencies for your efforts and coordination with other relevant agencies to ensure the continued operation of maritime commerce in the aftermath of the Francis Scott Key Bridge collapse in Baltimore. While recovery efforts continue, it is important that we also maintain stable trade flows, so thank you for your assistance to the maritime industry.

MARAD is the promotional agency within the Department of Transportation responsible for fostering, promoting, and developing the maritime industry of the United States. The President's fiscal year 2025 budget request for MARAD includes \$859.7 million for the administration of programs that strengthen our national security and economy, train our future mariner workforce, and build a more efficient marine transportation system.

Among these programs is the Port Infrastructure Development Program (PIDP), a discretionary grant program to fund infrastructure projects that improve the safety, efficiency, and reliability of the movement of goods at coastal seaports, inland river ports, and Great Lakes ports. The President's budget request includes \$80 million for this program, which is in addition to the \$450 million in advanced appropriations the program receives annually through fiscal year 2026 in the Infrastructure Investment and Jobs Act.

PIDP has grown exponentially since it was first appropriated funds in fiscal year 2019. Unfortunately, this growth comes with administrative challenges that severely impact the effectiveness of the program. This includes long delays for grant recipients in getting grant contracts signed, which slows the obligation of funds and leaves project scopes vulnerable to inflationary pressures. These delays harm the program's ability to improve our ports. I look forward to discussing ways we can streamline this process to ensure the program is carried out as efficiently as possible.

MARAD also oversees the Deepwater Port Licensing Program, which provides permits for the construction of ports in waters off the coast of the United States. While the prolonged timeline for processing these permits is an ongoing issue, I am encouraged by MARAD's recent approval of an application for construction of a deepwater port off the coast of Texas.

However, I remain concerned that there are several other applications waiting for a decision that are far beyond the 356-day statutory timeline for review. I hope to work with MARAD to ensure all applications are processed in a timely fashion as required by law, and I will continue to work with my colleagues to correct the long-term administration of this important program.

Lastly, the Subcommittee remains interested in the study currently underway that will inform the National Maritime Strategy. I hope to hear how MARAD is working with the Federally Funded Research and Development Center conducting the study to ensure it serves as a helpful tool in the needed revitalization of our maritime industry.

Additionally, we have the Chairman of the Federal Maritime Commission (FMC) with us today to discuss the state of the ocean shipping industry and their ongoing work implementing the Ocean Shipping Reform Act of 2022 (OSRA). FMC is an independent agency responsible for the regulation of ocean-borne transportation in

the foreign commerce of the United States. The President's fiscal year 2025 budget request includes \$48.5 million to fund the salaries and capital needs of FMC.

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Mr. WEBSTER OF FLORIDA. I recognize the ranking member, Mr. Carbajal, for an opening statement for 5 minutes.

Mr. CARBAJAL. Thank you, Mr. Chair.

I will yield to our ranking member of our T&I Committee. But before I do that, I see some young people that have come to our hearing. I see a lot of "Members of Congress to be" in the future over there in the corner. I wanted to recognize them before I turn it over to our Ranking Member Larsen.

Thank you, Mr. Chair.

OPENING STATEMENT OF HON. RICK LARSEN OF WASHINGTON, RANKING MEMBER, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Mr. LARSEN OF WASHINGTON. Thank you, Chair, for scheduling today's hearing to review the fiscal year 2025 budget request of the Maritime Administration and the FMC.

Together, these agencies promote the U.S. maritime industry and protect consumers against unfair shipping practices.

Ocean shipping is dominated by foreign shipping companies who transport over 98 percent of imports and exports. Between pandemic-related supply chain issues and ongoing international conflicts, we have learned the importance of a vibrant U.S. maritime industry, and now is the time to strengthen and support that industry.

The President's fiscal year 2025 budget request includes, though, an 11-percent decrease in discretionary funds for the Maritime Administration and a 21-percent increase for the Federal Maritime Commission.

While the funding request for the FMC will ensure fairness for American shippers and consumers, I am concerned MARAD will not have the resources it needs to support a robust supply chain.

Investment in the U.S. maritime industry is long overdue. For years, we have faced a mariner shortage as workers retire and the industry struggles to appeal to younger Americans. To attract new workers, we must strengthen education and training, as well as ensure good wages and a robust job market for those entering the industry.

I am disappointed that the President's budget includes a 35-percent cut in funding for the Port Infrastructure Development Program. While there remains robust funding for the program as a result of advanced appropriations included in the Bipartisan Infrastructure Law, it was never the intent of Congress for that funding to supplant regular appropriations.

Infrastructure investments in seaports provide opportunities to bolster our economy, strengthen the supply chain, create and sustain jobs, and enhance our international competitiveness.

In my own district, the Swinomish Port Authority—a small port and one of the few Tribal-run port authorities—recently received an \$11 million grant to fund a master plan for the port and to begin the design and engineering of a new commercial pier. So, we can see the local and regional impacts of this funding is immeasurable.

Small ports are lifelines to local communities and are a critical part of the supply chain that can ease congestion at larger ports. That is why robust funding must be provided for small ports through the PIDP.

I am pleased that the President's budget request includes \$20 million for the Small Shipyard Grant Program. I have several small shipyards in my district, and I have seen how these grants can be used to create jobs and bolster the local and national economy.

I would be remiss if I did not bring up Admiral Phillips' ongoing work to address the sexual assault and sexual harassment at the U.S. Merchant Marine Academy, the State maritime academies, and across the commercial industry. Sexual assault and harassment have no place in society, and every mariner deserves respect and deserves to feel safe at sea.

I want to commend Admiral Phillips and MARAD for their work in awarding the Bipartisan Infrastructure Law funding as well, and I look forward to seeing what projects are selected this fall.

And, finally, in the last Congress, this committee passed the Ocean Shipping Reform Act of 2022. And under Chairman Maffei's leadership—good to see you again, Chairman Maffei—the Federal Maritime Commission has been quick to implement new requirements for ocean carriers and investigate unfair shipping practices.

The Federal Maritime Commission will require more funding and personnel to fully address the new investigative and prosecutorial authorities provided under the law, and I am heartened to see that the President understands this and included in his budget request a 21-percent increase for the FMC.

Since passage of the Ocean Shipping Reform Act of 2022, container prices have fallen, vessel backlogs have eased, and the FMC has revamped the reporting process, making it easier for shippers to file complaints.

Currently, the FMC is monitoring the shipping fees and surcharges associated with shipping disruptions in the Red Sea and drought conditions in the Panama Canal.

Congress has asked a lot of the FMC, and the President's budget request recognizes the need for increased funding.

I look forward to engaging our witnesses on both MARAD's and FMC's ongoing work to strengthen our supply chain and to grow the U.S. commercial maritime fleet.

And with that, thank you, and I yield back.

[Mr. Larsen of Washington's prepared statement follows:]

**Prepared Statement of Hon. Rick Larsen of Washington, Ranking Member,
Committee on Transportation and Infrastructure**

Mr. Chairman, thank you for scheduling today's hearing to review the Fiscal Year 2025 budget requests of the Maritime Administration and the Federal Maritime Commission.

Together, these agencies promote the United States maritime industry and protect consumers against unfair shipping practices.

Ocean shipping is dominated by foreign shipping companies who transport over 98 percent of imports and exports. Between pandemic related supply chain issues and ongoing international conflicts, we have learned the importance of a vibrant U.S. maritime industry. Now is the time to strengthen and support that industry.

The President's fiscal year 2025 budget request includes an 11 percent decrease in discretionary funds for the Maritime Administration and a 21 percent increase for the Federal Maritime Commission.

While the funding request for the FMC will ensure fairness for American shippers and consumers, I'm concerned that MARAD will not have the resources it needs to ensure a robust supply chain.

Investment in the U.S. maritime industry is long overdue. For years, we have faced a mariner shortage as workers retire and the industry struggles to appeal to younger Americans. To attract new workers, we must strengthen education and training as well as ensure good wages and a robust job market for those entering the industry.

I am disappointed that the President's budget includes a 35 percent cut in funding for the Port Infrastructure Development Program. While there remains robust funding for the program as the result of advanced appropriations included in the Bipartisan Infrastructure Law, it was never the intent of Congress for that funding to supplant regular appropriations.

Infrastructure investments in seaports provide opportunities to bolster our economy, strengthen the supply chain, create and sustain jobs and enhance our international competitiveness.

In my own district, the Swinomish Port Authority—a small port and one of the few Tribal-run port authorities—received an \$11 million grant to fund a master plan for the port and begin the design and engineering of a new commercial pier. The local and regional impact of this project is immeasurable.

Small ports are lifelines to local communities and are a critical part of the supply chain that can ease congestion at larger ports. That is why robust funding must be provided for small ports through the Port Infrastructure Development Program.

I am pleased that the President's budget request includes \$20 million for the Small Shipyard Grant Program. I have several small shipyards in my district, and I have seen how these grants can be used to create jobs and bolster both the local and national economy.

I would be remiss if I did not bring up Admiral Phillips' ongoing work to address sexual assault and sexual harassment at the United States Merchant Marine Academy, the State Maritime Academies and across the commercial industry. Sexual assault and harassment have no place in society. Every mariner deserves to be respected and deserves to feel safe out at sea.

I commend Admiral Phillips and the Maritime Administration for their work in awarding the Bipartisan Infrastructure Law funding and I look forward to seeing what projects are selected this fall.

Finally, last Congress, this Committee passed the Ocean Shipping Reform Act of 2022. Under Chairman Maffei's leadership, the Federal Maritime Commission has been quick to implement new requirements for ocean carriers and investigate unfair shipping practices.

The Federal Maritime Commission will require more funding and personnel to fully address the new investigative and prosecutorial authorities provided under the law. I am heartened to see that the President understands this and included in his budget request a 21 percent increase for the Federal Maritime Commission.

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Currently, the FMC is monitoring shipping fees and surcharges associated with the shipping disruptions in the Red Sea and drought conditions in the Panama Canal.

Congress has asked a lot of the FMC and the President's budget request recognizes the need for increased funding.

I look forward to engaging our witnesses on MARAD and FMC's ongoing work to strengthen our supply chain and grow the United States commercial maritime fleet.

Thank you, and I yield back.

Mr. WEBSTER OF FLORIDA. Mr. Carbajal.

OPENING STATEMENT OF HON. SALUD O. CARBAJAL OF CALIFORNIA, RANKING MEMBER, SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Mr. CARBAJAL. Thank you, Chair Webster, for scheduling today's hearing on the review of the fiscal year 2025 budget request for the Maritime Administration, MARAD, and the Federal Maritime Commission, FMC.

I look forward to hearing from Chair Maffei and Administrator Phillips on the President's budget request and their agencies' priorities for the upcoming year.

Stability in international shipping is integral to a strong economy. During the COVID-19 pandemic, weaknesses in our supply chain were amplified as landside port congestion and unfair shipping practices by foreign ocean carriers led to backlogs and price increases. This, in turn, contributed, no doubt, to inflation.

Tasked with ensuring fairness in international shipping, the FMC has key authorities which allow it to safeguard transparent and equitable maritime commerce.

The reforms in the bipartisan Ocean Shipping Reform Act, which passed out of this subcommittee last Congress before becoming law, strengthened the FMC's authority to investigate unfair ocean shipping carrier fees and facilitate the efficient movement of cargo through U.S. ports.

In the 2 years since passage of the Ocean Shipping Reform Act, the FMC has worked expeditiously to utilize their new authorities, establish new regulations around detention and demurrage practices, and as a result, has made international shipping more fair for American shippers.

It is important that the FMC is sufficiently funded so that it can properly continue to carry out these reforms which benefit American businesses and consumers alike. That is why I am happy to see an \$8 million increase in the President's budget request for the FMC.

Beyond a fairer shipping process, the U.S. economy depends upon a robust maritime industry. I fear that without continued support for our U.S.-flag fleet, fair shipping practices will only get us so far. The U.S. merchant marine is shrinking, and availability of American merchant mariners is dwindling. This puts our sealift capabilities, national defense, and economy in jeopardy.

More and more we rely on foreign ocean carriers to transport our goods. It is MARAD's responsibility to promote a vibrant maritime industry. I expect to hear today how we can revitalize the American maritime industry.

Unfortunately, the fiscal year 2024 appropriations resulted in a substantial cut to MARAD discretionary programs meant to support the industry. I worry about the precedent this has created as the fiscal year 2025 funding request follows this downward spiral or trend.

MARAD oversees vital grant programs that fund projects to modernize our infrastructure, including the Maritime Environmental and Technical Assistance Program, or META, and the Port Infrastructure Development Program.

The President's budget request includes \$6 million for META, which is a \$1.5 million decrease over last year's budget. This is disappointing, to say the least.

Decreases over 2 years are not the trend we want to see. This program supports the research, development, and deployment of new technology in the maritime industry, particularly low- or zero-carbon technologies.

These technologies are crucial for reducing harmful emissions and protecting our public health and the environment, especially for port communities, where air pollution is statistically worse. We must continue to invest in these programs that foster innovation not only to address climate change but also to make the United States a leader in this new technology.

The Port Infrastructure Development Program, referred to as PIDP, also supports decarbonization projects, which help reduce emissions and build a more resilient, reliable transportation system. Yet, despite the importance of this program, we saw a substantial decrease in fiscal year 2024 funding, and the fiscal year 2025 budget request follows suit.

I am heartened to see an increase in funding for the U.S. Merchant Marine Academy. Administrator Phillips has done an excellent job continuing to pursue systemic change to the culture that has resulted in sexual violence and harassment at the U.S. Merchant Marine Academy and in the commercial maritime industry. This issue is of the utmost importance, and while our work is not done, I commend your leadership efforts to make the maritime industry a safe and desirable workplace for all.

Thank you to our witnesses and attendees for your participation today. I look forward to a robust discussion about how the 2025 budget request can support investments in improving the U.S. Marine Transportation System.

Mr. Chair, I yield back.

[Mr. Carbajal's prepared statement follows:]

Prepared Statement of Hon. Salud O. Carbajal of California, Ranking Member, Subcommittee on Coast Guard and Maritime Transportation

Thank you, Chairman Webster, for scheduling today's hearing on the review of the Fiscal Year 2025 Budget Request for the Maritime Administration and the Federal Maritime Commission.

I look forward to hearing from Chairman Maffei and Administrator Phillips on the President's budget request and their agency priorities for the upcoming year.

Stability in international shipping is integral to a strong economy.

During the COVID-19 pandemic, weaknesses in our supply chain were amplified as landside port congestion and unfair shipping practices by foreign ocean carriers led to backlogs and price increases. This, in turn, contributed to inflation.

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In the two years since passage of the Ocean Shipping Reform Act, the FMC has worked expeditiously to utilize their new authorities, established new regulations around detention and demurrage billing practices, and as a result, have made international shipping more fair for American shippers.

It is important that the FMC is sufficiently funded so that it can properly continue to carry out these reforms which benefit American businesses and consumers

alike. That is why I am happy to see an \$8 million increase in the President's budget request for the FMC.

Beyond a fair shipping process, the U.S. economy depends upon a robust maritime industry. I fear that without continued support for our U.S. flag fleet, fair shipping practices will only get us so far. The U.S. merchant marine is shrinking, and availability of American merchant mariners is dwindling. This puts our sealift capabilities, national defense, and economy in jeopardy.

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Thank you to our witnesses and attendees for their participation today. I look forward to a robust discussion about how the 2025 budget request can support investments in improving the U.S. marine transportation system.

Mr. WEBSTER OF FLORIDA. I know both of our witnesses are fully aware of the lighting system we have. Green means go, yellow means slow down, and red means time to wrap it up.

So, with that, I ask unanimous consent that the witnesses' full statements be included in the record.

Without objection, show that ordered.

I ask unanimous consent that the record of today's hearing remain open for such time as the witnesses have provided answers to questions that may be submitted to them in writing.

Without objection, show that ordered.

I ask unanimous consent that the record remain open for 15 days for any additional comments or information submitted by its Members or the witnesses to be included in the record of today's hearing.

Without objection, show that ordered.

So, as the written testimony has been made a part of the record, the committee asks that you limit your remarks to 5 minutes.

And with that, Admiral Phillips, you are recognized for 5 minutes for your testimony.

TESTIMONY OF ANN C. PHILLIPS, REAR ADMIRAL, U.S. NAVY (RET.), AND ADMINISTRATOR, MARITIME ADMINISTRATION; AND HON. DANIEL B. MAFFEI, CHAIRMAN, FEDERAL MARITIME COMMISSION

TESTIMONY OF ANN C. PHILLIPS, REAR ADMIRAL, U.S. NAVY (RET.), AND ADMINISTRATOR, MARITIME ADMINISTRATION

Admiral PHILLIPS. Thank you, Mr. Chair.

Good afternoon, Chairman Graves, Ranking Member Larsen, Chairman Webster, and Ranking Member Carbajal, members of the subcommittee. Thank you for your tremendous support for the Maritime Administration, the U.S. Merchant Marine Academy, and the U.S. maritime industry. I am honored to testify before you today and being joined by Federal Maritime Commission Chair Dan Maffei.

Before I go further, allow me to express our condolences on behalf of the Department of Transportation to the families of those who lost their lives in March when the Francis Scott Key Bridge collapsed.

MARAD's mission is to foster, promote, and develop the maritime industry of the United States to meet the Nation's economic and security needs. The President's budget for fiscal year 2025 requests \$859.7 million for MARAD.

It includes the Port Infrastructure Development Program, requesting \$80 million for PIDP, to enhance port infrastructure, stimulate economic growth, improve safety, address climate change and environmental justice, and strengthen supply chains. The Bipartisan Infrastructure Law also provides advanced appropriations for this program in 2025.

Last year, MARAD awarded more than \$653 million in PIDP grants and awards to 41 projects in 25 States and 1 Territory.

This year, thanks again to the BIL and funding provided in the 2024 appropriations measure, \$500 million in funding is available for PIDP grants. An additional \$72 million in fiscal year 2024 appropriations has already been congressionally directed to 22 projects. Applications for this program close May 10 this year.

The 2025 budget requests \$10 million for the United States Marine Highway Program to support marine supply chains and offer cost-effective transportation for U.S. shippers and manufacturers. MARAD awarded nearly \$12 million in marine highway projects in 2023. In 2024, \$5 million in funding is available.

The 2025 budget also requests \$20 million for MARAD's Small Shipyard Grants to improve infrastructure at small U.S. shipyards, enhancing their efficiency and competitiveness for commercial ship construction and maintenance; \$8.5 million is available in 2024. Applications close May 8.

Within MARAD's fiscal year 2025 budget request, \$6 million will support the Maritime Environmental and Technical Assistance Program, and \$3.7 million supports the Federal Ship Financing Program, Title XI. When combined with the fiscal year 2024 appropriation for Title XI of \$53 million, this will support \$1.3 billion in outstanding loan guarantees.

The President's fiscal year 2025 budget also requests \$191 million to support the U.S. Merchant Marine Academy and enable

MARAD to continue to address the urgent and longstanding challenges at the Academy.

This includes support for 975 midshipmen, 293 faculty and staff, funding for facility maintenance and for 21 new positions to implement congressionally directed NAPA recommendations, as well as address facility maintenance and repair needs and academic needs and aid in implementing the EMBARC program.

MARAD continues to expand EMBARC participation. Today, there are 21 commercial operators enrolled which operate over 180 vessels. We are working to develop a proposed EMBARC rule pursuant to the fiscal year 2023 NDAA.

Also included in the 2025 budget for the Merchant Marine Academy is \$86 million for capital improvements, including barracks renovations, Wiley Hall renovations for classrooms and offices, and Delano Hall, the dining hall and galley renovations, in addition to rehabilitation of roads, sidewalks, and parking lots, and addressing longstanding deferred maintenance.

The 2025 budget also requests \$87 million to support the six State maritime academies covering school ship maintenance and repair, Student Incentive Program, direct SMA support, fuel assistance, and NSMV pre- and post-delivery support.

Four NSMVs remain under construction. The *Empire State* was delivered last fall. The second ship, *Patriot State*, will be delivered this summer to Massachusetts Maritime Academy. The *State of Maine* was launched earlier this month.

Our Government-owned sealift fleet is supported by privately owned, commercially operated U.S.-flag vessels in the Maritime Security and Tanker Security Programs.

The fiscal year 2025 budget requests the full authorization of \$318 million for MSP, which is the heart of sustainment sealift.

MARAD has also fully implemented the 10-vessel Tanker Security Program and is requesting \$60 million for that program.

The budget in 2025 requests \$974 million from DoD for MARAD to acquire, upgrade, and maintain vessels in the NDRF and RRF. These funds ensure the fleet remains ready, reliable, and responsive, using commercial ship managers and crewed by U.S. mariners.

In addition, MARAD continues to collaborate with stakeholders to address the mariner shortage and recently convened, on March 20, the first NDAA-directed Maritime Workforce Working Group. Our next meeting is May 8.

These programs reflect MARAD's priorities supported by the President's budget.

Thank you for the opportunity to testify today. I look forward to your questions.

[Admiral Phillips' prepared statement follows:]

Prepared Statement of Ann C. Phillips, Rear Admiral, U.S. Navy (Ret.), and Administrator, Maritime Administration

Good afternoon, Chairman Webster, Ranking Member Carbajal, and Members of the Subcommittee. Thank you for your tremendous support for the Maritime Administration (MARAD), the U.S. Merchant Marine Academy (USMMA), and the U.S. maritime industry. We greatly appreciate the opportunity to testify today on the President's Fiscal Year (FY) 2025 budget, and how this request will enable MARAD

to continue to advance key priorities in support of our economic and national security.

Before I go further, allow me to express on behalf of the Department of Transportation (DOT) our condolences to the families of those who lost their lives when the Francis Scott Key Bridge collapsed. I also want to express thanks to the United States Coast Guard for spearheading the Federal response at the Port of Baltimore, and to all of our Federal partners—especially my DOT colleagues at MARAD and the Federal Highway Administration, as well as Maryland state and local officials for their ongoing response to the Baltimore bridge collapse.

This event highlights how important our maritime transportation system is to the Nation's economic and national security. The collapse of the Key Bridge, COVID, attacks in the Red Sea, and recent weather disasters serve as notable reminders of the need for flexibility and redundancy to support the transportation segments of our supply chain. As we overcome this tragedy, we demonstrate once again our great resolve and ability to respond as a Nation.

FY 2025 BUDGET REQUEST

MARAD's mission is to foster, promote, and develop the maritime industry of the United States to meet the nation's economic and security needs. The President's FY 2025 Budget request of \$859.7 million for MARAD will enable the agency to continue to strengthen our sealift enterprise by advancing recapitalization of the Ready Reserve Force (RRF) and the vital commercial sealift programs that support U.S.-flagged vessels operating in the foreign trade.

The President's request will also support investments in our ports and waterways to improve supply chain resiliency, expand our efforts to address climate change, and advance environmental justice for port communities. In FY 2025, \$450 million provided by the Bipartisan Infrastructure Law (BIL) to support the Port Infrastructure Development Program (PIDP) will be invested in new grants. The President's budget requests an additional \$80 million to support PIDP, which would bring the total amount of funding available in FY 2025 to \$530 million and enable us to continue modernizing our ports to help reduce the cost of moving goods from ships to shelves and from American farmers and factories to end-users at home and abroad.

In addition, the President's request will enable MARAD to continue critical investments to address the urgent and long-standing challenges at the USMMA. Further, it will enable us to implement the many new authorities and responsibilities provided in the National Defense Authorization Act for Fiscal Year 2024 (FY 2024 NDAA).

ECONOMIC AND CLIMATE SUSTAINABILITY INVESTMENTS

Last year, MARAD awarded more than \$653 million in PIDP grants. This total included the third tranche of \$450 million in funding provided by the BIL, approximately \$212 million in FY 2023 appropriations, and unexpended funding from a prior PIDP round. The 2023 PIDP awards funded 41 projects in 25 states and one territory. More than \$100 million in the funding awarded last year focuses on port electrification to improve air quality, while nearly \$202 million of the awarded funding supports projects that will advance offshore wind farm developments. These efforts are helping to advance the important objectives of the BIL, and the vital goal of President Biden's Justice40 Initiative—that 40 percent of the overall benefits of certain covered Federal investments flow to disadvantaged communities that are marginalized by underinvestment and overburdened by pollution.

This year thanks again to the BIL and the funding provided in the FY 2024 appropriations measure, \$500 million in funding is available for PIDP grants. An additional \$72 million in FY2024 appropriations has already been congressionally directed to 22 projects. The Notice of Funding Opportunity (NOFO) for this program is open and applications are due by May 10, 2024.

The FY 2025 Budget also requests \$10 million for the United States Marine Highway Program. Marine highways support our maritime supply chains and enable more cost-effective transportation options for U.S. shippers and manufacturers. In 2023, MARAD awarded nearly \$12 million in marine highway projects. The funding awarded last year will support 8 projects across the nation—and nearly all the funding is supporting projects in disadvantaged communities or Federally designated community development zones. In FY 2024, \$5 million in funding is available, and MARAD will begin accepting applications soon.

The FY 2025 Budget also requests \$20 million for MARAD's Small Shipyards grants to support infrastructure improvements at qualified small U.S. shipyards to help improve their efficiency and ability to compete for domestic and international commercial ship construction and maintenance opportunities. Investing in ship-

building supports job creation in a vital domestic industrial base. These grants can also be used to support the acquisition of equipment that reduces negative climate impacts and adapts technologies that reduce shipyard power consumption.

Within MARAD's FY 2025 Budget request, \$6 million will support the Maritime Environmental and Technical Assistance (META) program. The META program fulfills a niche in the Federal government by being specifically designed to assist stakeholders with innovation that supports a safe and efficient U.S. maritime transportation sector. Approximately 75 percent of the FY 2025 funding will be focused on efforts related to decarbonization of the maritime transportation sector.

The FY 2025 Budget request for MARAD includes \$3.7 million for the Federal Ship Financing Program (Title XI) to provide the salaries and overhead support to manage the loan portfolio, currently at \$1.3 billion in outstanding loan guarantees. This program is designed to manage loans that help promote the U.S. shipyard industry by providing additional opportunities for vessel construction and modernization, including repowering, that may otherwise be unavailable to ship owners.

The President's FY 2025 Budget requests \$6 million for MARAD's Ship Disposal Program for support staff and overhead costs to continue to put primary emphasis on the disposal of the worst conditioned, non-retention vessels to mitigate environmental risks.

U.S. MERCHANT MARINE EDUCATION AND TRAINING

MARAD supports mariner training programs to produce highly skilled, USCG credentialed officers for the U.S. merchant marine. Specifically, MARAD supports mariner education and training at USMMA, and it facilitates mariner education through the extensive support we provide to the six state maritime academies (SMA).

Graduates of USMMA are required to maintain their licenses for 6 years and to sail on commercial vessels or serve in other capacities—such as on active duty in U.S. uniformed services—for 5 years. USMMA is also the principal source of new officers for the U.S. Navy's Strategic Sealift Officer (SSO) Program, which maintains a cadre of approximately 2,000 U.S. Naval Reserve Officers with the training and credentials to operate strategic sealift resources at times of national need.

The President's FY 2025 Budget requests \$191 million to support academic operating expenses for approximately 975 cadets and 293 faculty and support staff, including expanded support for the extensive facility maintenance and repair needs of the Academy's aging physical plant. It includes 21 new positions to support National Academy of Public Administration (NAPA) recommendations and address various efficiency and effectiveness initiatives. The budget also seeks funding for the Every Mariner Builds a Respectful Culture (EMBARC) program implementation. MARAD established the EMBARC program in December 2021 to help prevent sexual assault and sexual harassment during the Sea Year program, to support survivors, strengthen a culture of accountability, and improve safety for all mariners.

Today, there are 21 commercial operators enrolled in EMBARC; together, they operate more than 180 vessels. All vessel operators that are required to carry USMMA cadets under 46 U.S.C. § 51307(b)—i.e., operators with vessels enrolled in the MSP, TSP, and the CSP—have enrolled in EMBARC, and MARAD is conducting both scheduled and unscheduled vessel assessments, at a rate greater than the 10 percent required under 46 U.S.C. § 51322, to ensure compliance with EMBARC standards.

In addition, USMMA's Sexual Assault Prevention and Response Office (SAPR) is working to build midshipman awareness and eliminate obstacles to reporting sexual assault and violence. MARAD is working as quickly as possible to develop an EMBARC rule pursuant to the authority provided by the FY 2023 NDAA. Additionally, the USMMA has established an Advisory Council, as required by 46 U.S.C. § 51323, tasked with providing actionable recommendations on improving the Academy. Importantly, the Council includes experts in sexual assault and sexual harassment prevention and response.

The Biden-Harris Administration has long recognized the urgent need to rehabilitate and replace existing infrastructure and to significantly strengthen the ability of MARAD and USMMA to plan and manage capital investments and major maintenance efforts. Working closely with leaders and experts from the DOT, MARAD has implemented numerous measures to improve our ability to manage capital projects. Consistent with a recommendation from the National Academy of Public Administration, MARAD/USMMA created a new director position that is staffed with a Senior Executive to oversee all capital and maintenance projects at USMMA. MARAD and the DOT have also created new oversight bodies to ensure that investments of

taxpayer funds are properly managed, and yield completed projects that address the Academy's most urgent needs.

In early March, MARAD provided the Committees on Appropriations and made public USMMA's FY 2023 Capital Improvement Plan (CIP). The FY 2023 CIP explains significant changes made to active and out-year projects since USMMA's last CIP report, which was provided in late 2022. These changes are based on demonstrated need, as well as the principles that guide our prioritization of capital and maintenance projects. Specifically, our highest priorities for capital and maintenance investments are supporting the safety, health, and well-being of cadets and supporting the Academy's academic mission.

The USMMA is in the process of developing a deferred maintenance plan that will focus on high impact maintenance actions that are both wide-spread and that most directly impact the safety and quality of life of cadets and staff. The priorities include campus HVAC systems, plumbing, roofing and repair of building facades. In November 2023, the Academy started work on developing a Facilities Master Plan which will identify its priorities under its Capital Improvement Program. This plan, which will cover the next several years and will affect the entire campus, is expected to be in effect by the end of the year.

Eighty-six million dollars in capital improvement funds are requested in FY 2025 that would enable us to initiate a barracks renovation program as well as renovations of Wiley and Delano Halls. Funding would also enable us to rehabilitate roads, sidewalks, and parking lots.

The FY 2025 Budget request also includes \$87 million to provide support to the six SMAs. This request includes funding for school ship maintenance and repair, the Student Incentive Program (SIP), direct SMA support, fuel assistance, and National Security Multi-Mission Vessel (NSMV) pre-delivery and post-delivery support. MARAD has cooperative agreements in place with three SMAs, with Maine Maritime Academy being the latest as of January 31, 2024. The amount of \$58.3 million has been obligated for eligible pier upgrades necessary to enable heavy weather mooring of the NSMVs.

Funding would also meet maintenance and repair costs to maintain the legacy school ships and continue our direct support to the SMAs.

There are currently four NSMVs under construction with one ship—the EMPIRE STATE—delivered last fall. The second ship—the PATRIOT STATE—has an anticipated delivery to Massachusetts Maritime Academy in July of this year.

The FY 2024 NDAA also increases the authorized amount of SIP payments from \$32,000 to \$64,000, providing additional financial support to cadets who enroll in the Strategic Sealift Midshipman program.

NATIONAL SECURITY

Providing sealift to meet the nation's needs is a critical part of MARAD's mission, and we have proudly met the challenges of managing the National Defense Reserve Fleet (NDRF) for 78 years. America's strategic sealift provides the nation with the capability to rapidly project power globally by deploying Department of Defense (DOD) forces and moving cargoes worldwide during peacetime and wartime—including through contested environments—whenever activated by the U.S. Transportation Command (USTRANSCOM).

Our Government-owned sealift fleet is supported and leveraged by a fleet of privately owned, commercially operated U.S.-flag vessels in the Maritime Security Program (MSP) and the Tanker Security Program (TSP).

The FY 2025 Budget requests the full authorization level of \$318 million for the MSP, which is the heart of sustainment sealift. In return for a stipend, MSP operators provide the DOD with assured access to their ships and their global networks of critical capabilities, including intermodal facilities at home and abroad used to unload and transport military cargoes to final destinations.

There are 60 commercially-viable, militarily-useful vessels enrolled in MSP. These vessels are active in international trade and are on-call to meet the nation's need for sustained military sealift capacity. The MSP supports and sustains the merchant mariner base by providing employment for 2,400 highly-trained, skilled U.S. merchant mariners who may also crew the U.S. Government-owned surge sealift fleet when activated. The MSP also supports more than 5,000 additional shore-side jobs in the maritime industry.

MARAD has fully implemented the TSP program, awarding ten operating agreements to four different U.S. companies between April 20, 2023, and December 17, 2023. One of the program participants voluntarily withdrew one of their vessels from the program after accepting a long-term-charter to the U.S. Government, making the vessel ineligible to participate in the TSP. MARAD is in the process of filling

that vacancy and anticipates filling the slot this summer. The FY 2025 Budget request for the TSP program is \$60 million, for up to 10 enrolled tanker vessels. The TSP will strengthen the U.S. supply chain and improve the movement of liquid fuel products while creating good paying jobs. Moreover, these ships will ensure DOD has assured access to critically needed product tankers capable of loading, transporting, and storing on-station bulk petroleum refined products to support national economic security. We are preparing to deliver the requested report on *Opportunities and Challenges to Grow the U.S.-Flag Tanker Fleet in International Trade* to Congress soon.

MARAD is partnering with our stakeholders, both Federal and non-Federal, to work to identify strategies to help address the mariner shortage and ensure their readiness. As part of MARAD's effort to meet a FY 2024 NDAA requirement to establish a Maritime Workforce Working Group, MARAD held its first meeting on March 20, 2024. Consistent with the FY2024 NDAA the group will help identify the number of licensed and unlicensed mariners, make recommendations to improve United States merchant mariner recruitment and retention, and evaluate potential gaps or surpluses of credentialed merchant mariners required to maintain and operate the RRF. In addition, on April 16, 2024, MARAD hosted a Mariner Work-Life Balance Symposium which brought together stakeholders from across the maritime industry to discuss issues related to work-life balance and recommendations for improvement that will boost mariner recruitment and retention.

We also note that the existing U.S. Coast Guard (USCG) licensing system (Merchant Mariner Licensing and Documentation system) relies on dated 1980s technology with relatively no querying capability on the number and availability of mariners with various credentials essential to meet our economic and national security needs. We fully support the USCG's ongoing efforts to modernize the system to enable efficient issuance of mariner credentials and provide enhanced querying capabilities.

MARAD is also focused on supporting our U.S.-flagged fleet through opportunities to carry cargo. As I said in 2022 testimony before the Coast Guard and Maritime Transportation Subcommittee, put simply, without cargoes, ships will leave the U.S. flag and our modest fleet will continue to dwindle to the point that the number of American vessels is simply too small to meet government shipper agency requirements whether military or civilian. We are working with the Biden-Harris Administration's Made In America Office to help agencies understand cargo preference requirements. In addition, we have again written to all Federal departments and agencies explaining how MARAD can help them ensure they meet their obligations under cargo preference laws and regulations. To date, 60 percent of these Federal agencies have responded, with some providing outstanding bills of lading. MARAD is currently preparing the annual report.

MARAD is also working diligently on revisions to cargo preference regulations as required by the FY 2023 NDAA.

One of the current challenges with meeting cargo preference requirements is ensuring we have both enough vessels and the wide mix of vessel types to carry the many types of cargoes that the government impels. To help attract additional vessels to our flag, last year, the Biden-Harris Administration proposed that Congress eliminate the 3-year period that vessels entering the U.S. flag must currently wait before they are eligible to carry civilian agency preference cargoes. This would ensure that vessels that choose to sail under the U.S.-flag can carry preference cargoes as soon as they enter the flag and provide opportunity to diversify the types of vessels available to civilian agencies to carry cargoes. In return the vessels would be required to remain under U.S. flag for 3 years. This proposal became law as part of the FY 2024 NDAA but will only become effective January 1, 2030.

The President's FY 2025 Budget requests \$974 million from DOD budgetary authority for MARAD to acquire, upgrade, and maintain vessels in the NDRF and RRF. These funds enable MARAD to maintain the fleet in a ready, reliable, and responsive condition, using a contracted workforce of commercial ship managers and a small cadre of shipboard caretaker crewmembers. Sustaining sufficient resources for maintenance and recapitalization will ensure MARAD's ability to meet strategic sealift for the U.S. Armed Forces, and humanitarian support when called upon during national emergencies, as well as maintain MARAD's NDRF fleet mooring sites.

MARAD's RRF consists of sealift ships providing a mix of capabilities. MARAD is now the sole surge sealift provider. Our RRF ships provide sealift surge capability to deliver DOD equipment and supplies where needed during the initial stages of a response to a major contingency. Today, the RRF is a fleet of 48 vessels, with an average age of more than 45 years, maintained in a reduced operating status—ready to sail within five days of activation. The fleet will grow to 51 vessels after the

planned transfer of additional surge sealift and prepositioning vessels from the Military Sealift Command is complete by the end of FY 2025.

I note that four RRF vessels are currently berthed at the Port of Baltimore. While the restriction of movement for these vessels is affected by the Key Bridge collapse, crew on two of the vessels are currently conducting regulatory or casualty repairs and neither of the remaining ships has been activated. One ship normally berthed in Baltimore will remain in Hampton Roads, VA, while crew is conducting required regulatory repairs until harbor clearance operations are completed.

As part of the Navy's overall plan for sealift recapitalization, MARAD is responsible for maintaining the existing RRF ships through the recapitalization period, including dozens of ships that are now nearly 50 years old or even older. Continued focus on safety, material condition, and regulatory compliance has been difficult to sustain, and challenges have been compounded by equipment and parts delays, and the increased scope of the repairs we have had to undertake, including steelwork.

MARAD is working to advance the urgent recapitalization of the RRF with the limited authorities provided. MARAD is making use of the authority Congress provided to purchase vessels for RRF through a contracted Vessel Acquisition Manager (VAM). This innovative process allowed MARAD to efficiently purchase the first two ships in FY 2022. In Q2 FY 2023, the VAM completed purchase of three more extremely capable ships including one that is 10 and two that are 11 years old. These ships were purchased for approximately \$90 million per ship.

The reflagging process for these vessels is continuing along the stringent Alternate Compliance Program regulatory framework and the ships will be ready-for-tasking in Q3 2024. MARAD continues to work with our VAM and has identified several potential ships for purchase and engaging owners of the best four additional ships for purchase to reach the Congressionally limited number of 9 used ships.

In the FY 2023 NDAA, MARAD was directed to develop a Roll-On/Roll-Off ship design for the construction of 10 new vessels for the NDRF. MARAD thanks Congress for appropriating \$12 million in FY 2024 funds to initiate the vessel designs.

CONCLUSION

These programs represent MARAD's priorities. We will continue to keep you apprised of the progress of our program activities and initiatives in these areas in the coming year.

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 any questions you and the members of the Subcommittee may have.

Mr. WEBSTER OF FLORIDA. Thank you. I appreciate that.

And now we have Chairman Maffei. You are recognized for 5 minutes for your testimony.

TESTIMONY OF HON. DANIEL B. MAFFEI, CHAIRMAN, FEDERAL MARITIME COMMISSION

Mr. MAFFEI. Thank you very much, Chairman Webster, Ranking Member Carbajal, full committee Ranking Member Larsen, distinguished members of the subcommittee.

America's importers and exporters must adapt to rapidly changing circumstances around the world. They deserve a Federal Maritime Commission that also adapts to the challenges affecting cost, availability, reliability, and competitiveness in ocean shipping.

While I am Chair of the FMC, I am fortunate to share decision-making with four other very devoted Commissioners, including Lou Sola and Max Vekich, who are here today sitting behind me.

I want to thank all of my colleagues on the Commission, along with the dedicated professional staff, and the clear message from both the President and both parties in Congress. Because of these, the FMC has rapidly changed course to meet pressing ocean shipping policy challenges.

Informed by our experience during the COVID pandemic and empowered by the Ocean Shipping Reform Act of 2022, or OSRA as the chairman mentioned, the Commission is more active than ever and increasingly serving as a venue that shippers turn to for assistance.

Since June 2022, our consumer affairs office has responded to roughly 2,400 requests for assistance and continues to serve dozens of callers every week. The number of complaints filed with the FMC already this year is on pace to exceed last year, and matters brought before an FMC administrative law judge are triple what they were in 2019.

Even 2 years after the end of the COVID-linked supply chain problems, the demand for FMC services remains high among American importers and exporters, a sign that they value the FMC's ability to resolve their concerns and have a positive impact on their businesses.

When it comes to enforcing rules on cargo carriers, the FMC has gone from slow steaming to full speed ahead. In a short time, the FMC has built a robust enforcement capability, pursuing cases against even the most well-resourced potential violators.

Our enforcement program has gone from assessing virtually no penalties in fiscal year 2020 and fiscal year 2021 to assessing \$2 million in penalties in fiscal year 2022 and nearly \$2.9 million in fiscal year 2023. So far in fiscal year 2024, we are on pace to either meet or exceed last year's total. Foreign-based ocean vessel operators are paying the bulk of these penalties.

In addition to enhanced enforcement, the FMC has implemented or made significant progress with all of OSRA's mandates. This includes building on the Incentive Principle interpretative rule.

This rule, authored by Commissioner Rebecca Dye and put into effect in 2020, established that a detention or a demurrage charge must help promote the efficient movement of cargo and/or equipment, and it can't be for any other purpose.

In February, the FMC unanimously approved a final bill on detention and demurrage practices. This rule sets requirements for how common carriers and marine terminal operators must bill these charges and provides clarity on who can be billed, within what timeframe, and the process for disputing bills. The rule is slated to take effect on May 28.

Now, I would note here that the World Shipping Council, the group that represents the largest foreign-based shipping carriers, has appealed this new rule, contending that it exceeds the FMC's authority. I maintain this tough but fair rule is fully in line with the letter of the law as well as the intent of Congress in OSRA.

The FMC is working hard to complete the three other required rulemakings. I anticipate there will be an announcement on Unreasonable Refusal to Deal within the next few months and one on Shipping Exchange Registries by the fall.

The OSRA Charge Complaints process continues to be a popular avenue for shippers to seek expedited relief from improper bills and invoices. Since June 2022, almost \$2.5 million in charges and fees have been waived or refunded by common carriers.

The FMC has largely delivered on the investment started when OSRA was signed almost 2 years ago. That said, we still have

much to do in order to complete the changes and to ensure American importers and exporters have ongoing access to reliable, efficient, and affordable ocean transportation.

The Commission's budget request for fiscal year 2025 is just less than the same amount that OSRA 2022 authorized. The FMC has established priorities and built plans based on OSRA. Funding at less than that will hamper our capacity to meet existing expectations.

Recent events, such as those in the Suez Canal, the Panama Canal, and the Port of Baltimore are illustrative of the type of uncertainties that hit global shipping on an ongoing basis. Geopolitical events, shifting carrier alliances, new international regulations, and changes in trade policy and supply chain sourcing will continue to affect oceanborne commerce in unpredictable ways.

A strong and engaged Federal Maritime Commission is vital for ensuring some stability for American businesses and consumers in a world filled with uncertainty.

Thank you again for allowing me to testify along with Admiral Phillips, and I look forward to addressing your questions.

[Mr. Maffei's prepared statement follows:]

Prepared Statement of Hon. Daniel B. Maffei, Chairman, Federal Maritime Commission

Good afternoon, Chairman Webster and Ranking Member Carbajal. I appreciate having this opportunity to appear before you today to discuss the Fiscal Year 2025 budget request of the Federal Maritime Commission.

America's importers and exporters are having to adapt to rapidly changing circumstances around the world that impact ocean shipping. They deserve a Federal Maritime Commission that is also able to adapt as rapidly as possible to the varying challenges that can affect the cost, availability, reliability, and competitiveness of ocean shipping available at container ports throughout the United States.

As many of you know and some have probably experienced, changing the capacity, priorities, and culture of a government agency is not always as simple or as quick as we would like. Nonetheless, thanks to five devoted Commissioners, a professional staff truly dedicated to helping American shippers, and a clear message from Congress and from the President, the Federal Maritime Commission in just a few years has changed course to actively address many of the pressing issues in ocean shipping that became so evident during the COVID-related supply chain crisis.

Informed by our experiences during the pandemic and empowered by the Ocean Shipping Reform Act of 2022 (OSRA 2022), the Commission is more active than ever, leaning into unfolding events, and increasingly serving as a venue that shippers turn to for assistance.

Our consumer affairs team remains busy, averaging more than 100 contacts monthly from individuals seeking help. Since June 2022, our Office of Consumer Affairs and Dispute Resolution Services (CADRS) has responded to approximately 2,400 requests for assistance, the great majority related to issues with commercial cargo shipments. CADRS is often successful in resolving matters quickly and amicably, and in a way that helps the parties avoid costly formal legal proceedings.

Matters before the Office of the Administrative Law Judges are triple what they were in 2019, the last full year prior to the global spread of COVID-19. Almost 100 cases have been filed at the Commission since June 2022, which is an unmatched level of litigation in the agency's recent history. Nor is there any indication that the pace of work is lessening. In assessing year-to-date statistics, the Commission is on pace to meet or exceed the number of complaints it received last year. That even two years after the end of the COVID-linked supply chain disruption, the Commission remains a venue for shippers to bring matters for assistance and adjudication demonstrates that the need for, and value of, FMC services is strong. This suggests that one legacy of COVID is that the public and the industry are more aware of the FMC, and that American shippers view the FMC as the agency that can resolve their concerns and have a positive impact on their businesses.

The Commission continues to build a robust enforcement capability with the wherewithal to conduct complex investigations, encourage compliance for regulated entities, and prosecute cases against even the most well-resourced potential violators. Effective enforcement creates meaningful deterrence to illegal behavior and assures the compliant businesses that we will not allow their competition to get ahead by breaking the rules.

Our Bureau of Enforcement, Investigations, and Compliance (BEIC) is already rigorously reviewing the conduct of, and holding accountable, regulated entities. We have gone from assessing virtually no penalties in 2020 and 2021 to assessing \$2.0 million in penalties in fiscal year 2022, which followed on with \$2.8 million in penalties assessed in fiscal year 2023. Our enforcement program continues to investigate many cases against foreign-based ocean carriers and other large companies that are accused of violating the law, and BEIC now is seeking penalties in the millions, and sometimes tens of millions of dollars. We expect to see at least a similar level of penalties assessed before the end of fiscal year 2024.

The Bureau of Trade Analysis and the Bureau of Certification and Licensing (BCL) do critical work in ensuring marketplace integrity through oversight, analysis, and compliance of regulated entities. The efforts of these two bureaus are invaluable to protecting the public from unfair and deceptive practices, as well as guaranteeing a competitive and reliable international ocean transportation supply system that supports the U.S. economy. BCL also does important work to ensure cruise companies operate with the appropriate consumer protections in the event they fail to provide the service they promise.

The Commission's ability to better serve American importers, exporters, and consumers was greatly enhanced by the additional authorities and resources contained in the Ocean Shipping Reform Act of 2022. As we approach the second anniversary of the legislation's enactment, I can report that the Commission has implemented, or made significant progress toward completing nearly all the mandates contained in the statute.

We continue to elaborate on the Incentive Principle interpretive rule in the manner prescribed by Congress. The Incentive Principle rule—authored by Commissioner Rebecca Dye and approved unanimously by the FMC in Spring 2020—established that for a detention or demurrage charge to be reasonable, it must help promote the efficient movement of cargo and/or equipment and not be for some other purpose.

In February, a Final Rule on Demurrage and Detention Billing Practices was published following a unanimous vote of the five commissioners. The rule establishes requirements for how common carriers and marine terminal operators must bill for demurrage and detention charges and provides clarity on who can be billed, within what timeframe, and specifies the process for disputing bills. The rule is scheduled to take effect on May 28, 2024.

As you know, OSRA 2022 mandates three other rulemakings: Unreasonable Refusal to Deal with Respect to Vessel Space Accommodations; Shipping Exchange Registries; and Unfair or Unjustly Discriminatory Methods. The Commission's staff is working hard on completing these remaining rulemaking requirements. I anticipate there will be an announcement on Unreasonable Refusal to Deal within the next few months and one on Shipping Exchange Registries by the end of the calendar year. Parts of the rulemaking on Unfair and Unjustly Discriminatory Methods—specifically the provision prohibiting carriers from unreasonably denying space accommodations to U.S. exports—will be incorporated into the rulemaking on Unreasonable Refusal to Deal. The remaining areas not included in that rule will be addressed in a separate rulemaking.

The OSRA 2022 Charge Complaints process continues to be a popular avenue for shippers to seek relief from inappropriate bills and invoices. Since June 2022, almost \$2.5 million in charges or fees have been waived or refunded by common carriers. This total only reflects results from Charge Complaints filed at the Federal Maritime Commission. It does not include any fees or charges waived or refunded by either direct shipper to common carrier communications or through the efforts of an independent third party, such as an attorney outside of those filed with the FMC. In short, this provision of OSRA 2022 is having a consequential impact by giving shippers an expedited, simple process to address an erroneous invoice.

In recent months, the Commission has repeatedly demonstrated an ability to be dynamic in responding to events impacting shipping and supply chains. The Commission held a hearing on February 7, 2024, examining how events in the Red Sea and Gulf of Aden are affecting maritime trade and U.S.-based companies. The Commission issued two industry advisories putting regulated entities on notice that notwithstanding disruptions to regular vessel deployments in the Middle East or the inability to call Baltimore, all statutes and regulations administered by the FMC

remain in effect. Common carriers and marine terminal operators were specifically reminded about the Commission's reasonableness standard for assessing demurrage and detention bills.

Further, the Commission is using its Audit Program to engage the nine largest-by-volume ocean carriers calling the Port of Baltimore to remind them of their responsibilities and obligations in adjusting their operations. We are scrupulously examining fees and surcharges implemented following the disruptions that have taken place resulting from the events in Baltimore, Panama, and the Gulf of Aden and Red Sea region to ensure they comport with the law. Our Office of Consumer Affairs and Dispute Resolution Services is prepared to help informally resolve issues shippers are having resulting from these disruptions. Our Bureau of Enforcement, Investigations, and Compliance will pursue any substantive allegations of misconduct, and the Bureau of Trade Analysis continues with its review of carrier conduct and marketplace conditions.

Global trade on our oceans continues to grow. Nonetheless, shifting ocean carrier alliances, international emissions regulations, changes in the geography of supply chain sourcing, and geo-political developments all will affect oceanborne commerce. A capable, well-resourced Federal Maritime Commission is necessary to guarantee U.S. companies and consumers have access to reliable, efficient, and affordable ocean transportation services for both import and export trades.

That said, there is no desire—at least not on my part—to put the Commission on a path where it seeks continuous growth and additional jurisdiction. The Commission has had to grow to meet the vision of Congress and be a potent regulator of international ocean transportation. That growth was reflected in OSRA 2022, and the FMC's budget requests have followed the budget and staff trajectories included in that legislation. If the Congress does decide to give us additional qualitative responsibilities, I only ask that you give us the additional resources to fulfill those new demands or understand when implementation is delayed or when other vital capabilities are cut.

The Commission is requesting \$48,452,000 to fund its Fiscal Year 2025 operations. This is just less than the sum authorized by the Ocean Shipping Reform Act of 2022. This is \$4,732,000 more than the \$43,720,000 we requested—and was authorized by OSRA 2022—to fund our Fiscal Year 2024 operations. It is \$8,452,000 more than what was provided by the Consolidated Appropriations Act 2024.

As is usual with an FMC budget request, the great majority of our funds will pay for two categories of costs—personnel and rent. These two expenses combined will cost the Commission \$40 million in FY 2025. As also is typical, costs in both categories continue to rise each fiscal year. The Commission has budgeted \$35,871,000 for salary and benefits, which is a \$5 million increase from FY 2024. Similarly, the rent and building security costs are rising by \$1,341,000 to a total of \$4,076,000 for the coming fiscal year.

The Commission has also budgeted \$5,877,000 for information technology operations and for modernization projects. Substantial upgrades to the Commission systems and networks are necessary to defend against malicious cyber activities and enable the Commission's systems to serve the public in the way that business is conducted today.

The Commission has established priorities and built plans based on authorizations contained in OSRA 2022. The Commission will carry out its duties to the best of its ability with whatever sum it is appropriated, but not being funded at authorized levels means that difficult decisions about resource allocation must be made. The Commission had planned programs and activities based on authorizations contained in OSRA 2022. Appropriations at less than these levels will necessitate changing objectives and goals. Progress in expanding the capabilities of our offices most involved in protecting the public and overseeing regulated entities will be threatened.

The Federal Maritime Commission has delivered on the investment made in it two years ago. That said, we still have much to do to fully execute on the changes we started and successfully position the agency to continue its mission in the long run. Now is the time to continue laying the foundation for the inevitable future needs of Americans who rely on ocean-linked supply chains. As events in Baltimore, Panama, and the Red Sea have shown, the world of ocean shipping can change in an instant in disruptive ways. A strong and engaged FMC is a vital component of ensuring some stability for American importers and exporters in a world filled with uncertainty.

Thank you again for this opportunity to appear before you, for your attention, and for any questions you might have about my testimony or the work of the Federal Maritime Commission.

Mr. WEBSTER OF FLORIDA. Thank you so much.

Thank you to both of you for your testimony.

We will now turn to questions. I recognize myself for 5 minutes for questions.

Admiral Phillips, the Port Infrastructure Development Program has grown exponentially in size and scope over the last several years. Unfortunately, the effectiveness of the program is being restricted by long delays to get contracts in place, which means funds can't be obligated, construction can't begin, and inflation impacts the project cost.

What is MARAD doing to address these inefficiencies in the grant award process?

Admiral PHILLIPS. Sir, thank you for that question.

As you are aware, we have quite a number of grants underway right now, and we are excited about them because of the generational change they offer.

We are working very diligently within our system to bring our timeline down so that we can ensure grant applicants get their money as soon as possible.

Our current average time to work through both a NEPA process, the environmental assessment process, and the grant agreement process, which is basically scope, schedule, performance, is 20 months. We would like to get that down to 12.

We continue to work very closely with applicants to help provide them additional capacity. In advance of the application and NOFO process each year, we offer a series of online events for applicants to be able to spend time with us and understand what is coming.

And then, once we receive and award applicants, we meet with each applicant individually to begin the process to understand where they are in their process and how they can move forward.

I would also like to acknowledge that we have opportunities within the PIDP program under new authority from 2022 to do what we call pre-award authority, which allows applicants to draw down from their matching funds to begin to start pre-award processes. They can use this money for planning, for hiring additional staff, for doing engineering and design work.

We have found that of the applicants that take advantage of this, and about 58 percent of the grants since 2022 have been able to do that, that we have much more success in moving them quickly through the program.

I would add, finally, that the record is 6 months in getting to grant agreement signing and NEPA completion, and we have had a number of applicants be able to complete it within 1 year. So, it is possible to do it, and we continue to work with applicants to help work them through the process.

Thank you, sir.

Mr. WEBSTER OF FLORIDA. Thank you.

And please keep me informed as you work through the award process.

And also, Admiral Phillips, the Deepwater Port Licensing Program continues to have several applications that are far beyond the statutory timeline for review of 356 days.

As the President's budget request for fiscal year 2025 includes four new full-time positions for the deepwater port program office,

will this be sufficient to help MARAD process the backlog of applications, or are there other challenges that we need to check into?

Admiral PHILLIPS. Sir, thank you for that question. And thank you for considering the request for four additional positions. My staff of four are actually here with me here today. And so, certainly those four additional billets will help move along the applications that we have right now.

But to remind, we work with over 20 different Federal and State departments and agencies to complete this process, particularly in the initial application process. We work closely with the Coast Guard under the environmental review requirements, which they manage predominantly, until we get to the record of decision, which is MARAD's responsibility.

So, it is quite a coordination effort, and we certainly appreciate and understand the law and the timeline and want to be able to follow the law, as we have said we will do, and move these projects forward.

So, as you commented, sir, this SPOT license was issued this year. I would note that is the first license issued for a new application since the early 1980s, other than the LOOP application which shifted from an import to an export facility in 2012.

So, there is quite a bit of additional interest in this program now, and we appreciate your interest in it and your willingness to consider our 2025 request.

Mr. WEBSTER OF FLORIDA. Thank you. And I would like to work with you as more decisions are issued this year.

Chairman Maffei, stakeholders have expressed concern with the FMC extending its jurisdiction beyond regulated entities, such as ocean common carriers or maritime terminal operators, to other groups that regulated entities have contracts with.

Do you believe your jurisdiction extends to the assets and operations of these other groups whenever a regulated entity enters into a contract with them, do you think?

Mr. MAFFEI. Thank you for the question, Mr. Chairman.

Our statute makes it clear that the three types of regulated entities are common carriers that own vessels, nonvessel operating common carriers, and marine terminal operators.

That said, though, our jurisdiction goes along with the box from the water. So, as services are provided that involve that box and the shipper's ability, the American shipper's ability to interact with that box, then we have jurisdiction over those three kinds of companies and the way that they may make their deals and what is presented to the ocean shipper.

So, no, our jurisdiction is very circumscribed, but it does include anything that involves what those three categories of folks do while they are doing ocean shipping.

Mr. WEBSTER OF FLORIDA. Thank you so much.

I yield back. My time is gone.

Mr. Carbajal.

Mr. CARBAJAL. Thank you, Mr. Chair.

Admiral Phillips, I would like to commend you on your ongoing commitment to ensuring a safe environment for all mariners on board ships.

The culture of industry is changing. We have seen measurable improvements on board vessels, and the Coast Guard has taken action to remove and prosecute offenders. However, new requirements resulting from EMBARC and the Safer Seas Act only apply to U.S.-flag vessels.

Could you detail how safety standards, including those related to sexual assault and sexual harassment, do not apply to foreign mariners on board flag-of-convenience vessels?

Admiral PHILLIPS. Congressman, thank you for that question.

Of course, MARAD's focus is U.S.-flag vessels, and we are most concerned with the safety of our midshipmen sailing as cadets at sea and the safety of U.S. mariners, and in that context, we work very closely with the Coast Guard.

From the context of how foreign-flag vessels are managed, that is outside of my purview and outside of the law, and I commend Congress for considering that and thinking of it.

And I would also add that many other foreign nations have considered such circumstances with regard to vessels that call their ports that may or not be flagged in their country and have implemented opportunities to ensure that those mariners are treated fairly and paid fairly and are also subject to a safe environment.

So, there are perhaps some foreign models that could be followed if that is an item of Congress' interest.

Mr. CARBAJAL. Does the IMO have a role here and has anybody engaged the IMO on this issue?

Admiral PHILLIPS. Yes, sir. The IMO does have a role. And, of course, State is lead for IMO with Coast Guard as the agency involved in most of the—in fact, all of the committees involving mariner safety, mariner welfare, and including decarbonization and other requirements for vessels at sea.

And so, certainly there is a great interest in the IMO in mariner safety, and I would defer to the Coast Guard for the specific details there.

We do know they had a session just this summer where they looked at mariner safety broadly across the industry and also looked at sexual assault prevention and response and other kinds of harassment and challenges that mariners are experiencing at sea in an international context.

Mr. CARBAJAL. Thank you.

Admiral Phillips, as you say in your testimony, without cargo, ships will leave the U.S. fleet. While I appreciate MARAD's education efforts, the law is very clear: MARAD is the final authority in ensuring compliance with cargo preference. It is unacceptable that 40 percent of agencies have failed to provide you with bills of lading. Cargo preference is the shipping version of Buy America.

When should Congress expect to see the final rule on cargo preference that ensures MARAD's oversight and enforcement authorities?

Admiral PHILLIPS. Sir, thank you for that question.

We continue to work on a final rule and understand Congress' intent and interest there and certainly acknowledge that we are behind the due date of 270 days from the 2023 NDAA.

I would add in the context of MARAD being able to receive bills of lading, it would be helpful to receive them in advance, and we

only receive them after the fact and have to chase them down. As you well know, that is a challenge.

And, of course, an easy way to make cargo preference more direct to implement would be to go to 100 percent cargo preference, notwithstanding that there are agencies who find challenges in that, which we certainly understand.

And in that context I would add, we thank Congress for waiving the 3-year wait requirement to flag in and have access to preference cargoes and would say that implementing that sooner than 2030 would be helpful as well in this regard.

It would give more access to preferred cargo vessel-carrying capacity for those agencies which are challenged when they have to ship things in an emergent manner, like USAID and USDA.

Thank you, sir.

Mr. CARBAJAL. Thank you.

Chairman Maffei, in your statement you mentioned the FMC's work to proactively contact carriers during shipping disruptions like those associated with the Red Sea, the Port of Baltimore, and the Panama Canal.

How is that work important for shippers, particularly small shippers who may find it more burdensome to negotiate contracts and challenge fees?

Mr. MAFFEI. Thank you for the question, Mr. Carbajal.

What we have is called an audit program. It essentially is a way to have a continuing dialogue with ocean carriers and to continue to ask them. Now, they do have to volunteer for the program, but all of them have.

It is important that we question them on a number of things. The particular issue—and we found this out in having a hearing of our own—with these charges was the lack of transparency.

A lot of the charges, it wasn't so much that the shipper said, well, there is no cost here. They understood there was an additional cost, for instance, if you couldn't go through the Suez Canal, but what they didn't understand is what this new fund was going for.

And so, we have been encouraging them to have a better relationship, better transparency. This is particularly important for the small shipper, as you mentioned. The larger shippers, they have that bargaining power that they can just demand those answers, but the smaller shipper really does not.

So, that is what we are doing. It has been somewhat successful, though I do think that it is a matter still for discussion about whether all of these charges are completely kosher, for lack of a better term, and we certainly will investigate any allegations that they are not being used for their express purpose; that is, involving that particular maritime contingency.

Mr. CARBAJAL. Thank you, Mr. Chair. I am out of time. I yield back.

Mr. WEBSTER OF FLORIDA. Thank you.

Representative Larsen, you are recognized for 5 minutes—well, yes, Ezell.

Mr. LARSEN OF WASHINGTON. All right. You are the chair.

Mr. WEBSTER OF FLORIDA. OK. Mr. Ezell, you are recognized.

Mr. EZELL. Thank you, Mr. Chair.

Admiral Phillips, thank you for being here today, and both of you, appreciate your commitment.

Admiral Phillips, as you know, my gulf coast colleague and I, Congressman Troy Carter and I, introduced legislation to expand MARAD's Capital Construction Fund Program. This expansion would give marine terminal operators access to deposit funds into the tax-deferred CCF account for purchases of cargo-handling equipment.

When Secretary Buttigieg testified before the full T&I Committee last year, he said if Congress authorized our CCF expansion bill, he would fully implement it. I was very pleased to hear the Department's support.

Can you explain how programs such as CCF complement programs such as PIDP and work to leverage private investment into our U.S. maritime transportation system?

Admiral PHILLIPS. Yes, sir. Thank you for that question.

The Capital Construction Fund Program, as you point out, is a fund into which vessel owners or operators may deposit profits based on the profits generated by that vessel, and then, after a period of time, remove those profits from that fund, which actually is an IRS-operated program. We just manage it, and then we pass the information to the IRS.

They can take that money back out and they can use it to either build a new vessel or improve a vessel, improve maintenance, et cetera.

So, it has been a very successful program, and with the changes in the 2023 NDAA, it has become even more successful because it now includes a much wider range of vessels that may participate and there are no geographic restrictions. So, we have seen a tremendous uptick in that particular program's functionality.

It serves really to support the maritime industry and the shipbuilding industry broadly in the country. Its connection to port infrastructure development would be really loosely tied to increased capacity in our shipbuilding industry to support moving the goods that come and go from port infrastructure. There is not a direct tie there.

That said, I am aware of your legislation, of course, and understand your intent in trying to find ways for terminal operators to purchase equipment and take advantage of such a tax-deferred fund.

It would be interesting to try to implement it in exactly the same way as the fund is currently administered. However, we are happy to work with your staff to try to better understand the objectives and find a way forward.

Thank you, sir.

Mr. EZELL. Thank you.

The State of Mississippi is home to Taylor Machine Works, the United States largest manufacturer of wheeled cargo handling equipment.

I believe securing America's supply chain is a matter of national security. Can you explain to us why it is important to support efforts to rebuild the manufacturing industry, especially as it relates to supply chains in the U.S. maritime industry?

Admiral, I am sorry.

Admiral PHILLIPS. Yes, sir. Thank you.

So, as you are well aware, in the context of port infrastructure development and the Small Shipyard Grant Program, we are very interested in port cargo handling equipment that is built in this country.

There are manufacturers, and we are happy to understand where they are and who they are and grateful for the kinds of things that they do.

And I would add in that context, we are working now with the American Association of Port Authorities on a survey that is surveying terminal operators around the country to understand what kinds of port equipment they need, and then surveying equipment manufacturers to understand what kinds of equipment they make to try to understand where we can build capacity and increase manufacturing and good-paying jobs in this country.

So, we thank you for your interest there, sir, and are excited to get on with the study with AAPA so that we can help continue to build industry opportunities in this country for port infrastructure.

Thank you.

Mr. EZELL. Thank you.

Also, Admiral, as we work towards fiscal year 2025 appropriations, I want to discuss the Small Shipyard Grant Program, which received a large funding cut in the fiscal year 2024 appropriations bill.

Considering the current state of U.S. shipbuilding, can you discuss the need to fund this program at or above the level included in the President's budget request?

Admiral PHILLIPS. Yes, sir, certainly.

So, there is \$20 million in the President's budget request for 2025, but as you state, this is a very significant program. It is always oversubscribed. Typically for \$20 million in grants available, we will receive more than \$80 million in requests, funding requests. And I would expect this year we will easily exceed the funds available and probably by a factor of three or four.

So, there is certainly a need, a consistent need over time, and we see tremendous benefit from this program. Not only does it provide additional capacity for small shipyards, but it generally improves their employment as well.

Mr. EZELL. Thank you for that.

And thank you both again.

And, Mr. Chairman, I yield back.

Mr. WEBSTER OF FLORIDA. Thank you.

Now the ranking member, Mr. Larsen, you are recognized.

Mr. LARSEN OF WASHINGTON. Thanks, Mr. Chair.

The first question is for Chairman Maffei, but I apologize for not recognizing the third greatest export out of Aberdeen, Washington: Commissioner Max Vekich.

Of course, number one and number two happen to be two-thirds of the members of Nirvana, so, you will always be number three in our hearts, Max. Good to see you.

Chairman Maffei, a couple weeks ago, I had the opportunity to go up to Baltimore to see the bridge collapse and the ongoing recovery and salvage efforts. It is really hard to fathom the magnitude

of the incident without seeing it in person, and I know the chairman went as well. A few others have gone up there to see it.

Can you talk about the effect this incident is having on supply chains and the importance of—well, just generally the importance of a redundant supply chain?

Mr. MAFFEI. Yes. Thank you, Mr. Larsen.

And just quickly, I, of course, join Admiral Phillips in expressing my condolences to those families, and it is a big reminder that any transportation work is extremely—is dangerous and risky.

In terms of the effect on the supply chain, I think the effect of knocking out the Port of Baltimore for a fairly limited amount of time in our—it has been incredible what the U.S. Navy and the Army Corps of Engineers and supporting agencies have been able to do to bring that channel and I think soon the entire channel back.

But I will say, I think it has been a little bit overstated what that would be in the short run because we have alternatives to the Port of Baltimore. So, in that sense, I can't imagine it affecting overall inflation in the United States, for instance, those sort of things.

That said, my concern is that in the long run, the Port of Baltimore is an extremely important strategic port when it comes to our supply chain. This is a deepwater port. In terms of container shipping, it is probably the fastest growing on the east coast. There is currently one container terminal, but there is going to be two open there.

And if something were to happen to New York, New Jersey—I see Mr. Van Drew here—or Savannah, Georgia, or Norfolk, Virginia, and we didn't have Baltimore as a working maintained port, that could be a real problem for the United States supply chain.

So, it's funny, these ports compete. But when it comes to a disaster like this, they all work together, and it's extremely important that we remember that with Baltimore.

Mr. LARSEN OF WASHINGTON. Thanks.

The ranking member of the subcommittee wanted to remind everyone he also has gone up to Baltimore as well.

Admiral Phillips, it has already been noted about the Small Shipyard Grant, but could you just reiterate the number, the dollar amount of requests that you have received in the last year?

Admiral PHILLIPS. Yes, sir. For the \$20 million on offer last year, we received more than \$80 million in appropriations. And we are happy to take that for the record. We could give you historically what we typically receive there. But it is very much oversubscribed, as are all of our grant programs.

Mr. LARSEN OF WASHINGTON. Yes. So, when you do those assessments of, say, the \$80 million in requests, just so that the number is accurate, is it \$80 million of all really great, super great projects only get \$20 million or some not—some clearly aren't ready to go?

Admiral PHILLIPS. Sir, anecdotally, I would say that the Small Shipyard Grant in particular, that program, people are either qualified or they are not, and most applicants are qualified. Many are repeat applicants, as you are well aware from your district.

Mr. LARSEN OF WASHINGTON. Yes.

Admiral PHILLIPS. So, people come back again and again and again, and with success, over time.

Mr. LARSEN OF WASHINGTON. Yes. We have got quite a number of projects from past rounds doing great work.

I was disappointed about the administration's request for the PIDP, which is \$80 million. This is not enough. And as I noted when we did BIL, the idea was BIL money wouldn't supplant this money.

And what the danger is if we don't do something like advanced appropriations in the future, then we are going to end up with a new standard of something well below what it was before we did the BIL.

And so, on that point, you mentioned, I think in response to a question, the process that you can use to kind of get these projects moving.

But what do you—I guess what do you—what information are you collecting for the future so in the future MARAD can go to the administration and say, if advanced appropriations are no longer going to be here, you need to understand the baseline isn't what we had last time, it is 120 or 160 or some other number that was larger before this year?

Admiral PHILLIPS. So, sir, thank you for that question.

I think across the Department of Transportation, we are working collectively to develop a significant amount of data collections, which we already have within PIDP and other modes do as well, to understand what we see over time and what we see as the needs.

Now, other modes are different. Some have formula funds and other things to go with their grants. But in our case, as a full discretionary grant program order, we are certainly keeping track of the need, the requests over time. And I can say that, again, we see three or four times the dollar value in requests versus funding available.

Mr. LARSEN OF WASHINGTON. All right. Thank you.

Thank you, Mr. Chair. I yield back.

Mr. WEBSTER OF FLORIDA. Mr. Van Drew, you are recognized for 5 minutes.

Dr. VAN DREW. Thank you, Mr. Chairman.

Offshore wind projects—you knew this was what I was going to talk about a little bit—offshore wind projects are failing. And you know that the Orsted 1 project failed off the coast of my district in South Jersey, proposed projects now have failed in New York, and up and down the coast, many of them are in trouble.

Yet for years at this point, the Maritime Administration, MARAD, has been giving subsidies to fund these projects, which many of them seem to be going towards the graveyard.

In my opinion, no more funds should be allocated to these hemorrhaging money pits. Just last year, \$202 million—almost \$202 million were awarded to funding MARAD's budget support of these ventures.

If this money can be better utilized to further fund accounts, such as operations and training or assistance to small shipyards, should we really be investing in something that is so obviously now becoming visibly nonviable and only drains our budget for very im-

portant work that you need to do? I believe the answer should be no, that we shouldn't be.

Rear Admiral Phillips, thank you for being here today.

How is the \$202 million that was spent, how has that been implemented?

Admiral PHILLIPS. Sir, thank you for that question.

It is correct that we have awarded over \$200 million in grants to projects for port infrastructure development that have a connection to offshore wind. However, all of those grant projects that are in those ports support work that those ports would need anyway. They improve wharves. They improve transportation in and out of the port. They improve utilities.

In fact, in New Jersey alone, a grant was awarded last year. That particular port is in part connected to offshore wind ostensibly, but all of the obligations and requirements in the application are related to utilities development. So, improving lighting, improving sewage, improving water, improving the infrastructure along the waterfront.

So, I would submit that while these ultimate grant opportunities are in support of offshore wind, the work that is being done to strengthen these ports provides opportunities for those ports irrespective of what their ultimate cargo becomes.

Dr. VAN DREW. Thank you.

If I am correct and offshore wind turns out to be nonviable—let's just pretend that it doesn't go anywhere—those improvements are still well spent? You believe they will be utilized even without these offshore wind projects?

Admiral PHILLIPS. I do believe they will be used irrespective of the ongoing work in offshore wind or not.

Dr. VAN DREW. Do you believe the benefits of the funding outweigh the needs of other parts of MARAD's accounts, such as the Ship Disposal Program and the Tanker Security Program?

Admiral PHILLIPS. Sir, those programs are funded in separate lines, and certainly the discretionary grant program is meant for a specific outcome, which is improving the movement of goods, and it supports that.

Dr. VAN DREW. I understand they are in separate lines, but money, as they always taught me, is fungible, and that's dollars that could be used for other functions. And that is why I think we have to look at this carefully.

Do you know if there are plans to ask for more money to fund offshore wind one way or another, even though the funds have already allocated to these projects previously?

Admiral PHILLIPS. Sir, MARAD's contributions to offshore wind support include port infrastructure development, as you have discussed, and also support through our Title XI shipbuilding program. Those are the two areas where we are most engaged in offshore wind opportunities.

Dr. VAN DREW. So, I know you can't answer this question in your position, but I was going to ask if you believe offshore wind is still a worthy investment. And I know you are going to give me a really good answer that that is not your job to determine, something along those lines.

But I would think it's not, and I think that in these really frugal times, as you hear this committee talk about investments that they would like to see in other areas that are very much needed and are pending, that we perhaps could spend our money better.

Appreciate your answers. To me, the offshore wind developments are a waste of taxpayers' money and MARAD's money when it is exclusively for them.

I would urge the administration to stop spending money on those projects. And for some of these other good projects we have, in my mind and many others', they still actually pose a threat to maritime safety, to navigation, to fishing, to the whales, to the environment, to tourism, and to our utility rates, which I know is something you don't deal with.

But our utility rates are going to increase significantly, drastically because of them. So, I am hopeful that we don't go forward with them.

Thanks for your answers.

And, Chairman, I yield back.

Mr. WEBSTER OF FLORIDA. Thank you.

Mr. Auchincloss, you are recognized for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Chairman.

Chairman Maffei, welcome. Appreciate your time.

Last year, my colleague Mr. Ezell and I sent a letter to the Commission advocating for FMC to use its existing authority to establish a National Port Advisory Committee that would be comprised of public port authorities, marine terminal operators, and maritime labor organizations.

This establishment of this committee would provide the maritime industry with the opportunity to share their concerns to the Commission regarding potential regulatory impacts on operations at America's ports and marine terminals.

Do you support the establishment of a National Port Advisory Committee? And, if so, how can Congress help you to implement this?

Mr. MAFFEI. Thank you, Mr. Auchincloss.

I certainly support that we need to hear from all of those groups of people, and we need to hear from them often. And myself and all of the four Commissioners spend a lot of time communicating with those.

I would say on a specific—I won't comment on specific legislation, but I do think in the long run, certainly it is very important.

Here is my concern, and that is that we have one statutorily provided for committee that is a shippers committee, half exporters, half importers. It is a good thing to have. And I certainly support the principle, as I support the principle of what you are talking about.

The danger, though, is that the assumption was that it would cost no money. And it does end up costing some money. I am not saying it is a huge amount of money. But the group has decided that it has, I think, quite a few meetings, not in Washington. We have to make sure that they follow open meeting laws and have IT support. And, therefore, we are often faced with either having to send a staffer or two across the country.

We are not a big agency like Admiral Phillips' agency. So, even if small—I am kidding about that. We both come from very modest agencies. But we can't necessarily do that without a specific line item.

So, I guess what I would say, to make it easier, if you do propose this, then definitely include the funding for it.

The last thing I will say, though, is that if we want to do it, ideally, maybe they should all be one advisory committee. I am not sure whether having three or four advisory committees is the right way of going about it. It is certainly better than not hearing from these groups at all.

But one of the advantages of these sort of committees is that it facilitates not only communication with us—which is very important. It came in handy, by the way, to have the shippers committee to find out what each one of them's experience was with Baltimore. But it is very important to have an exchange among the various stakeholders.

So, I certainly support the principle. Not sure if I support the specifics.

Mr. AUCHINCLOSS. All right. I appreciate the financial constraints and would support dedicated funding for those advisory committees, and also open to suggestions, as you put forward, about how we might synthesize them.

And I would encourage you, as I know you do with your background as a Member in constituent services, is to continue to work through that shoe leather in getting input from the terminal operators in the ports as really as your constituents.

Rear Admiral Phillips, thank you for your testimony today. I am a member of the Select Committee on China, and an area of significant concern for me is China's rapidly expanding shipbuilding capacity. Recent estimates indicate that China's current capacity is about 200 times the United States' capacity for shipbuilding, and its military and commercial fleets are rapidly expanding.

There have been arguments that their quality is below ours. That is debatable. And what is not debatable is that quantity has a quality all of its own. When they are building that many ships, it matters.

You mention in your testimony the important of recapitalizing the Ready Reserve Force and the commercial sealift programs. Can you speak to the importance of the President's budget request and what modifications or expansions of Title XI you might advocate for so that we can help you build more ships?

Admiral PHILLIPS. So, sir, thank you for that question.

As you are aware, Title XI is a loan program that allows us to support industry in the capacity of being able to build vessels in this country. We have designated offshore wind vessels as Vessels of National Interest and have eight applications underway right now, many of which are related to offshore wind but not all. And, in fact, we are also allowed to loan money to ports for improvements, and we have one port loan in progress.

So, the challenge with Title XI is that it takes some time, but the good news is that we pay or are allowed to loan to borrowers who may find themselves dealing with higher interest rates if they were to go into another program on the open market.

So, our opportunity there is to expand capacity to continue to provide opportunities for builders to gain access to funds, to be able to build vessels. And that, of course, improves and expands our U.S.-flag fleet, particularly Jones Act fleet, as well.

Mr. AUCHINCLOSS. As I indicated to you earlier, I would like to work with your office on legislation around Title XI to see how we can give you as many tools as possible to widen our shipbuilding pipeline in this country in the most cost-effective way possible. So, I look forward to working with you on that.

Admiral PHILLIPS. Thank you, sir.

Mr. AUCHINCLOSS. I yield back.

Mr. WEBSTER OF FLORIDA. Representative Scholten, you are recognized for 5 minutes.

Ms. SCHOLTEN. Thank you so much, sir, and thanks for having this important hearing.

This year's budget request, obviously, is noticeably smaller. We are going to be hitting on some of the same themes. But I think it is important to distill this.

Obviously, the fiscal year 2025 request is about \$110.66 million lower, 11.4 percent.

To both of you, can you give us a distillation of the impact on maritime performance as a country? And what should Congress keep in mind as we continue to look to be good partners?

Admiral PHILLIPS. Thank you, ma'am, for that question.

I think what the industry broadly needs to see from Congress, budget request notwithstanding—we support the President's budget—is a clear signal that shipbuilding, that cargo—and, of course, we have, within MARAD, we are very focused on meeting DoD requirements.

So, we have the fleet that our current requirements and our authorizations and our appropriations provide, and that is largely based on DoD requirements.

So, signals to the industry that there is interest in sustaining long-term growth in the shipbuilding industry, long-term cargo access for U.S.-flag vessels, in particular. And that then generates long-term job opportunities for mariners that keep people in industry.

So, that is my primary focus, is U.S.-flag vessels, cargo for them to carry to meet our Nation's needs, and a sustained opportunity for U.S. mariners which will help us bring more mariners in, not only bring them in but retain them, keep them in the industry, ensuring their safety, ensuring the best quality of life possible for them.

So, that is broadly the kind of signal that we need to see from Congress so that the industry knows they can move forward. Tying into that is an opportunity build those ships here, which then gives us an opportunity to build and sustain shipbuilding capacity, which not only supports the broader industry, the Jones Act fleet, but also our military capacity in shipbuilding, as well.

So, it all ties together, but what industry wants to see is a clear signal from Congress that sustained interest and growth beyond the TSP program and things that we have managed to accomplish that have grown the fleet are there and will continue to be there for the future of the industry.

Ms. SCHOLTEN. OK. Thank you.

Mr. MAFFEI. As a regulatory agency, of course, our direct jurisdiction doesn't cover most of this. But since you asked—

Ms. SCHOLTEN [interposing]. Yes.

Mr. MAFFEI [continuing]. What I will say is the bipartisan infrastructure bill was very important, but it was like a down payment. If we really want to take full advantage of the ocean carriage in this country, we are probably going to need a lot more investment.

The issue is that of supply chain resiliency. And I mentioned it a bit with Baltimore, our ports, but also a lot of the issues that happened during COVID, though there were issues at the ports, actually happened inland. I think I was quoted as saying if you build a bridge in Indiana, you are still helping me as Federal Maritime Commission Chair. And that is true.

The biggest issue probably facing the Baltimore port, as we move forward and reopen the channel, is the fact that that bridge is down. Wait a minute? What does the bridge have to do with maritime? It has everything to do with maritime. A port is where water meets the land.

So, I would just say, to the extent that you and your colleagues can work on it in a bipartisan way, we could use more investment, particularly in our ports, but, frankly, in our infrastructure all across America.

Ms. SCHOLTEN. Thank you, sir. Very helpful.

One more question.

Rear Admiral Phillips, your testimony touches on the U.S. Marine Highway Program, and you mentioned how funding awarded this last year will support eight projects across the Nation.

I am particularly excited to hear that nearly all the funding is supporting projects in disadvantaged communities or federally designated community development zones.

Can you share where these projects are, and specifically if any of them are in the Great Lakes region?

Admiral PHILLIPS. So, ma'am, I will take that for the record because I don't think I can spout them out by memory here.

But what I will say about the U.S. Marine Highway Program generally is this is a program with tremendous capacity to do more for our Nation. And it is chronically short of resources, and there is always an excess in applications for need.

The one \$25 million infusion we got under BIL, there was a significant increase in the amount of applications that year, and there is certainly a need.

And particularly from an inland perspective of, I hear, when I talk to inland ports and port operators continually: We could use more money here. This is another opportunity for us to expand capacity.

And it works well with PIDP. It can support things in a slightly different way.

But there certainly is an opportunity there and an opportunity to move more goods on water, and there is plenty of capacity there. So, tremendous opportunity with that program.

Ms. SCHOLTEN. Yes, I agree and will look forward to your response for the record.

Thank you. I yield.

Mr. WEBSTER OF FLORIDA. OK. Well, first of all, I don't see any other questions.

I thank the witnesses for being here. Thank you for your testimony. Really appreciate that.

And with that, the meeting is adjourned.

[Whereupon, at 3:37 p.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS TO ANN C. PHILLIPS, REAR ADMIRAL, U.S. NAVY (RET.), AND ADMINISTRATOR, MARITIME ADMINISTRATION, FROM HON. JENNIFFER GONZÁLEZ-COLÓN

Question 1. Puerto Rico has benefited from the Port Infrastructure Development Program. Projects financed under these grants include the \$10 million for the Pier 15 RO/RO Terminal that serves inter-island commerce. In recent years, our port operators have submitted applications every time they have been eligible, and I expect this to continue to be so. I will be supporting the continued funding of this program as well as of others in the budget request. What does MARAD see as the highest priorities in the upcoming years for this sort of grant? As in, what is the most urgent area of port infrastructure focus in the short and medium term?

ANSWER. MARAD's priorities for the PIDP are derived directly from the legislation authorizing the program (46 U.S.C. § 54301). MARAD continues to see overwhelming demand for port projects throughout the Nation that meet the statutory purpose of "improving the safety, efficiency, or reliability of the movement of goods through ports and intermodal connections to ports." MARAD will continue to assess PIDP applications on the basis of statutory criteria and award grants to those projects that best address those statutory criteria.

Question 2. Just last week my District Office had its Open House for students interested in the Service Academies including the Merchant Marine. One of the key selling points of the Academies is the notion that prospective attendees are headed for an environment that is strictly meritocratic and where they can feel safe. What can you advise us on progress of the Academy's Sexual Assault Prevention and Response Office and the Advisory Council recommendation process, and on the implementation of the recommendations to reduce incidents of harassment and violence?

ANSWER. I'm pleased to report that the U.S. Merchant Marine Academy (USMMA) has significantly increased Sexual Assault and Sexual Harassment (SASH) Prevention and Response-focused resources and programming and, in so doing, has made gains in campus culture—while increasing awareness of, and building trust in, the SASH-incident-reporting and investigation process. This effort continues to be driven by the Academy's Sexual Assault Prevention and Response Office (SAPRO), the mission of which is to prevent and respond to relationship and sexual misconduct against Midshipmen, including sexual assault, sexual and gender-based harassment, stalking, relationship violence, and retaliation. The office is currently staffed by a Director, a Sexual Assault Response Coordinator, and two Victim Advocate/Prevention Educators, one of whom focuses on misconduct at sea, and is an alum and a U.S. Navy Strategic Sealift Officer. SAPRO is dedicated to supporting USMMA's students, faculty, and staff by providing effective prevention training and robust victim advocacy. Each year, USMMA publishes a Plan of Action in its *Annual Report on Sexual Assault and Sexual Harassment* [<https://www.usmma.edu/sites/usmma.dot.gov/files/2024-06/Final%202022-2023%20Sexual%20Assault%20and%20Sexual%20Harassment%20Report%20to%20Congress.pdf>], recently released to Congress. This academic year's (AY 2022–2023) Plan of Action can be found on page 13 of the report.

Based on its data collection, the contractor provided recommendations, which USMMA is incorporating into updates of its policies and practices. In revising its policy, USMMA will also consider the revised Title IX rule issued by the U.S. Department of Education in April 2024, and the experience of USMMA's Sexual Assault Review Board with administration of the current policies and procedures.

On July 13, 2023, MARAD announced the 13 members of the USMMA Advisory Council. The appointees to the Advisory Council are drawn from academia, the maritime industry and maritime labor, the senior ranks of the U.S. military, and five

federal agencies: the Coast Guard, the Military Sealift Command, the Naval War College, the Department of Health and Human Services, and the Naval Facilities Engineering Systems Command. The Council members include experts in higher education administration and sexual assault and sexual harassment prevention and response.

On August 7 and November 16, 2023, the Advisory Council met to discuss and formulate independent advice and recommendations on improving the Academy, including in the areas of curriculum development and training programs; diversity, equity, and inclusion; sexual assault prevention and response; infrastructure maintenance and redevelopment; Midshipmen health and welfare; governance and administrative policies; and other matters. As part of this work, the Council will develop strategies and recommendations to address the issues identified in the 2021 National Academy of Public Administration's (NAPA) *Comprehensive Assessment of the U.S. Merchant Marine Academy* report. The first set of recommendations are due in Summer 2024.

Question 3. Security in our maritime transportation industry is highly important. Puerto Nuevo Terminals, the private consortium that operates part of the container facilities in San Juan, was subjected last April 20 to a ransomware cyber-attack that, although it failed to stop operations, created serious delays in cargo movement and truck dispatch for a number of days. The FBI office in Puerto Rico is investigating the situation. On the maritime operations side, how is MARAD working with its partners to identify and address vulnerabilities of the fleet and its shoreside support, to this sort of trade disruption?

ANSWER. MARAD works with the U.S. Coast Guard (USCG), Cybersecurity & Infrastructure Security Agency (CISA), and other U.S. government agencies on the continuing development of maritime cybersecurity policy and the dissemination of maritime threat (including cybersecurity) information to U.S.-flag maritime industry stakeholders, but maritime cybersecurity regulation and incident response is outside of the authorities and capabilities of MARAD; they reside with the USCG, CISA, and the Department of Justice's Federal Bureau of Investigation.

The U.S. Maritime Alert and Advisory System, which is described in detail at <http://www.maritime.dot.gov/msci>, is a communication tool used by MARAD, the U.S. Coast Guard, and others to share information with maritime industry stakeholders on cybersecurity policy developments and threats, in addition to other maritime threat and resource information.

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