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**MARITIME ADMINISTRATION  
U.S. DEPARTMENT OF TRANSPORTATION**

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

**MAY 13, 2009**

Good afternoon Chairman Cummings, Ranking Member LoBiondo, and Members of the Subcommittee. Thank you for inviting me to discuss the budget priorities of the Maritime Administration (MARAD) for 2010. I am pleased to appear before you to describe how the President's budget request will support maritime transportation, contributing to improving this Nation's economy, environment, and security. For 2010, MARAD requests appropriations of \$346 million.

MARAD 2010 program initiatives are highlighted by a \$15 million Presidential Initiative for integrated maritime transportation planning between DOT and DHS, a \$12 million program increase for U.S Merchant Marine Academy operations and capital improvements, and a \$1.1 million increase in funding to support the State Maritime Academies. We are also focused on administering the Small Shipyard grant program, which has expanded tenfold in FY 2009 with American Recovery and Reinvestment Act (ARRA) funding.

Another priority emphasis for our agency is our coordination with industry, U.S. Government agencies, the military, and international parties on anti-piracy efforts. Before addressing the specifics of our 2010 budget proposal, I wanted to take a moment to review our activities in this area.

**PIRACY**

Together with the U.S. Coast Guard, Department of State, Department of Defense, and other government partners, MARAD is working directly with the maritime sector in coordinating government/industry anti-piracy efforts, including the use by industry of best management practices that reduce the risk of successful piracy attack. Our engagement has resulted in issuance of industry best practices, systematic dissemination of anti-piracy information, and increased coordination and communication between commercial vessels and naval authorities.

We are working in close coordination with other government agencies on a range of anti-piracy initiatives. MARAD and the Office of Naval Intelligence are publishing piracy advisories and alerts for the benefit of industry. We are continuously updating our website and electronic system “MARVIEW”, providing information to commercial shipping, and continuing to improve vessel tracking and projected schedules in the Horn of Africa region by collaborating with the U.S. flag industry and the National Maritime Intelligence Center. And, with the Military Sealift Command and the Navy Criminal Investigation Service, MARAD has developed “Anti-Piracy Assistance Teams” to provide advice on improving anti-piracy physical and operational security measures.

MARAD has been actively engaged in the work of the international cooperation mechanism known as the Contact Group on Piracy off the Coast of Somalia, which has four constituent Working Groups. The United States is the assigned lead for Working Group #3, which focuses on industry self-awareness and outreach. The Maritime Administration has been co-leading the efforts of the working group in close collaboration with the Coast Guard. The principal output to date has been the development and dissemination of anti-piracy Best Management Practices. MARAD is also coordinating with the International Maritime Organization’s Marine Safety Committee, and other groups.

### **ECONOMIC GROWTH AND RECOVERY**

Serving one of the most pressing national priorities, in 2010, MARAD plans to devote \$59 million, or approximately 17 percent of the agency request, to programs focused on reducing congestion, expanding global connectivity, and advancing economic growth. This compares with the 2009 enacted budget of \$144 million, which included \$100 million in ARRA funding.

MARAD’s programs also help strengthen and improve the Marine Transportation System, relieving pressure on highways by helping to increase the use of our nation’s waterways. As waterborne transport provides a cost-effective transportation alternative, it can help impact congestion in other transportation modes, and significantly reduce fuel consumption per ton-mile, with a related carbon footprint reduction. It can reduce the cost of goods consumers use every day, and contribute to improving quality of life. The MARAD 2010 program also includes a Presidential Initiative for integrated maritime transportation planning with the Department of Homeland Security to inform development and modernization of intermodal freight infrastructure linking coastal and inland ports to highway and rail networks.

#### **Presidential Initiative: Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports Initiative**

The MARAD 2010 program is highlighted by the Presidential Initiative for the Secure and Efficient Intermodal Freight Infrastructure at Coastal and Inland Ports. A program increase of \$15 million is requested for this initiative, which is aimed at supporting integrated planning between the DOT and DHS in the area of maritime transportation. The initiative will advance the development and modernization of intermodal freight

infrastructure, linking coastal and inland ports to highway and rail networks. These funds will be administered in partnership with the DHS to support studies and joint planning that considers the interdependencies between strategic port security requirements and system throughput, support marine highway transportation database and research development, and advance the Maritime Safety and Security Information System, a global vessel tracking system used by DHS, DOD, DOT, and other federal agencies.

#### Assistance to Small Shipyard Grants

In FY 2009, Congress provided \$17.5 million and an additional \$100 million in American Recovery and Reinvestment Act (ARRA) to support capital improvements at qualified shipyards to improve the ability of domestic shipyards to compete for domestic and international commercial ship construction. The total funding represents over a tenfold increase to our program. Our deadline for receipt of ARRA shipyard grant applications was April 20, and we have received a very significant response. We are reviewing applications now, and plan to have all grants awarded and the full amount obligated by August 17, 2009. The deadline for award of the \$17.5 million is July 9, 2009, and these funds will be fully obligated by that date. As the focus of our FY 2010 grant program will be on the administration and oversight of the FY 2009 grant awards, no funding is requested for shipyard grants in FY 2010.

#### Maritime Guaranteed Loan Program (Title XI)

Title XI offers loan guarantees for shipyard modernization projects and for building vessels in U.S. shipyards. The FY 2010 request provides \$3.6 million, an increase of \$0.1 million over the FY 2009 enacted, to maintain the administration of the Title XI guaranteed loan portfolio. No subsidy funds are requested for FY 2010.

#### Ocean Freight Differential

The Ocean Freight Differential program is an important component of the Cargo Preference program. The MARAD request includes an estimated \$175 million in new borrowing authority for 2010 to pay the Department of Agriculture's Commodity Credit Corporation to offset the additional cost to ship humanitarian food aid cargo on U.S.-flag vessels.

### **SECURITY, PREPAREDNESS, AND RESPONSE**

Security, preparedness, and response is the agency's priority mission, and commands the largest share of the budget request – \$265.6 million or 77 percent, representing an increase of \$0.2 million over 2009. The agency's activities focus on developing and maintaining a vital and viable U.S. merchant marine for commerce, emergency response, and national security. The budget request will support three agency programs contributing to defense mobilization and emergency response readiness: United States Merchant Marine Academy, State Maritime Academies, and Maritime Security Program. MARAD's programs help ensure the readiness of sealift capacity to respond to national crises and DOD mobilizations. The U.S. Merchant Marine Academy and State Maritime

Academies educate and graduate merchant marine officers ready to serve the maritime industry and Armed Forces. The Maritime Security Program sustains a fleet of commercial vessels capable of supporting national security and federal emergency response requirements.

#### United States Merchant Marine Academy

The U.S Merchant Marine Academy (USMMA) has been an area of focus for the agency. Providing support and oversight to restore and strengthen USMMA programs and processes is a Maritime Administration management imperative. And, heightening the profile and prestige of the Academy is a priority of Secretary LaHood. In 2009, MARAD took positive steps to address and remediate a number of identified internal control issues, including: conversion to Civil Service of staff previously funded by non-appropriated funding instrumentalities, and the appointment of an Assistant Chief Financial Officer (CFO) at the USMMA reporting to the MARAD CFO. In 2009, MARAD provided Congress with an operating plan providing transparency as to how appropriated funds are expected to be expended by the USMMA.

The agency's 2010 budget request for \$74.4 million will support the continued improvement of USMMA management. The request includes a program increase of \$12 million, of which \$4.8 million is for Academy Operations and \$7.2 million is for the Capital Improvement Program.

The increase in Academy Operations will compensate for non-appropriated funding sources no longer available for mission-related activities, and will establish for the Academy a sufficient appropriated funding base. MARAD's request includes \$0.8 million for the services of an Architecture/Engineering firm to support a blue ribbon panel of experts who will continue work started in 2009 to examine the Academy's long-term capital improvement needs. This panel will make their recommendations for an updated capital improvement master plan to the Secretary of Transportation.

The requested increase of \$7.2 million for capital improvements will augment capital investment funding to \$15.4 million, allowing for significant deferred renovations of Mallory Pier, which is the main ship mooring pier and provides protection for all training vessels and other waterfront facilities. The deteriorated condition of the pier could present safety implications if not remedied.

#### State Maritime Academies

The 2010 request for the State Maritime Academy (SMA) program includes \$15.6 million, an increase of \$1.1 million from the FY 2009 enacted level. MARAD's 2010 request includes funds for: (1) annual direct payments to each of the six state maritime academies, (2) the Student Incentive Payment (SIP) program, and (3) payment of maintenance and repair costs for training ships on loan to the state academies. Of the \$15.6 million request:

- \$2.4 million will be paid directly to the SMA for maintenance and support, a payment of \$400,000 to each school in 2010.
- \$2.0 million will fund the SIP program, for which the annual incentive payment per cadet will be \$8,000 in 2010.
- \$11.2 million will fund maintenance and repair costs for Federally-owned training ships on loan to the various state academies.

The state academies regard the SIP Program as among the most important recruiting tools to encourage state maritime academy cadets to pursue careers as Civil Service Mariners. We expect the authorized increase in SIP payments from \$4,000 per year to \$8,000 to increase interest in the program. This major improvement positions the program for a successful 2010.

### Maritime Security Program

The Maritime Security Program (MSP) is the agency's largest appropriated program. The primary purpose of the MSP is to provide the DOD with assured access to commercial U.S.-flag ships and related intermodal systems, as well as a pool of trained U.S. mariners available to support national security requirements during war or national emergency. MSP vessel participants also deliver cargoes supporting overseas deployments of U.S. forces. The DOD Surface Deployment and Distribution Command reports that since September 11, 2001, U.S.-flag commercial ships have delivered over 425,000 twenty foot equivalent units (TEUs) of containerized equipment and supplies to support U.S. troops in Iraq and Afghanistan. MSP ships have also supported the rebuilding of Iraq. For 2010, the MARAD request of \$174 million will fund 60 ships in the MSP fleet in at the authorized level of \$2.9 million per ship. Funding at this level will enable DOT to continue to maintain a U.S.-flag international trade merchant fleet crewed by U.S. citizens to serve the Nation's commercial and national security needs.

### ENVIRONMENT

MARAD environmental programs are aimed at reducing pollution and the adverse environmental effects of maritime transportation and facilities on communities and livability; focusing on obsolete vessel disposal, reducing marine air emissions, and treating ballast water. The 2010 request includes \$19 million, or 5% of the agency's request.

#### Ship Disposal

Of the 2010 request of \$15 million for the Ship Disposal program, \$12 million will support the disposal of obsolete ships in the National Defense Reserve Fleet. Due to the presence of onboard hazardous materials such as residual fuel, asbestos and solid polychlorinated biphenyls on these ships, they must be disposed of properly. Expedited disposal of obsolete ships lessens environmental risk and makes sense not only from the standpoint of avoiding possible harm to the environment, but also in terms of reducing costs. Environmental cleanup costs after a hazmat discharge incident are often far higher than the cost of proper and timely disposal. The budget request is expected to support the

removal of 15 obsolete vessels from the inventory in 2010, providing for domestic dismantling contracts, artificial reefing, deep sinking, vessel sales and donations, and vessel export for recycling (if available).

The 2010 budget request also includes \$3 million in funding to continue nuclear license management for the inactive Nuclear Ship SAVANNAH. The budget will support the continued maintenance and safeguarding of the SAVANNAH nuclear plant, and technical actions to keep the vessel into conformance with Nuclear Regulatory Commission standards.

### Environmental Programs

The impact of marine transportation on the human and natural environment has become more evident particularly in port and coastal communities, which are feeling the brunt of environmental quality impacts from marine transportation activities. At the same time, marine transportation is expected to grow considerably due to increased use of our nations waterways for freight and passenger movement. Marine-related environmental impacts will therefore become more profound. The environmental impacts of marine transportation must be adequately anticipated and addressed or they will adversely affect the nation's economic growth and the quality of life of our port communities. The MARAD 2010 program will work toward the reduction of port and vessel air pollution, further critical multi-modal transportation research to reduce environmental pollution, implement initiatives to reduce the agency's carbon footprint, and advance ballast water treatment technologies.

Mr. Chairman, I wish to express my appreciation for the opportunity to present and discuss our program initiatives for 2010, and for the Committee's continuing support for maritime programs. We will continue to keep this Committee apprised of the progress of our programs in these areas in the coming year, including our efforts working with other agencies on anti-piracy issues.

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