

Maritime Transportation System National Advisory Committee

Minutes of Public Meeting

Dates: September 20-21, 2023

Location: U.S. Department of Transportation Headquarters – Washington, D.C.

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Acronyms and Abbreviations

CBP	Customs and Border Protection
CMTS	Committee on the Marine Transportation System
DFO	Designated Federal Official
DOD	Department of Defense
DOE	Department of Energy
DOL	Department of Labor
DOT	Department of Transportation
EPA	Environmental Protection Agency
FLOW	Freight Logistics Optimization Works
FMC	Federal Maritime Commission
IRPT	Inland Rivers, Ports and Terminals
LNG	Liquified Natural Gas
MARAD	Maritime Administration
MERPAC	Merchant Marine Personnel Advisory Committee
MH	Marine Highways
MSP	Maritime Security Program
MTS	Maritime Transportation System
MTSNAC	Maritime Transportation System National Advisory Committee
NASSCO	National Steel and Shipbuilding Company
NDAA	National Defense Authorization Act
NEPA	National Environmental Policy Act
NGO	Non-Governmental Organization
OMSA	Offshore Marine Service Association
OSRA	Ocean Shipping Reform Act of 2022
OSCAR	Ocean Shipping Container Availability Report
PIDP	Port Infrastructure Development Program
PM	Program Manager
QOL	Quality of Life
RO/RO	Roll on/Roll off
RRF	Ready Reserve Fleet
SME	Subject Matter Expert
STB	Surface Transportation Board
USACE	U.S. Army Corps of Engineers
USCG	U.S. Coast Guard
USDA	U.S. Department of Agriculture
USDOT	U.S. Department of Transportation
USTRANSCOM	U.S. Transportation Command
VAM	Vessel Acquisition Manager
VCM	Vessel Contract Manager

U.S. Maritime Transportation System National Advisory Committee

Wednesday, September 20, 2023

Meeting Agenda

09:00 AM Call to Order & Roll Call

Jeff Flumignan, Designated Federal Officer

Item 1 Welcome and comments from the MTSNAC Chairman

Robert “Bob” Wellner, Chairman, Maritime Transportation System National Advisory Committee

Item 2 Chair Guidance and Breakout Session – Breakout Rooms

Staff Liaisons to facilitate breakout sessions and prioritize Issue Areas and Desired Outcomes

Item 3 Reconvene and Update to Chairman

Bob Wellner, Chairman, Maritime Transportation System National Advisory Committee

Presentation on META Center for Innovation

Daniel Yuska, Director, Office of Environment and Innovation

Item 4 Public Comments (if required)

Jeff Flumignan, Designated Federal Official

Item 5 Break for Lunch

Item 6 Sub-Committee Breakout Sessions in Breakout Rooms

Staff Liaisons to facilitate breakout sessions and prioritize Issue Areas and Desired Outcomes

Item 7 Reconvene and Brief Update Report to Chair by Sub-Committee Chairs

Bob Wellner, Chairman, Maritime Transportation System National Advisory Committee

Presentation on Dual Concept Vessels

Jonathan Kaskin, Navy League of the United States

Item 8 Closing Remarks and Adjournment

Bob Wellner, Chairman, Maritime Transportation System National Advisory Committee

U.S. Maritime Transportation System National Advisory Committee
Thursday, September 21, 2023
Meeting Agenda

- 09:00 AM Call to Order & Roll Call**
Jeff Flumignan, Designated Federal Official
- Item 9 Welcome & Opening Statements**
Bob Wellner - Chairman, Maritime Transportation System National Advisory Committee
- Item 10 Chair Guidance and Breakout Session – Breakout Rooms**
Staff Liaisons to facilitate breakout sessions and prioritize Issue Areas and Desired Outcomes
- Item 11 Reconvene and Update to Chairman**
Bob Wellner, Chairman, Maritime Transportation System National Advisory Committee
- Item 12 Public Comments (if required)**
Jeff Flumignan, Designated Federal Official
- Item 13 Break for Lunch**
- Item 14 Reconvene and Presentation of Recommendations**
Bob Wellner, Chairman, Maritime Transportation System National Advisory Committee
- Item 15 Remarks by the Maritime Administrator**
Rear Admiral Ann C. Phillips, USN (Ret.), Maritime Administrator
- Item 16 Closing Remarks and Way Ahead**
William “Bill” Paape, Associate Administrator for Ports and Waterways
- Item 17 Closing Remarks and Adjournment**
Bob Wellner, Chairman, Maritime Transportation System National Advisory Committee

U.S. Maritime Transportation System National Advisory Committee

Minutes of Maritime Transportation
System National Advisory Committee Public Meeting
September 20, 2023
9:00 am–3:30 pm EDT

Call to Order & Roll Call

Mr. Jeffrey Flumignan, Designated Federal Officer with MARAD, called the meeting to order at 9:00 am EDT and took the roll call.

Members Present

Federal Government Employees:

Michael Moltzen – U.S. Environmental Protection Agency
Thomas Overacker – U.S. Customs and Border Protection
Shelley Sugarman – U.S. Coast Guard

Special Government Employees:

Cheryl Ball – Missouri Department of Transportation
Lauren Beagen – Squall Strategies (virtual)
Erik Stromberg – Lamar University

Representative Members:

David Cicalese – International Longshoremen's Association (virtual)
Brian Clark – North Carolina Ports Authority (virtual)
Mario Cordero – Port of Long Beach
James Dillman – Gateway Terminal
Bill Doyle – Maryland Port Administration
Berit Eriksson – Sailors' Union of the Pacific (virtual)
Sara Fuentes – Transportation Institute
Joe Gasperov – International Longshore and Warehouse Union
Roger Guenther – Port Houston
Craig Johnson – Maine Maritime Academy
Brian Jones – Nucor Corporation
David Libatique – Port of Los Angeles (Vice-Chair)
Bethann Rooney – Port Authority of New York & New Jersey
Stephen Spoljaric – Bechtel
Nick Marrone (for Jack Sullivan) – Matson Navigation, Inc
Penny Traina – Columbiana County Port Authority
Robert Wellner – Liberty Global Logistics, LLC (Chair)

Members Absent

Russell Adise –U.S. Department of Commerce
Aimee Andres – Inland Rivers, Ports and Terminals, Inc.
Brian Tetreault – U.S. Army Corps of Engineers
Tom Wetherald – Global Dynamics – NASSCO (retired)

MARAD / USDOT Members Present

Jeffrey Flumignan – Director, Office of Maritime and Intermodal Outreach, MARAD
Brian Hill – Alternate DFO and Director, Western Gulf Gateway Office (Houston), MARAD (virtual)
Vince Mantero – Director, Office of Ports and Waterways Planning, MARAD
William Paape – Associate Administrator for Ports and Waterways, MARAD
Natasha Pavlovich – Office of Marine Highways, MARAD
Tim Pickering – Office of Ports and Waterways Planning, MARAD
Dan Yuska - Director of MARAD's Office of Environment and Innovation
Branden Villalona – Alternate DFO and Director, South Atlantic Gateway Office (Jacksonville, FL) MARAD

Public Members Present

Tim Frentz – Bechtel Corporation
Jonathan Kaskin - The Navy League of the United States

Item 1- Welcome & Comments from the MTSNAC Chairman

Mr. Robert Wellner welcomed the group and expressed his appreciation that everyone was here. He noted that he and Mr. Libatique had participated in several sub-committee sessions. There will be two speakers today – Mr. Dan Yuska of MARAD's Office of Environment and Innovation and Mr. Jonathan Kaskin of the U.S. Navy League. He added that today's lunch will be a working lunch.

Item 2 – Chair Guidance and Breakout Session – Breakout Rooms

The members then joined their respective subcommittees.

Item 3 – Reconvene and Update to Chairman

After the members returned from their breakout sessions, Mr. Wellner introduced Mr. Dan Yuska, Director of MARAD's Office of Environment and Innovation. Mr. Yuska then briefed the group on the Maritime Environmental and Technical Assistance (META) Center for Innovation. The NDAA mandated that MARAD set up the META Center within one year, which has not yet happened. The mandate also did not include any appropriations for the center. MARAD has had an environmental program since 2010, including its META Program. The goal of the center is to fill the gaps in that program. It will include colleagues representing industry, government, and NGOs. The NDAA directed MARAD to use cooperative agreements to accomplish the center's goals. The center will not be a physical entity but rather a virtual center, with entities scattered

around the country. MARAD receives comments on the center through the Federal Register until October 2, 2023. The center's Secretariat will be a non-profit entity working with all the other entities. MARAD hopes to get funding in Fiscal Year 2024, allowing it to stand up the center by the summer. It is hoped that other entities can also infuse funding – partnerships are essential.

Mr. Wellner asked if there was an authorization level for the center. Mr. Yuska replied that there was not. Instead, MARAD is looking at partnerships to fill any gaps. Mr. Yuska then explained that the center will explore several themes: decarbonization, emissions reductions, ballast water, and microplastics. It may also look at the infrastructure, including ports and terminal operators. Mr. Wellner asked if the Secretariat would be a non-profit third-party entity. Mr. Yuska said yes. Mr. Stromberg asked if there would be relationships with research universities. Mr. Yuska replied that the center's goal is not to be led by research universities. Instead, they need industry participation. They would also welcome participation with the Transportation Research Board (TRB). In the case of port demonstration projects, the center would reach out to the public through notices. Mr. Wellner asked if MARAD had any funding ideas for the center. Mr. Yuska responded that seed funding of \$2 million could start the center. Any feasibility studies would cost a few thousand dollars, and demonstration projects would cost more. The goal is to spur research. The staffing requirement would be higher than the office currently has. The plan is to use the current Environmental Office staff. Mr. Wellner asked about the center's objective. Mr. Yuska said its goal is to do R&D quickly, spur research, and help the MTS. Currently, there aren't many R&D funds for ships and ports. Ms. Ball asked if there would be a relationship with University Transportation Centers (UTCs). Mr. Yuska said that there would be no direct relationship. The goal is to involve the industry more directly. The META Center will be much broader than the UTCs. Mr. Doyle inquired about the number of current demonstration projects for which insufficient funds exist. Mr. Yuska replied that there are currently approximately six with insufficient funds. His office is only able to fund one project per year. The center will not attempt to fund 100% of a project but will help with some of the funding. Mr. Wellner thanked Mr. Yuska for the presentation.

Item 4 – Public Comments (if required)

Since there were no public comments, Mr. Wellner suggested changing the agenda and asked Mr. Jones and Ms. Rooney to brief the committee on the Port Sub-committee's Task 1 Recommendations and Mr. Spoljaric to brief on the Starboard Sub-committee's Recommendations.

Port Sub-committee Presentation

Task 1 – Export Enhancements

Develop an updated National Freight Strategic Plan (NFSP) incorporating the National Maritime Strategy to address last and first-mile freight transportation within the US and its territories.
Support the designation of inland barges as Vessels of National Interest to prioritize Title XI loan guarantees for the construction of new barges and fleet expansion.
Support a significant increase in funding for the Small Shipyard Grant Program in the annual Presidential budget and prioritize grant awards for US shipyards constructing inland barges.

Support liaison with USACE and USDA to identify those inland river ports critical for agricultural exports and advocate for prioritization and increased funding for those ports to ensure regular maintenance dredging and lock maintenance. Support legislation that authorizes the creation of a secretary-led forum for coordination among the freight transportation modes and multiple Federal entities that have a role in freight, logistics, and supply chain issues. Develop a strategic plan to support the development of a domestic production base for the supply of critical cargo handling equipment throughout the US supply chain. Coordinate with FMC and USDA to restart the weekly Ocean Shipping Container Availability Report (OSCAR), identifying the quantity of equipment available in each significant intermodal hub and seaport.

There were a few questions. Mr. Fuentes asked if the Defense Production Act could be used for item #6. Mr. Jones said they were not looking at funding for this item. Mr. Overacker asked whether FLOW was already doing what item #7 recommended. Mr. Jones responded that the focus of FLOW is on the coastal ports. Mr. Libatique asked if item #4 only pertained to inland river ports. Ms. Rooney said that the funding for inland ports is much less than for coastal ports and more critical.

Task 1 – Decarbonization and Emissions Reductions at Ports

Deepen cooperative efforts with EPA and DOE to optimize decarbonization and emissions reductions in coastal, inland, and Great Lakes ports by identifying best practices and quantifying benefits from implementing efficiency and productivity measures.

Coordinate with EPA to update information on an appropriately frequent basis, new technologies, and strategies that could contribute to Port decarbonization goals for use, including but not limited to discretionary funding decisions. Support increased funding to MARAD, EPA, and DOE-targeted research and development of reduced and zero emissions transport vehicles, carbon capture, and sequestration technologies for ports and terminals, alternative fuels, ultracapacitors, and other energy storage solutions. In coordination with DOT's Multimodal Office, support efforts to update the State Freight Plan Guidance to recommend including emissions reduction goals and decarbonization projects and include near port community collaboration in all plan updates. Follow the US National Blueprint for Transportation Decarbonization and engage with the US maritime industry, especially concerning international coordination, such as the Zero Emission Shipping Mission.

There were no questions relating to this recommendation. Mr. Spoljaric then reported the Starboard Sub-committee's Task 1 recommendations.

Starboard Sub-committee Presentation

Task 1 – Recapitalization of the RRF

- Problem Statement: The Reserve Fleet, strategic sealift capacity, is dropping dramatically and will have a deficit to the requirement in excess of four million square feet of vehicle space by the end of 2023. Plans to make up this deficit have been less effective than they need to be.

Recommendation 1

- Recommendation: Pursue a sealift ship design in 2023 and hire a VCM so multiple shipyards can be contracted to build these ships. The Secretary will continue to acquire used sealift ships for the Ready Reserve Force (RRF) upon Congressional authority and appropriation.
- Action: Continue buying used ships as rapidly as Congress provides authority and appropriations. From existing funding, in 2023, develop a well-vetted Sealift RO/RO design from a third-party commercial design group using a process similar to the NSMV.
- Outcome: In ten years, the newbuild program could have built ten ships for about 1.5 million square feet of capacity, and the buy used program could have bought 20 used ships for roughly 3.4 million square feet.

Recommendation 2

- Problem Statement: The US Shipbuilding Industrial Base may not have the capacity or the ability to efficiently and cost-effectively build new sealift ships for the nation's reserve sealift ships.
 - Failure to act will likely result in higher costs for a future sealift program and a lower likelihood of a cost-effective follow-on program that could avoid future block obsolescence of the reserve sealift fleet.
 - Failure to act may also reduce the likelihood of healthy competition for constructing new sealift ships.
- Recommendation: Institute a grant program for shipbuilders involved to improve efficiency and reduce the costs of the shipbuilding program.
- Action: Use a grant vehicle similar to the Small Shipyard Grant Program to institute a program specifically focused on the sealift shipbuilding program.
- Outcome: MARAD will efficiently and cost-effectively execute a strategic sealift new construction program, and the erosion of the US shipbuilding industrial base will be stopped.

Recommendation 3

- Problem Statement: No annual reporting on United States shipbuilding and repair facilities exists. Taking inventory of available capabilities in the United States shipbuilding and repair industry is a prudent exercise and a necessary annual practice to understand how to improve the industry, specifically using strategic capital investments.
- Recommendation: MARAD to (re)publish an annual compendium of U.S. shipbuilding and repair facilities capabilities.
- Action: MARAD previously drafted and released comprehensive reports on United States shipbuilding and repair facilities capabilities. This should be restarted to ensure an accurate shipbuilding and repair facility's annual compendium.

- Outcome: An accurate accounting of all United States shipbuilding and repair facilities, including the possible expansion to include a separate United States private shipyards report (as was previously done).

Ms. Rooney asked if Recommendation 3 was aimed at RRF shipbuilders or commercial shipbuilders. Mr. Spoljaric said that it was a broad report. Ms. Beagen said that two separate reports were previously issued, but both ceased publication in the early 2000s. Ms. Rooney recommended adding "all" to shipbuilding in the recommendations. Mr. Spoljaric agreed with that suggestion. Then, the committee voted to accept all the recommendations.

Item 5 – Break for Lunch

The members broke for lunch, and Mr. Wellner asked them to return by 12:35 pm.

Item 6 – Sub-committee Breakout Sessions in Breakout Rooms

The members went to their respective rooms for the sessions.

Item 7 – Reconvene and Brief Update Report to Chair by Sub-Committee Chairs

Since the sub-committees had briefed the group before lunch, Mr. Wellner introduced Mr. Jonathan Kaskin of the Navy League of the United States. Mr. Kaskin retired from the Navy in 2012. The director of his former office realized the need to recapitalize the RRF and asked Mr. Kaskin how this might be achieved. Mr. Kaskin, in conjunction with the Navy League of the United States, began a study of how dual-use vessels used in MH services could help this effort. Mr. Kaskin's entire presentation is contained in the Appendix.

The concept of Dual Use Vessels is that they would sail along the U.S. coasts and remove trucks from the highways. In 2011, MARAD and the Center for the Commercial Deployment of Transportation Technologies (CCDoTT) proposed a vessel design including a RO/RO section for military equipment loading/unloading. The estimated cost for such a vessel was \$200 million. The West Coast seemed a promising market for this type of vessel. There was an assumed business case for Navy investment since these ships would eventually replace existing RRF ships. They also looked at LNG propulsion, emerging as a viable fuel source. 2013, the Navy and DOT agreed to work together on this effort. However, MARAD support waned, and the vessels were not built. The Fiscal Year 2018 NDAA directed the Navy, USTRANSCOM, and MARAD to produce a report assessing the condition of the RRF and the type of ships the U.S. could procure for the RRF. In conclusion, the Navy League recommends that MTSNAC update the DUV business case analysis (BCA).

There were several questions from the group. Mr. Wellner asked how long the design phase of these vessels would be. Mr. Kaskin answered that it was two years during the initial study. But with all the work that has been done, it could be done within one year. Mr. Wellner also noted that the estimated 1.8 – 5% Return on Investment (ROI) would not be adequate for a commercial operator. Mr. Jones asked if the study identified commodities for this service. Mr. Kaskin replied yes, but more work is needed in this area. There were additional questions for Mr. Kaskin, including whether shippers would use this service and whether the study was based on a full vessel in both directions. Mr. Kaskin said that more work needs to be done to determine this.

Mr. Wellner noted that this is a potential vehicle for the MTSNAC work plan and thanked Mr. Kaskin for his presentation.

Item 8 – Closing Remarks and Adjournment

Mr. Wellner announced that the two sub-committees will present a five-minute update to the whole group tomorrow morning. Then, the final recommendations will be presented to the Maritime Administrator in the afternoon. He also reiterated the need to link the National Maritime Strategy with the National Freight Strategic Plan. The meeting was then adjourned at 3:37 pm EDT.

Minutes of Maritime Transportation
System National Advisory Committee Public Meeting
September 21, 2023
9:00 am–3:00 pm EDT

Call to Order & Roll Call

Mr. Jeffrey Flumignan, Designated Federal Officer with MARAD, called the meeting to order at 9:00 am EDT and took the roll call.

Members Present

Federal Government Employees:

Michael Moltzen – U.S. Environmental Protection Agency
Thomas Overacker – U.S. Customs and Border Protection
Shelley Sugarman – U.S. Coast Guard (virtual)
Brian Tetreault – U.S. Army Corps of Engineers

Special Government Employees:

Lauren Beagen – Squall Strategies (virtual)
Erik Stromberg – Lamar University

Representative Members:

Cheryl Ball – Missouri Department of Transportation
David Cicalese – International Longshoremen's Association (virtual)
Brian Clark – North Carolina Ports Authority
Mario Cordero – Port of Long Beach
James Dillman – Gateway Terminal
Bill Doyle – Maryland Port Administration
Berit Eriksson – Sailors' Union of the Pacific (virtual)
Sara Fuentes – Transportation Institute
Joe Gasperov – International Longshore and Warehouse Union
Craig Johnson – Maine Maritime Academy
Brian Jones – Nucor Corporation
David Libatique – Port of Los Angeles (Vice-Chair)
Bethann Rooney – Port Authority of New York & New Jersey
Stephen Spoljaric – Bechtel
Nick Marrone (for Jack Sullivan) – Matson Navigation, Inc
Penny Traina – Columbiana County Port Authority
Robert Wellner – Liberty Global Logistics, LLC (Chair)

Members Absent

Russell Adise –U.S. Department of Commerce
Aimee Andres – Inland Rivers, Ports and Terminals, Inc
Roger Guenther – Port Houston
Tom Wetherald – Global Dynamics – NASSCO (retired)

MARAD / USDOT Members Present

Tretha Chromey – Deputy Associate Administrator for Ports and Waterways, MARAD
Jeffrey Flumignan – Director, Office of Maritime and Intermodal Outreach, MARAD
Brian Hill – Alternate DFO and Director, Western Gulf Gateway Office (Houston), MARAD (virtual)
Zanna Khurana – Office of Marine Highways, MARAD
Vince Mantero – Office of Port and Waterways Planning, MARAD
William Paape – Associate Administrator for Ports and Waterways, MARAD
Natasha Pavlovich – Office of Marine Highways, MARAD
Rear Admiral Ann Phillips - Maritime Administrator
Tim Pickering – Office of Ports and Waterways Planning, MARAD
Branden Villalona – Alternate DFO and Director, South Atlantic Gateway Office (Jacksonville, FL) MARAD

Public Members Present

Tim Frentz – Bechtel Corporation
Aaron Smith - CEO of the Offshore Marine Service Association (OMSA) (Virtual)

Item 9 – Welcome & Opening Statements

Mr. Wellner welcomed everyone and said there would be a five-minute brief from each sub-committee this morning. In the afternoon, the group will meet with the Maritime Administrator to present the committee's recommendations, and he plans to ask that the National Maritime Policy and the National Freight Strategic Plan be linked.

Port Sub-committee Presentation

Mr. Jones presented. He expressed the sub-committee's gratitude to Mr. Mantero and Ms. Pavlovich for joining the sub-committee and answering their questions about the Marine Highway Program. The sub-committee is looking at ways to better utilize MH without statutory changes, which include:

- Fast-tracking and identifying categorical exclusions and aligning this process with other DOT modes. MH has value, but there are obstacles that entities face in accessing the program.
- The post-award grant agreement process involves more than one MARAD office.
- Post-grant and project completion have a three-year reporting requirement. This might be expanded to five years.

- Difficulty in providing metrics for the program. These are important when reporting to Congress.
- MH program needs more funding.
- A strategic marketing campaign is needed. There is a great need to educate the public and Congress.

Starboard Sub-committee Presentation

Mr. Spoljaric presented the sub-committee's work on Task 2 – Cargo Preference. Some of the issues included:

- Requirement to use U.S.-Flag vessel ships. This requirement is not always 100% - sometimes only 50%. Perhaps some requirements should be increased.
- How best to enforce these requirements?
- If Cargo Preference is optional, how best can we encourage using U.S.-Flag?
- Cargo Preference data – need to connect with other agencies to complete the data.
- Need for awareness of Cargo Preference requirements. Perhaps a certification process will help?

Item 10 – Chair Guidance and Breakout Session – Breakout Rooms

The members went to their respective breakout rooms.

Item 11 – Reconvene and Update to Chairman

Mr. Wellner asked each sub-committee to report on its work from this morning's breakout session.

Port Sub-committee Presentation

Ms. Rooney presented for the sub-committee. The group focused on workforce development. They identified three main themes:

- 1) Supply chain resilience and workforce resilience. It's not just inside the gate. Experience from the pandemic taught us many lessons which need to be documented.
- 2) There is a need for a broader assessment of the workforce in the maritime sector, how to upskill, and what the future workforce will look like, e.g., automation of electric vehicles.
- 3) Awareness of industry. It isn't easy to get young people interested in the industry. Work is being done, including compiling best practices and school curriculum. DOT and DOL have a relationship in developing curriculum.

Although the discussion focused on ocean ports, inland ports also have trouble attracting workers, and these inland ports have more severe challenges.

Starboard Sub-committee Presentation

Ms. Beagen presented for the group. They revised the draft recommendation for Task 2 – Mariner Shortage. They covered several different areas, including:

- Reviewing the workforce plan
- Maritime school programs
- Funding from MARAD
- Expanding billets in the RRF
- Marketing and outreach – use of MARAD Gateway offices for promotion
- Quality of Life and wage barriers

The group also discussed cargo preference (Task 3).

Item 12 – Public Comments (if required)

Mr. Flumignan announced that there would be one public comment from Mr. Aaron Smith, CEO of the Offshore Marine Service Association (OMSA). Mr. Smith said that OMSA has 140 member companies. OMSA is in the middle of Jones Act issues. It recently conducted a study on wind farm projects. The study found that a majority of those projects used foreign flag vessels and mariners. OMSA has proposed that foreign operators within U.S. waters operate with the exact requirements as U.S. flag operators. He lamented the fact that MARAD has been silent on this issue.

Furthermore, the Department of the Interior (DOI), DOE, and DOL do not support the U.S. Merchant Marine. He commented that offshore wind vessels often sail to Canada and U.S. ports to avoid cargo preference requirements. Mr. Wellner thanked Mr. Smith for his comments.

Item 13 – Break for Lunch

Mr. Wellner asked the group to return by 12:35 pm.

Item 14 – Reconvene and Presentation of Recommendations

Mr. Wellner welcomed Rear Admiral Ann Phillips, Maritime Administrator. She thanked the MTSNAC members for their time and dedication. She also thanked the MARAD team for their excellent work in supporting MTSNAC.

Mr. Wellner then asked for each sub-committee to report its recommendations to the Administrator.

Port Sub-committee Presentation (See Appendix for detailed presentation)

Mr. Jones presented. Under Task 1 (Export Enhancement), the group noted the following:

- Need to incorporate the National Maritime Strategy with the National Freight Strategic Plan. The pandemic exposed areas of failure. There is an urgency to move quickly on this.

- Inland barge fleet – between 2022-2025, 4,200 barges will be scrapped, and only 800 new ones will have been built. There are not enough barges to support exports.
- Small Shipyard Grant Program is working and supporting 300 small shipyards. However, it is underfunded.
- Liaison with USACE, USDA, MARAD, and inland ports is often overlooked.
- Need for better coordination between agencies.
- A strategic plan is needed to increase the domestic production base for port equipment. 95% of containers and 85% of chassis are made in China. We need a secure supply chain.
- FMC and USDA need to reboot OSCAR, which will provide more visibility.

Task 1 – Decarbonization and Emissions Reductions at Ports

- No new statutory action is required.
- Need to deepen cooperative efforts.
- Coordinate with EPA.
- Increase funding needed.
- States must include decarbonization and port emissions reductions when updating their freight plans.
- Respect the National Blueprint for Transportation Decarbonization.

Starboard Presentation

Mr. Spoljaric presented. Under Task 1 (Recapitalization of RRF), the group recommended the following:

- Pursue sealift ship design and continue buying used ships. Use commercial design concepts.
- The Institute grant program to shipbuilders to improve efficiency is similar to the Small Shipyard Grant Program.
- Publish annual compendium of all U.S. shipbuilding repair facilities capabilities.

The Maritime Administrator noted that the 100% design concept has succeeded. MARAD has authorization to buy nine vessels; however, older ships are more expensive to maintain. Admiral Phillips indicated her interest in a new grant program for shipbuilders.

Mr. Wellner then reiterated the need to link the National Maritime Strategy to the National Freight Strategic Plan and that MARAD was contracting with the Center for Naval Analysis (CNA) to study that. The Maritime Administrator said that the upcoming CNA study is to inform what should go into the National Maritime Strategy, but it is not writing it. Unfortunately, there is not much time to complete this during the current administration. Mr. Libatique added that MTSNAC can accelerate CNA's outreach efforts. The Maritime Administrator responded that DOD has included the U.S. Marine Corps and the U.S. Coast Guard in this effort, but not

MARAD. Mr. Stromberg asked about MARAD's 2014 ISO Asset Management Standard role. Ms. Eriksson added that MTSNAC and MERPAC have a symbiotic fit, with MTSNAC focusing on policy and MERPAC on regulation. Admiral Phillips thanked the group for their comments and asked about Priority 2 recommendations.

Mr. Rooney responded to the Port Sub-committee. Priority 2 includes the Marine Highway. The group is looking at how it can be improved. Speed is important. The MH team is doing a fantastic job. One recommendation concerns the categorical exception process and how a One DOT approach can help. The reporting requirements for MH projects are only for three years and are cumbersome. Need to find ways to streamline this and extend the reporting timeline beyond the three years.

Workforce development is another issue of importance. The workforce is not a problem inside the gate, but outside the gate is. There is a need to build an awareness campaign and to do it quickly. Also, a catalog of best practices from various ports would be helpful.

Ms. Beagen responded to the Starboard Sub-committee. The group found that there is a mariner workforce shortage. There is a need to work with academic institutions to address this. More entry-level billets would also help. The MARAD Gateway offices can assist with this effort. Quality of Life issues are also essential.

The Maritime Administrator thanked everyone for their input and departed.

Item 15 – Remarks by the Maritime Administrator

There were no remarks by the Administrator since she had responded to the sub-committee reports.

Item 16 – Closing Remarks and Way Ahead

Mr. Flumignan expressed his heartfelt thanks to everyone on the committee. Draft Priority 2 recommendations will be due in November. The next MTSNAC meeting will be November 28-29, 2023, in Washington, D.C. He also asked that the sub-committee co-chairs plan for their 2024 meeting dates.

Item 17 – Closing Remarks and Adjournment

Mr. Wellner thanked everyone for the great work they had done. Mr. Flumignan advised the group that a memo with the recommendations approved at this meeting will go to the Maritime Administrator after this meeting. The meeting was adjourned at 2:08 pm EDT.

Approved and Certified


Robert G. Wellner, Chair

23 October, 2023
Date:

Appendices

Appendix A - Port Sub-Committee Virtual Meeting Minutes - July 27, 2023

MTSNAC Port Sub-Committee

Virtual Meeting Minutes July 27, 2023

Attendees

Aimee Andres – Inland Rivers, Ports and Terminals, Inc. (IRPT)
Cheryl Ball – Missouri Department of Transportation
Shawn Brede – Office of Port Development and Intermodal Planning, MARAD
Brian Clark – North Carolina Ports Authority
Chad Dorsey – DFO and Director, Inland Waterways Gateway Office (Paducah, KY), MARAD
Jeffrey Flumignan – MARAD Designated Federal Officer
Brian Jones – Nucor Logistics (subcommittee Co-chair)
Alexa Jurczak – ILWU
Jim Kearns – Jones and Walker and IRPT Board Member
Zanna Khurana – Office of Port Development and Intermodal Planning, MARAD
Michael Moltzen – Environmental Protection Agency
Natasha Pavlovich – Acting Director, Office of Port Development and Intermodal Planning, MARAD
Tim Pickering – Office of Ports and Waterways Planning, MARAD
Eric Stromberg – Lamar University
Penny Traina – Columbiana County Port Authority
Branden Villalona – MARAD liaison to Port Subcommittee and Alternate Designated Federal Officer
Robert Wellner - Liberty Global Logistics, LLC (MTSNAC Chair)

Ms. Villalona welcomed the group at 2:00 p.m. EDT and introduced Ms. Pavlovich, Acting Director of the Office of Ports and Waterways Planning, who provided a brief on the Marine Highways Program.

She began by reviewing the goals of the Marine Highways Program:

- 1) Facilitate growth of the U.S. Marine Highways Program (USMHP)
- 2) Enable functional hub and spoke model
- 3) Leverage FY2023 NDAA changes to expand USMHP to Canada and Mexico and include freight of all kinds
- 4) Promote the growth of the U.S. Fleet and sustain jobs in U.S. vessels, ports, and shipyards
- 5) Relieve landside congestion and improve transportation system resiliency
- 6) Improve the environmental sustainability

The other office within the Ports and Waterways Planning group is the Port Development and Intermodal Planning Office. Opportunities for this office include:

- 1) Promote and investigate the development and utilization of ports and intermodal projects
- 2) Research maritime technology to support environmental resiliency and cargo flow
- 3) Promote reduction of traffic congestion
- 4) Develop studies, plans, and reports supporting governing statutes and improvement of the Marine Transportation System
- 5) Investigate the maritime supply chain
- 6) Continue with stakeholder outreach (internal & external)

Some of the partners to support this effort include AAPA, which is working on a survey for port equipment planning; CMTS, EPA, other federal agencies, the port maritime industry, AASHTO, and private entities. Ms. Ball pointed out that AAPA only dealt with deepwater ports and asked what they were doing regarding inland river ports. Ms. Pavlovich said it wasn't clear which ports would be included in the AAPA port equipment survey but that she would reach out to AAPA to obtain the port list. Mr. Stromberg added that the fundamental drivers of the Marine Highways are shippers, beneficial cargo owners (BCOs), and carriers. The demand side will dictate the need for these services.

Mr. Pickering then gave an overview of the Marine Highways Program (See attached slides). He announced the addition of two new routes – M11, along the west slope of Alaska, and M79, along the Allegheny River in West Virginia. He then proceeded to review key legislative milestones, the Marine Highways Program Framework, and some of the significant changes, including eliminating the requirement for project designations for projects to be eligible for USMHP grants. He thanked MARAD's Gateways offices for their great support of the program. He highlighted two "success" stories: James River M-64 barge service between Norfolk, VA and Richmond, VA; and Baton Rouge, LA – New Orleans barge service to reposition containers from Memphis, TN to Baton Rouge and New Orleans for onward international shipment. He highlighted one discontinued service – the M580 service between Oakland, CA, and Sacramento, CA.

Ms. Andres noted that the extended timeline between application for project designation through the final grant award sometimes causes applicants to abandon their application and return the federal funding for the project. She asked how the program application process could be more responsive. Mr. Pickering replied that the program is now pivoting to a twice-yearly application cycle. Also, the process has been shortened to one year, although the application portion still takes up to 270 days. There are some small requests for fast track, e.g., forklifts under \$1M. When asked how the 270 days compare to the Small Shipyard Grant Program, Mr. Pickering said he would check on that.

Ms. Andres asked what percentage of the AAPA Cooperative Agreement addresses inland port needs. Ms. Pavlovich replied that although she did not know, she would check and report back. Then Ms. Andres thanked the MARAD team for its help and asked what percentage of the team's time is spent communicating with shippers on projects. Mr. Pickering estimated that about 20%

of the team's time is spent on that and that they are trying to expand its outreach efforts. One way is acting as speakers at conferences sponsored by IANA, NAM, and other maritime conferences where the attendees may not be familiar with MARAD's Marine Highways Program. He underlined the need for his team to reach out and address new audiences. Ms. Ball asked how grant awards and agreements are handled. Ms. Pavlovich replied that it varies with each applicant and could be the subject of a subject call. Ms. Villalona said that MARAD will set up a separate meeting to address this.

Mr. Clark suggested that the group schedule another call to address more questions that they could not address today and that the Problem Statement needs to be rewritten. He asked for guidance from Mr. Flumignan, who said that the statement should address the group's recommendations and use reverse engineering to craft the Problem Statement. Mr. Clark said he wasn't sure if that deliverable could be accomplished within the next month before the next subcommittee meeting. Ms. Ball suggested that the Problem Statement could be something like the Secretary should implement performance measures and recommended strategies for Marine Highways. Mr. Flumignan said that could be a valid statement. Mr. Pickering told the group that ideas on improved metrics would be most welcomed. Ms. Andres announced that she could not attend the September full MTSNAC meeting but needs to provide more input to the subcommittee. Mr. Flumignan encouraged her to submit essential issues in writing before the September meeting.

Mr. Clark thanked Mr. Pickering for his informative presentation today, and Ms. Villalona announced that the next virtual subcommittee meeting will be on August 30 at 2:00 p.m. EDT. This meeting was then adjourned at 3:00 p.m.

Appendix B - Port Sub-Committee Virtual Meeting Minutes - August 30, 2023

MTSNAC Port Sub-Committee

**Virtual Meeting Minutes
August 30, 2023**

Attendees

Aimee Andres – Inland Rivers, Ports and Terminals, Inc. (IRPT)
Cheryl Ball – Missouri Department of Transportation
Shawn Brede – Office of Port Development and Intermodal Planning, MARAD
Brian Clark – North Carolina Ports Authority
Mario Cordero – Port of Long Beach
Chad Dorsey – Director, Inland Waterways Gateway Office (Paducah, KY), MARAD
Jeffrey Flumignan – MARAD Designated Federal Officer
Joe Gasperov – ILWU
Brian Hill – Alternate DFO and Director, Western Gulf Gateway Office (Houston), MARAD
Brian Jones – Nucor Logistics (Sub-committee Co-chair)
David Libatique – Port of Los Angeles
Michael Moltzen – Environmental Protection Agency
Thomas Overacker – U.S. Customs and Border Protection
Bethann Rooney – Port of New York/New Jersey (Sub-committee Co-Chair)
Eric Stromberg – Lamar University
Penny Traina – Columbiana County Port Authority
Robert Wellner - Liberty Global Logistics, LLC (MTSNAC Chair)

Mr. Jones welcomed the group at 2:00 p.m. EDT and briefly reviewed the recently revised Marine Highway Statement entitled “Improving the Economic Viability of Marine Highway Services” (see Appendix A). Mr. Stromberg had some minor comments, asking if the term "domestic waterways" referred to inland waterways only and possibly should be changed to both internal and external points. He said that it should include the word "coastal." He also asked if the "current level of funding" included private sources. Mr. Jones replied that it should be changed to "federal funding." Ms. Ball added that the federal funding level for Marine Highways in Fiscal Year 2023 is approximately \$10M. Mr. Stromberg then asked about bullet points #4 and #5. Mr. Jones pointed out that matching funds must exist under bullet point #4 to show financial viability. No profit/loss plan is required. Mr. Stromberg said there must be ways to identify other forms of support for these projects. Ms. Ball cited a New York/New Jersey grant and the need for ongoing operational support from local or state entities and noted that some projects were funded by MARAD and then later found to be not economically viable, and some were basing their matching on possibly getting state funding to do so. This should be reviewed in MARAD scoring.

Mr. Jones added that the Marine Highways team needs to be brought in when the group meets next month. The team needs to explain their scoring process for grant projects. Mr. Flumignan focused on bullet points #2 and #3 and explained that there is a need to show metrics when

MARAD requests funding from Congress. Ms. Rooney said there is no mention of operating funding and a need for new cost/benefit models.

Ms. Andres asked if the MARAD staff could explain the difference between the Marine Highways award process and the process for awards in the Small Shipyard Program. She commented that the award process for the latter program is much faster. She also said that she would be unable to attend the September MTSNAC meeting, to which Mr. Flumignan replied that there would be no final recommendations made at that meeting and that there would be ample time to weigh in on the final draft after the September meeting. Mr. Stromberg asked if any best practices in the Small Shipyard Program could be used in the Marine Highways program, to which Mr. Flumignan replied yes, and that a recommendation could be included for a statutory change to do so. Ms. Ball suggested that the group look at the Rural and Tribal Grant Funding Program, where the application is condensed and easy to navigate. She asked if the group could also get information on how this program works in September. It was pointed out that specific statutory requirements in the USMH program, such as NEPA, do not exist in other programs, so the challenge is to find process-related changes rather than statutory-driven ones.

Ms. Rooney explained that MARAD's world of grant programs expanded exponentially without a concurrent increase in necessary resources to support the programs. There is a need to streamline requirements across all USDOT programs. One example is a Federal Highways Administration roadway project that didn't require NEPA. Instead, it had a categorical exclusion. MARAD programs, however, don't have many categorical exclusions like FHA. So, we need one DOT with the same set of rules. Mr. Jones asked if there were any additional comments or suggestions. There were none, so he said he would make the suggested revisions and circulate the revised draft among the group.

He then turned his attention to two more problem statements for the sub-committee: Maritime Workforce Development Initiatives and Dynamic Capacity Modeling. He asked the group if there were any requests for SMEs at the September meeting. Ms. Rooney asked if Maritime Workforce Development fell directly under MARAD, Kings Point, and the state academies. Mr. Jones said the group had previously received a presentation by Dr. Shashi Kumar, Deputy Associate Administrator and National Coordinator for Maritime Education and Training at MARAD.

At the last meeting, Ms. Ball pointed out that Mr. Gasperov noted that training was an issue, although staffing was not a problem at ocean ports. She asked if there was a comparable situation on the inland waterways. Mr. Jones said he had contacted two inland barge operators about training. They responded that there were challenges in attracting people due to the often extended periods of being away from home. These operators are expanding their recruitment efforts beyond just the river communities. One of the challenges they face involves federal drug testing issues.

Ms. Ball said the USDOT has a joint effort with the U.S. Department of Labor looking at labor issues. They also have a workforce development initiative with the U.S. Department of Education. Mr. Jones added that many people do not want to take jobs not conducive to a good quality of life. Ms. Rooney asked if the group focuses on shoreside jobs rather than shipboard

jobs; the answer was the former, as vessel workforce issues are being handled by the Starboard Subcommittee. Ms. Ball pointed out that although ocean ports have an adequate pool of job applicants, there is a need for "upskilling." At the inland ports, however, there is an inadequate pool of people for the jobs available. Ms. Stromberg asked if there was a need for management training in addition to blue-collar training. Mr. Cordero agreed that there was and that the ports faced a competitive salary issue, especially with IT and engineering positions. Mr. Jones added that the steel industry has difficulty finding IT professionals since it competes with IT firms for that pool of workers. Mr. Stromberg said there might be some advantages to working for public entities that could offset the salary issue.

Ms. Rooney pointed out that while there are solid metrics for measuring seagoing jobs, shoreside jobs lack those necessary measurement metrics. There is generally not a good understanding of the transportation industry's needs but a need to identify which jobs support the maritime industry. MARAD needs to know where the workforce shortages are, and maybe make the creation of an inventory a Recommendation. Mr. Jones said that the group can delve into this in September.

Regarding Dynamic Capacity Modeling, Mr. Jones stated that the group needs an update on FLOW (Freight Logistics Optimization Works). He will check on this with Ms. Villalona. He then announced that the next MTSNAC meeting will be on September 20-21 in Washington, D.C. He will ask the USMH team to join the group. Mr. Wellner then added that there will be two additional agenda items at that meeting:

- A presentation by the Navy League of the United States on dual-purpose vessels and
- A presentation on the new MARAD Center for Innovation

Mr. Flumignan announced that the Federal Register Notice for the September meeting is due to be published on September 1, 2023. The meeting was then adjourned at 2:57 p.m. EDT.

Improving the Economic Viability of Marine Highway Services

Since its inception in 2010, the United States Marine Highway Grant Program has been oversubscribed, and our domestic waterways have been underutilized. The current level of funding, coupled with a lack of regularly scheduled services, makes shippers and BCOs reluctant to shift to marine highway transportation. With shippers' reluctance, vessel and barge operators may have also been reluctant to engage with the program. Apart from these challenges, potential Marine Highway Program grant applicants have expressed concerns about the complexity of the grant application and management processes versus the level of appropriated funding compared to other DOT grant programs.

Recommendation Request

Make recommendations to the Secretary of Transportation to improve the economic viability of proposed services and the program's overall performance. Recommendations may include, but are not limited to:

- Ways to assess and examine the best practices of the currently operating USMHP services and identify key factors that impede the development of marine highway services that have been awarded MHP funding.
- Expanding the length of post-award performance reporting.
- Supplement current metrics being reported with additional categories and types to account for the strength and sustainability of the service.
- Identify ways MARAD can educate applicants on improving their ability to demonstrate financial viability in their grant applications.
- Ways to require MARAD to determine if proposed services require operational financial assistance from the state or other governmental entities, such as a subsidy or tax credits.
- This means authorizing flexibility in the grant administration process, allowing grantees to utilize USMH grant-funded assets in response to customer shifts and market dynamics.
- Ways to identify and implement mechanisms to streamline the grant disbursement process for USMH grants. Mechanisms may include allocating additional resources to expedite the grant management agreement process and expediting grants for conceptual services or grants for small businesses.

Appendix C - Port Sub-Committee Recommendation

Problem Statement – Decarbonization and Emissions Reduction at Ports

Date: 21 September 2023

Maritime Transportation System National Advisory Committee (MTSNAC)

Port Sub-Committee

Recommendation to the US Secretary of Transportation

Date: 21 September 2023

Problem Statement – Decarbonization and Emissions Reduction at Ports

Emissions from fossil fuel vehicles, cargo handling equipment and vessels in and around ports contribute to climate impacts and pose health risks to nearby communities that often comprise low-income and minority populations.

Recommendation Request

Make recommendations to the Secretary of Transportation on actions that decarbonize our nation's ports to reduce climate impacts and improve the health of Americans and address the environmental inequities that disadvantaged communities often experience.

Recommended Action

- 1. Deepen cooperative efforts with EPA and DOE to optimize decarbonization of and emission reductions in coastal, inland and Great Lakes ports, by identifying best practices and quantifying benefits from implementing efficiency and productivity measures.**

Desired Outcome:

Identifying best practices and lessons learned from decarbonization efforts at ports and replicating these successful projects in other ports, reducing criteria pollutants and greenhouse gas emissions from maritime and port activities. These efforts will improve air quality around ports and provide environmental sustainability for the U.S. marine transportation system.

Notable Background:

Within the Committee on Maritime Transportation System (CMTS) the Maritime Innovative Science & Technology Inter-Agency Team (MIST IAT) meets monthly to share projects and efforts that each agency is aware of to coordinate decarbonization efforts, since each agency has different perspectives and goals. DOT, EPA, and DOE also coordinate closely through existing forums, including through the Joint Office of Energy and Transportation created through the Bipartisan Infrastructure Law.

- 2. Coordinate with EPA to update information on an appropriately frequent basis, new technologies and strategies that could contribute to Port decarbonization goals for use, including but not limited to, in discretionary funding decisions.**

Desired Outcome:

Information will be shared and disseminated through conferences and presentations on technologies and strategies from current research projects and challenges with respect to Ports' decarbonization goals and the environmental sustainability of the U.S. marine transportation system. This includes sharing data, performance, and results from BIL and IRA funding programs at each Agency.

Notable Background:

Within the CMTS, the MIST IAT has developed conferences (e.g. CMTS/NAS/TRB Biennial Conference on the Marine Transportation System Innovative Science and Technologies) and presentations to share, identify, coordinate, and develop innovative science and technology initiatives and policies to address the challenges identified in the National Strategy.

- 3. Support increased funding provided to MARAD, EPA and DOE targeted at research and development of reduced and zero emissions transport vehicles, carbon capture and sequestration technologies for ports and terminals, alternative fuels, ultracapacitors and other energy storage solutions.**

Desired Outcome:

With targeted funding and increased collaboration, Federal agencies will develop synergies among the agencies to target the most promising technologies and data sharing on the performance of these emerging technologies and the necessary operating conditions and infrastructure to facilitate greater acceptance among ports, marine and freight sectors. This will help improve overall funding effectiveness and more quickly identify the most successful and commercially available technologies for broad deployment.

Notable Background:

MARAD, EPA, HUD and DOE have a memorandum of agreement to implement the framework of strategies and actions outlined in the U.S. National Blueprint for Transportation Decarbonization. The agencies agreed to coordinate on policy and accelerate the research, development, demonstration, and deployment needed for innovative solutions and technologies that enable a clean, safe, accessible, equitable, and decarbonized transportation system for all.

- 4. In coordination with DOT's Multimodal Office, support efforts to update the State Freight Plan Guidance to recommend including emissions reduction goals and decarbonization projects and include near port community collaboration in all future plan updates.**

Desired Outcome:

Increased consideration, awareness, and consistency of emission reduction goals across the maritime industry and ports.

Notable Background:

EPA, DOT, DOE, and HUD have committed to coordinating across the federal government with state and local governments, industry, and community stakeholders to reduce transportation greenhouse gas emissions. Including emission reduction goals in future updates is consistent with these agency goals.

5. Follow the US National Blueprint for Transportation Decarbonization and engage with the US maritime industry especially as it concerns international coordination such as the Zero Emission Shipping Mission.

Desired Outcome:

The transportation sector is the largest emitter of greenhouse gasses in the U.S., contributing significantly to the climate crisis. Reducing greenhouse gas emissions from the maritime industry will help reduce this impact while also improving air quality around ports and providing affordable and sustainable solutions for goods movement in the U.S.

Notable Background:

The U.S. National Blueprint for Transportation Decarbonization presents a strategy to decarbonize the entire transportation sector by 2050. EPA, DOT, DOE, and HUD formalized their commitment to this goal, and to collaborate and coordinate in achieving it, in a memorandum of understanding signed in September of 2022. The Blueprint identifies three overarching strategies to reduce greenhouse gas emissions across the transportation system; improve community design and land-use planning, increase options to travel more efficiently, and transition to zero-emission vehicles and fuels.

For maritime vessels, the Blueprint calls for international and domestic stakeholder engagement to develop and implement effective decarbonization strategies and regulations, infrastructure investments, and improved design and planning for clean technologies and fuels in maritime applications. The agencies are committed to building more detailed sector decarbonization plans that will achieve the agencies decarbonization goals.

Appendix D - Port Sub-Committee Recommendation

Problem Statement – Export Enhancements

Date: 21 September 2023

Maritime Transportation System National Advisory Committee (MTSNAC)

Port Sub-Committee

Recommendation to the US Secretary of Transportation

Date: 21 September 2023

Problem Statement – Export Enhancements

Increased freight congestion at some ports has obstructed the international supply chain for American agricultural commodities and other goods. Promoting access to shipping trade lanes for nationally and globally significant agricultural commodities and other goods will help to stabilize transportation costs for farmers, processors, retailers, and consumers.

Recommendation Request

Make recommendations to the Secretary of Transportation on actions that support improved access to international markets, including alternate trade lanes and legislation explicitly designated for domestic and international shipment of agricultural commodities and other goods.

Recommended Actions

- 1. Develop an updated National Freight Strategic Plan (NFSP) incorporating the National Maritime Strategy to address last and first-mile freight transportation within the US and its territories.**

Desired Outcome:

The NFSP and the individual State Freight Plans should be updated to implement lessons learned and identify gaps in pandemic-related challenges.

Notable Background:

The supply chain disruptions and severe congestion experienced in the United States during the pandemic (2020-2022) indicate that considerable work remains to be done to strengthen US economic competitiveness and support an efficient and reliable supply chain. The safe and efficient freight movement is vital to the Nation's economic growth. In 2021, the Infrastructure Investment and Jobs Act (IIJA) was passed, requiring DOT to develop an updated National Freight Strategic Plan (NFSP) that includes a multimodal approach and will serve to inform infrastructure planning, coordinate investments, and support future freight efficiencies that improve the freight industry's performance. Through IIJA, State DOTs must develop a State

Freight Plan demonstrating the ability to advance the National Multimodal Freight Policy to access formula funding.

In 2022, the U.S. Maritime Administration (MARAD) Reauthorization Act required MARAD to develop a new National Maritime Strategy (NMS) to help grow the maritime economy. By incorporating the NMS into the NFSP and State Freight Plans, an improved, integrated freight system will result thereby supporting efficient and reliable supply chains for domestic and international freight flows.

2. Support the designation of inland barges as Vessels of National Interest to prioritize Title XI loan guarantees for the construction of new barges and fleet expansion.

Desired Outcome:

MARAD designates the US inland barge fleet as Vessels of National Interest which would prioritize any applications for the Title XI loan guarantee program, and support fleet renewal and expansion activities that are critically needed to support US exports.

Notable Background:

Industry estimates are that between 2022 and 2025, 4,239 inland barges will be scrapped from the inland fleet, with only 150 to 175 new barges constructed annually during that same period. This will result in a projected shortage of as many as 3,500 barges or a reduction in the US inland barge fleet size of 83% by 2025. Over the same period, dry cargo tonnage is projected to grow from approximately 314.8 million tons to approximately 325.1 million tons representing a 3.27% increase. In addition, ton-miles during this period are projected to increase from 20.14 billion-ton miles to 21.15 billion-ton miles representing a 5.01% increase. Designating the US inland barge fleet as Vessels of National Interest will prioritize applications for Title XI funding and help reduce the massive shortage of barges needed to transport US exports.

3. Support a significant increase in funding for the Small Shipyard Grant Program in the annual Presidential budget and prioritize grant awards for US shipyards constructing inland barges.

Desired Outcome:

The Small Shipyard Grant program is provided with a significant increase in funding to support the need for fleet renewal and expansion of the US inland barge fleet.

Notable Background:

Approximately 300 small shipyards throughout the United States are responsible for constructing, maintaining over 40,000 military, safety, security, and commercial vessels in the US flag fleet, including inland barges. These shipyards are essential to maintaining US commerce and national defense, safety, and security. The Small Shipyard Grant Program is vital to maintaining US shipbuilding and maintenance capacity, American manufacturing, and well-

paying industrial jobs. However, the Small Shipyard Grant Program has historically suffered from an annual appropriation of \$20 million or less including several years of zero funding. Meanwhile, shipyards have expressed a need for over \$100 million annually to help maintain the fleet, safely and efficiently.

At current capacity, the small shipyards that typically construct inland barges can build approximately 300 inland barges annually versus a replacement need of 800 to 1000 barges per year. The net effect will be a loss of capacity in the US inland water system, negatively impacting US export capacity and American producers and manufacturers.

4. Support liaison with USACE and USDA to identify those inland ports that are critical for agricultural exports and advocate for prioritization and increased funding for those ports to ensure regular maintenance dredging.

Desired Outcome:

The inland ports that support the transportation of significant levels of the nation's agricultural commodities are all identified, the Army Corps' criteria for allocating inland waterway O&M funds are revised to give priority to ports that support agricultural exports and consistent federal resources are allocated to maintain navigational access to those port's, shielding the US export market.

Notable Background:

On the inland waterways, priority for federal dredging funding is currently given to ports based on ton miles as well as other factors including support for subsistence harbors, harbors of refuge, commercial fishing, passenger ferries and energy generation. While commercial fishing is prioritized, there is not an equal priority given to ports that transport agricultural exports. Not only do U.S. agriculture exports feed the world, but they are also a large reason for reduced trade deficit and the economy of agriculture-producing states. Critical inland ports engaged in the transportation of agriculture, keep costs down thereby enabling the U.S. to be such a large player in the international market. However, not all ports that are located close to the growers and are critical to the agriculture export market, have a high ton-miles value and therefore may not qualify for dredging funding from the U.S. Army Corps of Engineers. The result is that smaller inland ports are required to pay for their own dredging or light load their barges. This raises the cost to the farmer and the economies of scale become imbalanced.

5. The Office of the Secretary of Transportation should support legislation that authorizes the creation of a Secretary led forum for coordination among the freight transportation modes and multiple Federal entities which have a role in freight, logistics, and supply chain issues.

Desired Outcome:

Coordination of planning, strategy, and programmatic efforts among the relevant modal administrations of DOT (MARAD, FHWA, FRA), Department of Commerce (DOC), USACE,

STB and FMC as it relates to coordinating US freight transportation system investments and our response to supply chain challenges.

Notable Background:

The US supply chain is increasingly dependent on multiple modes of transportation. Historically, there hasn't been much coordination among the modal administrations and other Federal agencies and offices that have some role in supporting the supply chain. With growing trade volumes and ever-increasing complexity, close coordination on the development of transportation infrastructure investment, bridging modes and the government agencies associated with those modes is vital. Coordination among MARAD, FHWA, FRA, DOC, USACE, FMC and STB is critical to ensure Federal resource allocation is optimized and programmatic efforts to address transportation issues are complementary across transportation modes.

- 6. The Secretary should support development of a strategic plan to support the development of a domestic production base for the supply of critical cargo handling equipment throughout the US supply chain.**

Desired Outcome:

A domestic supply which supports the objectives of Build America Buy America (BABA).

Notable Background:

With 90 percent of global trade traveling by sea, the U.S. has both commercial and strategic interest in maintaining robust maritime capabilities. Unfortunately, Chinese companies are increasingly dominant in the global maritime supply chain, producing at least 95% of the world's shipping containers, 85% of chassis and more than 80% of the world's ship-to-shore gantry cranes. Given the national security and resiliency risks associated with this market dominance and overdependence on Chinese-manufactured cargo handling equipment, supporting a domestic manufacturing base for cargo handling equipment is essential to our national economy, national security and supply chain resiliency. This would also allow ports and terminals to leverage the availability of federal funding to upgrade and/or expand their fleet of cargo handling equipment with equipment that is more sustainable and compliant with Buy America/American requirements.

- 7. The Secretary should support efforts to coordinate with FMC and USDA to restart the weekly Ocean Shipping Container Availability Report (OSCAR), identifying the quantity of equipment available in each significant intermodal hub and seaport.**

Desired Outcome:

Provide visibility of current and forward-looking projections for US exporters of container equipment availability at key intermodal hubs and seaports, allowing exporters to plan supply chain activities, better control inventories, and increase the competitiveness of US exports.

Notable Background:

The Ocean Shipping Container Availability Report (OSCAR) was jointly administered by the USDA and FMC using data from ocean carriers participating in the Transpacific Stabilization Agreement (TSA). The report provided a weekly snapshot of the availability of containers for export bookings at 18 different intermodal locations summarized by location, size, and type (i.e. 20 ft. dry van, 40 ft. dry van, 40 ft. high cube, 20 ft. refrigerated, and 40 ft. refrigerated). The report provided availability for the current week and a two-week forward-looking projection. With the dissolution of the Transpacific Stabilization Agreement (TSA) in February 2018, publication of the OSCAR report was suspended, and US exporters lost critical visibility of available container capacity. The supply chain disruptions and severe congestion experienced in the United States during the pandemic (2020-2022) exposed a break in the ability to locate container equipment efficiently. Restoring OSCAR will provide the US exporters visibility of available container capacity and allow proper planning for freight shipments.

Appendix E - Starboard Subcommittee Meeting Notes - July 19, 2023

Starboard Subcommittee Meeting notes. 7/19/23

Participants:

Tom Wetherald
Lauren Beagan
Steven Spoljaric
Berit Ericksson
Shelly Sugarman
Jim Dillman
Sara Fuentes
Brian Hill
Bob Wellner

The meeting featured **Doug Harrington**, MARAD Deputy Associate Administrator for Federal Sealift.

Mr. Harrington stated that MARAD is currently running 15 ships of the RRF including a Turbo activation and this was causing the US flag operators to be short of labor. Seven of the active ships were under Turbo activation. Several T-AKS ships and CAPE Knox were running. Each of them have been provided an extra radio operator.

Mr. Harrington stated that there is no mandated end strength for mariners. DoD goes to the hill and asks for end strength and Congress specifies and provides appropriations to meet end strength. The Merchant Marine however does not have an end strength and the Congress doesn't understand this. We have to talk about how to get an end strength without the requirement.

Mr. Harrington stated that minimum safe manning (COI min) is very much too low to ensure that we have enough mariners to man the RRF. We need to get out to the min safe manning model. We need them all to be STCW qualified. The current manning is driven by the peacetime environment. We have more automated systems so we have safety of navigation in a peacetime but that does not provide sufficient personnel for wartime. He stated that there would need to be a funding source. The costs of additional crew should be added when the determination is made for the costs to activate a ship.

Most interestingly, Mr. Harrington stated that the "RRF is not here to create mariners". We do conduct training but are not in the business of developing mariners from the beginning. MARAD is a force generator for DoD/MSC.

A long time ago, the mariner training role was transferred to private organizations and the maritime schools and the govt got out of the business of training mariners. This has resulted in a less than coherent training continuum particularly for unlicensed.

Question. What do you think is the solution? TSP is part of the solution. We need Pursers again to take the administrative burden. We also need to bring back wipers. It's about more ships and more billets. The RRF draws from the TSP and MSP. The difficulty of going from a national credential to an STCW certification is ridiculous. It is just hugely difficult. This is a significant hurdle to get over. The state schools can't add anything military to their curriculums because the curriculums are full now. The generational shift of changing jobs is also affecting this. We need to develop a training system that will qualify an AB unlimited.

We should increase the stipends in the MSP/TSP to increase crews, particularly for Ordinary and Wiper positions and increase the berthing on the newer ships. He stated that he put 46 3rd mates out there at the cost of \$12mil.

Bob Wellner stated that cargo drives business opportunity and the number of ships and thus mariners.

Mr. Harrington noted that we have 90% of US forces in CONUS now so that is significantly less than in the past and lowers the amount of impelled cargo.

Spo stated that most shippers have gone back to the foreign flag because the costs flipped back to where it was pre COVID. Tax incentives are fertile ground to enhance the use of US flag.

MSC requires that all activated ships have all US citizen crews. In WWII we had non-US citizens on lots of ships. Can't put green cards on activated ships.

Beritt stated that it takes 3 years to go from an ordinary seaman to an STCW qualified AB.

Mr. Harrington stated that the notion of getting ships ready to go fast is something we are going to need to change. We are short of marine repair firms. There are very few OEMs. Navy work is feast or famine. Navy shares some commonality here. There are a lot of issues in the management of a 50-ship fleet that are not being addressed. We don't have a good manning model. We are trying to implement EMBARC. Pick the terms that you want to use to describe the problem and use them over and over again to drive the point home.

How can MTSNAC help? Must look at min safe manning and the economic model. Then come up with a solution. It is going to involve money. Does the average master and Engineer need to be a cyber security expert – no. Do we have the right manning and training? It centers on the humans involved and what they are doing on the platform. The 2 ARC ships, they can't get out the door because they don't meet CG alternate compliance. Also need to get unlimited certifications up to STCW.

\$11M for the CG credentialing system in the HLS appropriations so the MLLD can be fixed. Also increase the appropriations to double the SIP for students at the State schools.

Appendix F - Starboard Subcommittee Meeting Notes - July 26, 2023

Starboard Subcommittee Meeting Notes – 7/26/23

Participants:

Tom Wetherald
Lauren Beagan
Berit Eriksson
Shelly Sugarman
Jim Dillman
Sara Fuentez

Brian Hill (MARAD)
Tim Pickering (MARAD)

Greg Pelowski (MSC)
Buff Perez (MSC)

Our guest was Mr. Gregg Pelowski, Director of Total Force Management for the Military Sealift Command (MSC). Mr. Pelowski had 2 briefs, one on MSC manning and one on the Strategic Sealift Officer (SSO) program.

Mr. Pelowski stated that MSC has 20% of the Navy's force with 1% of the personnel. Fleet vacancies are resulting in slower service to the fleet. There 4600 seagoing mariners against a requirement of 5900. There were 750 overdue mariners during the pandemic. This has been one of the biggest causes of poor retention. MSC de-crews a ship rapidly when ships are in repair to keep vacancies at no more than 500. Then you have to phase up to get ships back underway. Recruitment incentives are not really moving the needle. Currently hiring is below target. Mariners want to work less time at sea. They want to have more fun. The attrition model in 2017-19 was 6-7% which was good but now it is 15-16% and this does not work. Most of these losses are resignations as opposed to retirements. It is hard to recruit when the attrition is high. This means there is a much lower experience level at sea. This leads to slower service and longer times alongside which is strategically not a good thing. The Navy is adding new, more capable ships. MSC must increase their number of mariners up to about 7000 in the next few years. At the same time there is proposal for more shore leave with a 4 on 2 off with 2 months of paid leave. Time off is #1 priority.

Officer inventory was historically pretty good. However, getting good data is difficult. For the first time we are now hiring chief mates and masters and are on the cusp of having big holes. Looking to hire 300 3rds from the academies and got only 50. Social media is hurting them. If they sail commercially, they don't have to sail as long. They don't really know where the resignations are going because they can't do exit interviews/surveys. Might be going to CONMAR.

Manning ships is becoming more and more difficult. They have a \$4.6M annual advertising budget. The problem is mostly hiring experienced personnel. They are doing a lot of MSC

branded outreach events. They are having trouble breaking into TAP. It is hard to make it work even for MSC. They are hosting Sea Cadets. They are providing formal crewing roadmaps. They are also paying for all the training – reimbursed or paid up front. They are pushing advancement and will push people to advance as fast as they can. They are about 30 deck hawsepipers. Many of their masters are hawsepipers. MSC is over hiring ordinaries at 200%. He hopes to retain 80% of them. They contract for training services. Officers tend to do it on their own and they reimburse this training so they can do it where they live. They need to rework everything they are doing or they will not make it to 7000. They are doing things like increasing Wi-Fi, starting My MSC, and changing the transportation rules so that mariners can travel from where they live. This is a major friction point. Home of record becomes your duty location. There will be a portal page in MyMSC. MyMSC is going to launch at the beginning of the year. More paid time off has been made as a legislative proposal. This will get them to 4-month on 2 off. 1/3 of new employees leave in the first roughly 18 months. They are standing up a First Class Marine Placement program which is a soup to nuts training program to teach about the maritime positions and life at sea. Also, they are providing better support of customer service and dealing with the friction points. This is indicative of the industry. Focus on seamless communications. They eliminated MSC physicals and go with what CG requires. The focus is on the individual. We don't do a lot to help our leaders to become good leaders. They need to do a better job of leader development. Trying to create a curriculum and tie it to a 360 deg assessment. They are trying to do this all at the same time they are in the toughest manning environment while at the same time readiness needs to increase.

They don't have enough budget to do everything with outreach that could be done. He approves of doubling SIP and offsetting summer cruise cost. MSC is graduating only 50-55 SSOs each year. This is not enough but has come a long way in the last 18 months. The objective is to keep every AB they hire. The increased shore leave increases their position requirements by 700. Some of the increase in entry level opposition need to be in the commercial industry. MLLD must be upgraded. Data analysis is a requirement. It is currently pathetic. He is looking to have the top 6 in place in the next 6 months except perhaps Wi-Fi. He believes that these things will impact the retention problems and allow them to rehire some of the folks who have left.

He stated that the level of misinformation about the SSO program is amazing. If MSC can make the right investments, SSO will help a great deal. The IRR group has a \$13M budget. They have an 8-year obligation under this program. They make up 90% of the SSO force. The target is 2300 SSOs. Some of them are currently CIVMARs. 210 of the billets are the SELRES (10%). 70% of the SSOs come from Kings Point. This is not enough to meet requirements. SSOs provide/act as Tactical Advisors (TACAD). 500 trained out of 2300 as TACAD.

The Mobilization requirements are 85 organic sealift ships and 70 MSP/TSP

For these there 1245 shipboard billets required and 230 shoreside billets required
Total mob with planning factors – 2283. 24% of SSOs are already doing a government job (CIVMAR). This would require a declaration of war and a presidential call up to access the SSOs. SSO SELRES is 211 billets.

85% of SSOs will go to a ship when recalled and the SSO program is only about officers.

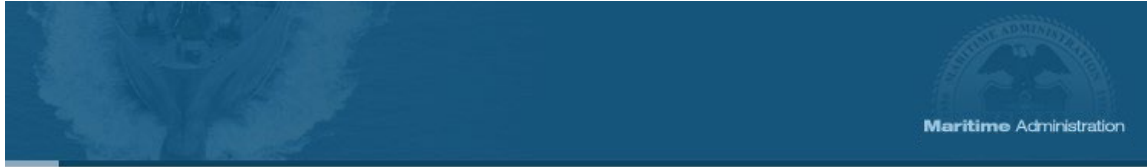
MSC has to be the employer of choice going forward. MSC is introducing a student loan repayment program as a 2-year rolling service program as a CIVMAR. Also, they are starting a finder payment programs if you can bring someone in.

The biggest concern is not full-on war but the steady state with offshore wind. The issue is declining interest in being a mariner.

Everything is on the table. Let's try things and try to learn fast. Fail fast – learn faster. He's going back and looking at manning. Because of shortage of 3rds. His biggest shortage is of Chief Mates. They have to get the numbers up. It's just the hard work of properly managing programs.

Outreach can be like picking at an iceberg with a hammer. Strategically working together for outreach to create industry wide interest in our jobs. Everybody is a recruiter in MSC. This needs to be done across the government. Everyone can be a better prospector. Outreach has to be a wholistic plan. Who is going to be in charge. It should be a MARAD job but there is little resourcing at MARAD. MSC is stepping out to solve their own problem. We are admiring a problem that is not that hard. Change the law for Kings Point compliance so that they are spending more time at sea. Need to look at the numbers at Kings Point. We should not worry about the 30% going active duty. So, increase the total numbers. What are the true workforce numbers requirement?

**Appendix G – Port Subcommittee Presentation of Recommendations – Export
Enhancements**



APPENDIX G
Ports Subcommittee
Task 1 – Export Enhancements
Final Recommendations

Task 1 – Export Enhancements

Final Recommendations



1. **Develop an updated National Freight Strategic Plan (NFSP) incorporating the National Maritime Strategy to address last and first mile freight transportation within the US and its territories.**
2. **Support the designation of inland barges as Vessels of National Interest to prioritize Title XI loan guarantees for the construction of new barges and fleet expansion.**
3. **Support of a significant increase in funding for the Small Shipyard Grant Program in the annual Presidential budget and prioritize grant awards for US shipyards constructing inland barges.**
4. **Support liaison with USACE and USDA to identify those inland ports that are critical for agricultural exports and advocate for prioritization and increased funding for those ports to ensure regular maintenance dredging.**
5. **Support legislation that authorizes the creation of a Secretary led forum for coordination among the freight transportation modes and multiple Federal entities which have a role in freight, logistics and supply chain issues.**
6. **Develop a strategic plan to support the development of a domestic production base for the supply of critical cargo handling equipment throughout the US supply chain.**
7. **Coordinate with FMC and USDA to restart the weekly Ocean Shipping Container Availability Report (OSCAR), identifying the quantity of equipment available in each significant intermodal hub and seaport.**

Appendix H – Port Subcommittee Presentation of Recommendations – Decarbonization

Task 1 – Decarbonization and Emissions Reductions at Ports

Final Recommendations



1. Deepen cooperative efforts with EPA and DOE to optimize decarbonization of and emissions reductions in coastal, inland and Great Lakes ports, by identifying best practices and quantifying benefits from implementing efficiency and productivity measures.
2. Coordinate with EPA to update information on an appropriately frequent basis, new technologies and strategies that could contribute to Port decarbonization goals for use, including but not limited to, in discretionary funding decisions.
3. Support increased funding provided to MARAD, EPA and DOE targeted at research and development of reduced and zero emissions transport vehicles, carbon capture and sequestration technologies for ports and terminals, alternative fuels, ultracapacitors and other energy storage solutions.
4. In coordination with DOT's Multimodal Office, support efforts to update the State Freight Plan Guidance to recommend including emissions reduction goals and decarbonization projects and include near port community collaboration in all future plan updates.
5. Follow the US National Blueprint for Transportation Decarbonization and engage with the US maritime industry especially as it concerns international coordination such as the Zero Emission Shipping Mission.

Appendix I – Port Subcommittee Presentation of Recommendations – Workforce Development

Task 2 – Workforce Development Initiatives Status Update

Maritime Administration

Current Work in Progress

- **Assessing current and anticipated future needs for port workforce development**
 - Coastal ports are further along in this process
 - Upskilling of M&R, Clerical and IT positions are chief needs
 - Need to secure more funding for training
 - Wages are not a chief issue but work/life balance is
 - Status of inland port workforce needs both current and future remain elusive
 - Greater number of private terminals
 - Information gathering / sharing challenges
 - **Considering strategies for assessing workforce development needs “outside the gate”**
 - Similar challenges to inland ports / private terminals / information sharing
 - **MARAD designated Centers of Excellence**
 - Is this working?
 - Funding opportunities?
-

Appendix J - Task 2 – Removing Impediments to Marine Highway Services

Task 2 – Removing Impediments to Marine Highway Services Status Update



Current Work in Progress

- Revisions to problem statement associated with recent statutory and programmatic changes
 - Working with MARAD staff to identify current processes for the following elements:
 - Project and grant application assessments/scoring
 - Post award activity timeline
 - MARAD environmental and engineering evaluations
 - Development and execution of grant agreement
 - Post award project implementation / key performance indicators
 - Reviewing unsuccessful Marine Highway projects to identify barriers to usage
 - Comparative analysis of Marine Highway grant process to other DOT/MARAD grant processes
-

Appendix K - Port Sub-Committee Breakout Minutes – September 20, 2023 - Morning

MTSNAC Port Sub-committee

Meeting Minutes – September 20, 2023, 9:30 a.m. EDT

Members present:

Cheryl Ball	Bill Doyle	Bethann Rooney
Brian Jones	Joe Gasperov	Erik Stromberg
Brian Clark (virtual)	David Libatique	Penny Traina
David Cicalese	Mike Moltzen	
Mario Cordero	Tom Overacker	

Co-chair Brian Jones said that the group would be reporting out Task 1 recommendations to the Maritime Administrator (Export Enhancements and Decarbonization and Emissions Reductions at Ports). Currently there are no changes to the document that was circulated after the August 30th virtual meeting. Bethann Rooney will provide an update on Task 2 (Removing Impediments to Marine Highway Services). She then read the Marine Highway Problem Statement (see Appendix) and noted that it contained many open-ended suggestions. Mr. Jones reported that he had reviewed previous MTSNAC recommendations on Marine Highways which focused on institutional barriers and the lack of a cohesive lead governmental agency for this effort. Ms. Ball noted that this problem still exists, for example each administrative mode within DOT has a different interpretation of NEPA and its implementation. There should be One DOT for that, including categorical exclusions (CATEX). Ms. Rooney pointed out that a roadway project at the Port of New York and New Jersey would have received a categorical exclusion if the Federal Highway Administration (FHWA) had awarded the grant. Unfortunately, MARAD does not have that ability.

Mr. Vince Mantero, Director of the Office of Ports and Waterways Planning, suggested that the group might want to look at fast tracking. NEPA should not take one and a half years to complete. MARAD would like to improve this timeline. Mr. Jones asked if this could be best accomplished through legislation. Mr. Mantero replied that it can be done administratively within MARAD. Ms. Rooney added that this would be a good recommendation from the sub-committee and that MARAD should honor the FHWA CATEX process. Mr. Doyle asked about the interaction between MARAD and the state Departments of Environmental Quality (DEQ). Mr. Moltzen said that EPA has overall authority in that area. Ms. Ball suggested that MARAD should adopt the FHWA process, especially since FHWA has extensive grant experience, while this is something relatively new for MARAD. Mr. Libatique added that there is a need for consistency in guidelines among the multiple pots of grant money within DOT, so there should be a broader recommendation beyond MARAD itself.

Mr. Jones then posed some questions for the Marine Highway (MH) staff in attendance. They included the following:

- 1) What is the scoring process for MH grants?
- 2) What is the process for vetting operating budget?

Mr. Vince Mantero, Director of the Office of Ports and Waterways Planning, replied that there are four merit criteria which the office uses:

- 1) Project need
- 2) Expanded benefits
- 3) Level of support
- 4) Financial viability

In addition, selection priorities include:

- 1) Environmental benefits
- 2) Workforce benefits
- 3) Civil rights considerations

The review committee also looks at risk measures, including technical capacity, experience, project schedule, and any possible NEPA process. When asked if the office has the staff to accomplish this, Mr. Mantero responded that the office has eight professionals in addition to support from MARAD's Environmental Office and Civil Rights Office. He would certainly welcome more people to manage the program.

Ms. Traina asked about the percentage of applications that resulted in awards in the past five years. Mr. Mantero replied that when designated MH routes and designated projects were part of the application process, 80% of the applications were awarded. Since the expansion of the program that percentage has gone down. Mr. Stromberg asked about the metrics used to measure the success of the projects. Mr. Mantero answered that MARAD is only required to report on the measures for three years, to which Mr. Stromberg asked if that could be extended. Mr. Mantero said that could be considered. Mr. Jones highlighted that there are over 70 pages for these applications and asked if this could be streamlined. Mr. Paape replied that the agency is working to normalize the application language across different funding projects and that MARAD would welcome any suggestions.

Mr. Libatique asked how success is measured. Mr. Mantero responded that the project's viability over time is paramount. Ms. Rooney noted that of the 56 grants awarded since 2010, 36 are still in service. However, no reporting is required after three years. She also asked how MARAD evaluates the financial viability of these projects. Mr. Mantero replied that the team looks at the project's operating plan, including the customer base and the number of customers using the service. Mr. Traina asked if MARAD had ever reclaimed funding from any projects that were not viable, to which Mr. Mantero responded that they had rescinded nine awards. Mr. Jones expressed his concern with those entities who do not apply due to the burdensome application process, to which Mr. Ball suggested that the application form needs to be scaled down and simplified, especially for small entities.

Ms. Rooney asked what percentage of applications were for new services and Mr. Mantero replied that approximately 50% were for new services. Mr. Cicalese asked about those applications that were deemed good but did not receive an award. Mr. Mantero said that those applicants must wait to reapply during the next application process. Mr. Jones raised his concern over the heavy reporting burden after an award is made and asked if there is any way to streamline that requirement. Mr. Mantero said that MARAD is looking into reducing the reporting burden. Ms. Ball wondered why the time from award announcement to contract signing takes approximately 18 months and asked why it takes so long. Mr. Paape said that if the project is equipment-centric and no NEPA is involved that process takes about eight months. There are multiple offices involved in the review process, both within MARAD and DOT. During that review process the ten MARAD grant specialists consider three elements: scope, schedule, and budget. Mr. Bohnet, a MARAD grant specialist, reiterated that if the project is an equipment purchase the process is much easier and that small awards take much less time to finalize, the average being four months. Mr. Rooney pointed out that in one of the Port of New York & New Jersey's roadway projects, they had asked for MARAD to use the FHWA categorical exception process but were denied. Mr. Paape said that MARAD must ask FHWA to review any CATEX requests but that those MARAD requests are not always at the top of FHWA's list. Ms. Ball asked if the environmental review process could be coordinated under the Secretary's office and Mr. Bohnet responded that MARAD does not have the developed staff to support this. Mr. Jones then noted that MARAD does not have enough staff and Mr. Bohnet responded that the agency was working to get more people. Mr. Stromberg asked if the various reviews, e.g., environmental, legal, were sequential or concurrent. Mr. Bohnet said they were sequential.

Mr. Wellner joined the group and asked about the importance of the MH Program within MARAD and DOT, to which Mr. Paape replied that it is very important within MARAD, and the agency is working to convince DOT of its importance. He added that access to markets in Canada and Mexico will help MARAD's efforts with DOT. Mr. Cordero then asked what this committee can do to help the effort. Mr. Paape replied that a focused messaging strategy would be helpful. Mr. Wellner pointed out that a previous MTSNAC had recommended this, but no action was taken.

Ms. Rooney then summarized the morning's takeaways:

- 1) Categorical Exception programs need to be fast-tracked
- 2) MARAD should adopt FHWA's CATEX process
- 3) Need for competency across the DOT modal units
- 4) Awardees should report metrics for more than three years
- 5) MARAD needs more grant specialists for the MH program
- 6) Need for better messaging strategy for MH program

Appendix L - Port Sub-Committee Breakout Minutes – September 20, 2023 - Afternoon

MTSNAC Port Sub-committee

Meeting Minutes – September 20, 2023, 2:15 p.m. EDT

Members present:

Cheryl Ball	Bill Doyle	Bethann Rooney
Brian Jones	Joe Gasperov	Erik Stromberg
Brian Clark (virtual)	David Libatique	Penny Traina
David Cicalese	Mike Moltzen	
Mario Cordero	Tom Overacker	

Ms. Rooney reviewed the morning's issues:

- 1) Categorical Exception programs need to be fast-tracked
- 2) MARAD should adopt FHWA's CATEX process
- 3) Need for competency across the DOT modal units
- 4) Awardees should report metrics for more than three years
- 5) MARAD needs more grant specialists for the MH program
- 6) Need for better messaging strategy for MH program

It was agreed that MARAD needs to make the first one a priority. One member asked if MARAD can adopt FHWA's NEPA rules to which Natasha Pavlovich of the Marine Highways Office responded that they cannot adopt them if they are not port specific. She added that state environmental (SEPA) and the NEPA review processes run in parallel. In response to #2 the group agreed that the CATEX rules of one mode should be used by another DOT modal unit. There was general agreement that under #3 the environmental process needs to be rewarded. Ms. Villalona announced that #4 is already in the subcommittee's draft recommendation. Mr. Jones suggested that the MARAD Gateway Offices could assist in this effort. When asked if the three-year reporting requirement is statutory the MH Office staff replied that it was an internal criterion. Mr. Jones then asked if three years was sufficient, and Mr. Mantero responded that it generally was. Ms. Ball suggested that the requirement for three years could be retained with the awarded checking in with MARAD at five- and ten-year intervals. Mr. Mantero said that this could work. Mr. Jones asked if the reporting spreadsheet could be streamlined since it is very cumbersome. Mr. Tim Pickering of the MH Office said that MARAD was creating a portal where the awardee can import its data. Regarding #5 there was agreement for the need to formulate language to address this issue. Mr. Jones commented that since the MH Program has changed over the years there is a need to communicate this under #6 and highlight the need for more program funding. There was a discussion about the need to reconnect MARAD with the surface transportation system and for FHWA and MARAD to agree on what constitutes the surface transportation system. Mr. Jones said that the message to MARAD is that this program is good and important and needs to be better funded.

He then announced that he and Ms. Rooney will redraft this recommendation and distribute it to the members. Ms. Pavlovich shared some input from MARAD's Environmental Office:

- 1) NEPA is a process
- 2) Even with a CATEX NEPA is still required
- 3) Environmental Assessments take 6-12 months to complete
- 4) Environmental Impact Statements take 12 months.
- 5) Even if another DOT agency has completed the NEPA process, MARAD still needs to review it.

Mr. Jones then suggested that MARAD issue a FAQ with this information for applications.

Appendix M - Public Comments (September 21, 2023)

Public Comments from Aaron Smith President, and CEO of the Offshore Marine Service Association (OMSA) September 21, 2023

Good morning, my name is Aaron Smith, and I am the President and CEO of the Offshore Marine Service Association (OMSA). OMSA is the trade association for the segment of the U.S. maritime industry engaged in offshore energy. In this respect, we have approximately 140-member companies including vessel operators that operate not only some of the largest fleets in the U.S.-flag but in the international offshore industry.

Today, I will be testifying on ways to strengthen the U.S. maritime industry for national security and economic prosperity. OMSA's biggest recommendation on this front is for Marad to follow MARAD's own guidance and support proposals which provide for domestic jobs for U.S. mariners and

As U.S. vessel owners engaged in offshore energy, OMSA members—probably more than anyone else in the U.S. maritime industry—find themselves on the front lines of many Jones Act battles and efforts where the size, competency, and capability of the U.S. maritime industry are brought into question. Outside of the attacks on the U.S. maritime industry after every Hurricane—or if you're BP you start making the attacks on the U.S. maritime industry before the hurricane there isn't another segment of the U.S. maritime industry that is under more attacks than in offshore energy.

Think about it, there aren't Chinese-built tugs in Paducah, Kentucky or Ukrainian mariners running cargo between Jacksonville, Florida and San Juan, Puerto Rico. However, there are an abundance of foreign flagged vessels, crewed by foreign mariners working on U.S. offshore energy projects in U.S. sovereign waters.

In fact, OMSA recently conducted an analysis of the vessels and mariners that have spent this summer constructing the South Fork wind project for Orsted. In this analysis, OMSA found that more than half of the jobs created by this project this summer were filled by foreign mariners. This fact occurs because foreign vessels working in U.S. sovereign waters have a statutory lower OPEX. U.S. vessels owners are legally required to employ U.S. crews and adequately compensate injured mariners. Foreign vessel owners don't have to do either. That gives them an advantage, so they get the work.

OMSA has a legislative and administrative proposal to halt this practice by making the foreign vessels play by the same rules as U.S. vessels when they operate in our country. Not surprisingly, that proposal faces massive opposition from the foreign vessel owners and wind developers that want to continue to exploit this disparity and employ foreign crews. As such, the developers and foreign owners have enlisted the U.S. department of the Interior and U.S. Department of Energy to oppose these proposals.

And the response from the U.S. maritime Administration has been silence. This Administration has a statutory remit of promoting the U.S. merchant marine. This proposal would create a market for the U.S. merchant marine; therefore they should be involved. But they're not. Further, the U.S. Maritime Administration's 2020 Report to Congress on "Opportunities and Challenges to Increasing the Number of United States Coast Guard Credentialed Mariners" says the number one way we can increase the merchant marine is by creating a healthy and competitive market for American mariners. Or proposal does just that.

Thus, we wish that MARAD would follow its own advice, get off the sidelines and support the U.S. merchant marine working in offshore energy.

Aaron Smith
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Appendix N - Port Sub-Committee Meeting Minutes – September 21, 2023 - Morning

MTNAC Port Sub-committee

Meeting Minutes – September 21, 2023, 9:30 a.m. EDT

Members present:

Cheryl Ball	Bill Doyle	Bethann Rooney
Brian Jones	Joe Gasperov	Erik Stromberg
Brian Clark (virtual)	David Libatique	Brian Tetreault
David Cicalese	Mike Moltzen	Penny Traina
Mario Cordero	Tom Overacker	

Dual Use Vessel Discussion

Mr. Jones asked if there was any feedback from Mr. Kaskin’s Dual Use Vessel presentation of yesterday. Mr. Libatique noted that the cargo data used for the study was at a high level only. The challenge is to make MH compete against truck and rail. Mr. Jones noted that the ROR (Rate of Return) used in the presentation was low (1.8% - 5%). In shipping 5% is considered low and 10% is considered viable. The utilization factor used was high, assuming the vessels were loaded in both directions. Global marine operators are challenged to keep utilization levels high. It seems as if more time and funding are needed to explore this issue. He added that we need to get more creative for MH viability. Should the government look at higher levels of investment given the greater benefits? Mr. Stromberg noted that a West Coast MH study done 10 years ago looked at cross-border trade and found that agricultural products are a big component. He offered to make the study available to the group. Mr. Paape of MARAD added that earlier studies on M-95 and the Mississippi River showed that those services were not viable. Things, however, have changed and we need to relook at the viability of MH services. Mr. Jones noted that in the DUV study the vessels were calling at the same terminals as global vessels, thereby contributing to more terminal congestion with their smaller vessels. Ms. Rooney noted that for this type of service to be successful there was a need to consolidate cargo. Mr. Jones suggested that the federal government should legislate the use of MH in certain areas to jumpstart services. Ms. Rooney noted that the impediments to MH services identified at the June meeting were still true today. Mr. Libatique said that they need to explore externalities, such as the U.S. Navy needs and decarbonization. There might be an argument for a higher level of subsidy. But in the end, operators need a rate of return that delivers all these benefits. Ms. Rooney asked what MARAD thinks about this. Mr. Paape replied that there are two conversations within the agency, one about the need for benefits and the need to ask Congress for subsidies for these types of service. The group discussed whether there should be a recommendation on Dual Use Vessels or whether there should be a study. Mr. Jones said he will ask the Starboard Sub-committee if it is willing to take up this issue.

Workforce Development

The group then turned to the problem statement concerning workforce development. Mr. Jones asked what the group needs to identify in this area – training, funding for programs, attracting workers to jobs that are not remote? Mr. Cordero asked what MARAD's view is. Mr. Paape responded that access to an adequate labor pool through high school and trade school curriculums is important. Mr. Jones noted that there does not seem to be a labor shortage at the coastal ports. The shortage is in the trucking and warehouse sectors. Mr. Cordero said that the focus should be on the whole supply chain. One of the reasons for a shortage in the warehousing sector is the low pay relative to jobs inside the gates at the ports. He pointed to the San Pedro Bay Workforce Training Center, a joint effort of the Ports of Los Angeles and Long Beach. The training center is working to train today's workforce and prepare it for the future.

Mr. Moltzen reminded the group that this problem statement focuses on the impact on communities surrounding ports. One recommendation could be that public funds be made available for training programs in and around the affected areas. Mr. Stromberg added that there is an awareness issue as well. The industry has worked in the shadows for many years with the public unaware of what it does. The pandemic brought the industry out of the shadows but now after a few years most people have already forgotten about the role the industry played during the pandemic. Ms. Rooney said that a campaign is needed to bring the maritime field into the public consciousness. This could be done through TV commercials and social media clips. Mr. Cicalese pointed out that 30-40 years ago only the children of stevedores knew about the industry. Now most people are aware of their contributions. The problem today, however, is that the younger generation does not want to work 12-15 hours per day, so it is more difficult to recruit for these positions. Mr. Jones asked how the ILA is targeting this younger demographic. Mr. Cicalese responded that they sponsor job fairs. Ms. Rooney said that the Port of New York & New Jersey has a workforce development program, through local high schools and community colleges. The program also provides outreach to school guidance counselors. Mr. Villalona pointed out that there is a maritime high school in Kentucky that targets young people for maritime careers. She will research to see if there are other similar programs throughout the country. Mr. Gasperov agreed with Mr. Cicalese that there is no shortage of applicants for casual labor positions in the West Coast ports. The problem is in other sectors, such as warehousing. The pay there is not enough to attract enough people. There was general agreement that in those sectors where the pay was adequate or good there was generally no shortage of applicants.

Ms. Ball pointed out that the problem statement focuses on the need to assist those communities affected by maritime operations. Mr. Libatique added that the recommendations should contain an environmental and economic justice focus. Ms. Rooney said that many warehouses are not near those affected communities and therefore it is difficult for the workers to get to those jobs. Ms. Ball agreed that public transportation to those good-paying jobs is a big problem. Mr. Gasperov added that it is important to also focus on jobs of the future and upskilling. But this takes funding from both the states and the federal government. Ms. Ball agreed but added that the group should include language for DOT to fund and help develop school curriculums. Mr. Libatique noted that the workforce needs to be resilient and address the future. Other discussion points included the need for public subsidies to support public transportation for workers to reach

jobs outside the port gates as well as the need to convince the younger generation to consider jobs that pay well but also require long hours.

Mr. Jones then proposed dates for upcoming meetings, October 6, and October 26. At the October 6 meeting the MARAD Environmental office will make a presentation on the NEPA process. The MARAD Office of Outreach will address the group on October 26.

Appendix O - Starboard Subcommittee Meeting Notes - September 20-21, 2023

Starboard Subcommittee Meeting Notes - September 20-21, 2023

Attendees:

Co-Chair Lauren Beagen
Adam Vokac
Berit Erickson
Stephen Spoljaric (Spo)
Shelly Sugarman
James Dillman
Craig Johnson
Bill Doyle
Sara Fuentes
Brian Hill
Jeff Flumignan
Bob Wellner and David Libatique (intermittent)

Planned Agenda:

1. Review Recommendations to be presented to the Administrator
2. Finish up Task 2 Recommendations
3. Review Task 3 – time permitting

NOTES:

Stephen Spoljaric and Lauren Beagen started the meeting by outlining the three tasks: how to conclude task 1, the outstanding work for task 2, and the look ahead to task 3. In reviewing the conclusion of task 1, the statistic that the U.S. will be losing a significant amount of cargo space (4 million square feet) due to old/retiring vessels was raised as a critical issue to present to the Maritime Administrator. Thus, emphasizing the need to recapitalize the Fleet. Recommended putting in language MARAD “Should build” AND “Should buy” vessels instead of could.

It was noted that the U.S. shipbuilding base may not have the capacity to build all the sealift capacity vessels we need. And there are higher costs in the U.S. It was also noted that since only a few shipyards could build these vessels, competition will be reduced. It was also noted that workforce development issues must be included in shipbuilding recommendations in the U.S. Add language on incentivizing hawsepiping at MARAD Centers of Excellence. Recommend that the Secretary support MARAD in providing financial assistance to ALL maritime schools. Recommend increasing SIP? Remove regulatory barriers to mariner credentialing. (we will discuss this at the October meeting).

Who can sponsor training/pay for trainees on ships? This would be a significant cost for ship operators. Maybe the U.S. should underwrite these costs as a Recommendation? Maybe we could recommend increasing the number of STCW-qualified unlicensed mariners.

Outreach:

MARAD needs better outreach. Maybe could work more with the Navy and Coast Guard on TAP seminars for members leaving the service.

Currently, an individual company does mariner recruiting (as we saw with our MSC presentation). Maybe create a program about all maritime jobs (chefs, etc.), not just deckhands and ship officers. Something similar to the construction industry's "Helmets to Hardhats" program? Berit mentioned the "Military to Mariner" program, which MERPAC helps with.

There is no "one-stop" website to find out how to become a mariner. MARAD has some of this info on its website, but much more info that is easier to access is needed. The Subcommittee noted a video put out by CMTS on "How to be a mariner" has good but basic info.

Shipyards/Dual Use Vessels

MARAD stopped creating/maintaining a listing of shipyards and their capabilities in about 2004. Jeff stated he didn't know why we stopped, but he will investigate. Recommended that MARAD do this again.

For Task 1, the presenter should start with what Congress recently did about paying for new builds/buying used vessels. After the presentation on Dual Use Vessels, we may want to revise our recommendations to include a study on using these types of vessels to recapitalize the Fleet, too. These vessels could be used in active cargo service when not in RFF call-up. They will still be part of the Fleet but sometimes operate for others.

So, consider a new Recommendation that MARAD should re-open the Study on Dual-Use vessels.

Another recommendation would be putting RFF Recapitalization into the upcoming National Maritime Strategy (and as noted earlier, these ships could benefit from workforce issues with larger crews, entry-level training being done on these vessels, etc.) Jeff Flumignan noted that MARAD could manage Dual Use vessels, but we are not equipped to do that now.

It was also noted that calling to re-open the study may be more successful now that Congress has recently funded the building and buying of vessels. These vessels could also be essential to MARAD's Marine Highway program.

Mr. Lalit Raina gave a Cargo Preference Presentation (will obtain slides)

Military and State Department cargo have a 100% requirement to use U.S. flag vessels. Food Aid and other U.S. cargo percentage requirement is 50%.

Cargo Preference issues? Recommendations could be to eliminate loopholes and the ease of getting waivers. **Maybe give power to MARAD to enforce Cargo Preference? MARAD also wants Auditing authority. Maybe a Recommendation that all Freight Forwarders be certified in Cargo Preference training by the U.S.?**

Maybe also recommend that all contracting officers get training on Cargo Preference, too? Spoljaric questioned how far down the supply chain Cargo Preference rules go. Since the 50% rule is based on tonnage, this can be difficult to manage because it is sometimes not known what the total tonnage will be until the last minute! Do companies “self-determine” if they are complying? Confusing

Maybe a Recommendation should be MARAD, which will clarify for the industry. Maybe a Recommendation to return to 100% to take away the confusion? This would benefit farmers, ports, and workforce issues!

As for U.S. Grants and Loans, operators may not apply because they must comply with the costly Cargo Preference U.S. flag rules. This could also affect a company’s decision to build a factory in the U.S. with U.S. government help, as they will then have to comply with Cargo Preference.

Is there REAL enforcement of these rules/laws? The law can be seen as “squishy.” Contracts with language that the vessel operator/shipper will comply with all U.S. laws are the catch for enforcing Cargo Preference. There is no current requirement for shippers to submit cargo plans in advance. This allows many shippers to wait until the last minute, claim they cannot find a U.S. vessel, and then ask for a waiver.

The U.S. does not publish how many Cargo Preference waivers were granted, as they are required to do with Jones Act waivers – make this a requirement? It could shame some companies and aid in enforcement.

Maybe apply Cargo Preference 100% to certain cargos like wind components?

Re-flagging vessels? Currently, there is a 3-year wait period – Recommend eliminating that 3-year requirement?

How to increase the usage of U.S. flag vessels non-mandatorily? How do we encourage their use? Give a financial benefit to re-flagging the U.S.?

These issues are to be discussed over the next several months.

ADJOURNED.

Appendix P - Starboard Sub-Committee Recommendation



MTSNAC STBD Subcommittee
Task 1 Recommendations:
Recapitalization of RRF

Recommendations Task 1, Recommendation 1



- **Problem Statement:** Reserve Fleet strategic sealift capacity is dropping dramatically and will have a deficit to the requirement in excess of 4 million square feet of vehicle space by the end of 2023. Plans to make up this deficit have been less effective than they need to be.

Recommendations Task 1, Recommendation 1



- **Recommendation :** Pursue a sealift ship design in 2023 and hire a VCM so multiple shipyards could be contracted to build these ships and the Secretary continue to acquire used sealift ships for the Ready Reserve Force (RRF) upon Congressional authority and appropriation.
- **Action:** Continue buying used ships as rapidly as Congress provides authority and appropriations. From existing funding, in 2023, develop a well vetted Sealift RO/RO design from a third -party commercial design group using a process similar to the NSMV.
- **Outcome:** In ten years the newbuild program could have built ten ships for a total of about 1.5 million square feet of capacity and the buy used program could have bought 20 used ships for a total of roughly 3.4 million square feet of capacity.

Recommendations Task 1, Recommendation 2



- **Problem Statement:** The US Shipbuilding Industrial Base may not have the capacity or the ability to efficiently and cost effectively build new sealift ships for the nation's reserve sealift ships.
 - Failure to act will likely result in higher costs for a future sealift program and a lower likelihood of a cost-effective follow-on program that could avoid future block obsolescence of the reserve sealift fleet.
 - Failure to act may also reduce the likelihood of a healthy competition for the construction of new sealift ships.

Recommendations Task 1, Recommendation 2



- **Recommendation:** Institute a grant program to shipbuilders involved in the program to improve efficiency and reduce the costs of the shipbuilding program.
- **Action:** Use a grant vehicle similar to the Small Shipyard Grant Program, to institute a grant program specifically focused on the sealift shipbuilding program.
- **Outcome:** MARAD will efficiently and cost effectively execute a strategic sealift new construction program and the erosion of the US shipbuilding industrial base is stopped.

Recommendations Task 1, Recommendation 3



- **Problem Statement:** There is no annual reporting on United States shipbuilding and repair facilities. Taking inventory of available capabilities in the United States shipbuilding and repair industry is not only a prudent exercise, but a necessary annual practice to understand how to improve the industry, specifically the use of strategic capital investments.

Recommendations Task 1, Recommendation 3



- **Recommendation:** MARAD to (re)publish an annual compendium of U.S. shipbuilding and repair facilities capabilities.
- **Action:** MARAD previously drafted and released comprehensive reports on United States shipbuilding and repair facilities capabilities, this should be restarted to ensure an accurate shipbuilding and repair facilities annual compendium.
- **Outcome:** An accurate accounting of all United States shipbuilding and repair facilities, including the possible expansion to include a separate United States private shipyards report (as was previously done).

Appendix Q - Public Comment - Vessel Construction Manager and U.S. Terminal Investment



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September 19, 2023

VIA EMAIL (MTSNAC@dot.gov)

Capt. Jeffrey Flumignan
Designated Federal Officer
Maritime Transportation System National Advisory Committee
1200 New Jersey Avenue, SE
W21-307
Washington, DC 20590

**SUBJECT: COMMENTS FOR MTSNAC SEPTEMBER 2023 MEETING
Vessel Construction Manager and U.S. Terminal Investment**

Dear Capt. Flumignan:

TOTE Group, LLC is pleased to submit the following comments for the record of the forthcoming meeting of the Maritime Transportation System National Advisory Committee (“MTSNAC” or the “Committee”), regarding the importance of the Vessel Construction Manager (“VCM”) model in strengthening U.S. maritime capabilities and the need to support private investment to enhance U.S. port infrastructure and performance.

Statement of Interest

As the owner and operator of independently managed subsidiaries in its maritime, terminal operator, and marine services lines of business, the TOTE Group has unparalleled experience in numerous aspects of the domestic maritime industry. TOTE Maritime Alaska and TOTE Maritime Puerto Rico provide dedicated liner service in the Jones Act trade between the mainland United States and Alaska and Puerto Rico, respectively. The TOTE Group’s subsidiaries First Coast Terminals and Puerto Rico Terminals provide world-class stevedoring and cargo services at JAXPORT Terminal in Jacksonville, Florida, and Puerto Rico Terminals in San Juan, Puerto Rico. TOTE Services provides vessel construction, ship management, and technical consulting to both the federal government and private vessel operators across the domestic industry. As such, the recommendations developed by MTSNAC, and the policies advanced by the Maritime Administration (“MARAD”) have a direct impact on the TOTE Group.

Comments for the Record

1. VCM Model

MTSNAC's September 1st *Federal Register* Notice states that the Committee is undertaking information-gathering, the development of technical advice, and the presentation of recommendations on a number of areas, including: (a) how to strengthen U.S. maritime capabilities essential to national security and economic prosperity, and (b) ways to enable maritime industry innovation in information, safety, environmental impact, and other areas. The VCM model is the perfect example of how MARAD can work with industry partners to achieve these important goals.

As MTSNAC's members may recall, when the National Security Multi-Mission ("NSMV") was in its development phase, Congress directed MARAD through the National Defense Authorization Act for Fiscal Year 2017, to "provide for an entity other than the Maritime Administration to contract for the construction of the NSMV." The stated Congressional goal was to "leverage the ship construction expertise of... a commercial operator when contracting for the construction of the vessel." Congress understood that the marriage of ambitious public policy goals together with practical maritime industry experience would be the key to success in constructing a first-to-class vessel to serve both as a next-generation mariner training ship and as a support platform for government humanitarian aid and disaster relief operations.

Delivery of the first NSMV – EMPIRE STATE – to MARAD earlier this month for the training of SUNY Maritime College cadets demonstrates that the Congressional vision was correct. To go from a shipyard subcontract award through final design, initial production, full-stage construction, and vessel delivery in less than three and a half years – notwithstanding the challenges of the COVID-19 pandemic and resulting supply challenges – clearly demonstrates the efficiency of the VCM model. To do so with reduced cost overruns in a manner unprecedented for government shipbuilding further proves the benefit of the VCM model to the U.S. taxpayer.

However, the benefits of the VCM model go well beyond the schedule and cost impacts. For example, TOTE Services, acting as MARAD's VCM, undertook numerous functions that would have been impossible for the government to perform on its own. By having a dedicated, right-sized team onsite at Philly Shipyard throughout the construction process, the VCM is able to ensure that safety and security remain paramount for all stakeholders. The model also allows the VCM to provide oversight through the entire life-cycle of the project, from design through construction and warranty management. By applying its experience and tested best practices in commercial vessel construction, the VCM is able to ensure that the highest standards of quality and workmanship are applied to the project, while mitigating the government's risks to cost, schedule, and performance. Moreover, by working through a more flexible subcontractor and supplier network, the VCM can achieve efficiencies in project logistics and vessel outfitting that simply could not be achieved by direct government procurement. Finally, by working with industry experts, the VCM is able to apply the highest standard of cybersecurity readiness to achieve necessary Authorities to Operate.

Further demonstrating the VCM model's utility in strengthening U.S. maritime capabilities essential to national security and economic prosperity is the fact that the NSMVs are being

constructed at Philly Shipyard – a strategic East Coast commercial shipyard that was on the brink of closure and had zero government shipbuilding experience when the NSMV construction subcontract was awarded. By employing innovative commercially-developed credit enhancements and subcontracting flexibility that simply would be infeasible through direct government contracting, the VCM was able to make the award to a shipyard despite significant financial challenges. The ultimate result is a reinvigorated shipyard, with nearly 1,700 production employees capable of serving on a full range of government (both civilian and military) and commercial shipbuilding projects on the East Coast.

When taken in aggregate, it is clear that the VCM model simply works, resulting in the most efficient use of limited appropriated funding, while delivering vessels on-time and at higher commercial standards than are achievable through conventional government shipbuilding methods. Accordingly, when developing its technical advice and presenting its recommendations to MARAD and the Secretary of Transportation, MTSNAC should support the expansion of the VCM model to future government shipbuilding projects. In particular, the VCM model should be employed when recapitalizing the Ready Reserve Force (“RRF”) through new builds (in addition to the on-going

acquisition of used vessels from the secondary market). Furthermore, MARAD should look to expand on the VCM model to support the construction of vessels for third-party agencies, such as the Missile Defense Agency and the U.S. Army Corps of Engineers, among many others. Through the NSMV project, MARAD has developed an effective VCM contract administration methodology that when acting on behalf of other agencies (through appropriate memoranda of agreement and Economy Act transfers) can bring additional efficiencies to the government shipbuilding procurement process.

2. Marine Terminal Investment

In addition to the above VCM model recommendations, MTSNAC should recommend that MARAD and the Department of Transportation (“DOT”) look to expand funding opportunities to support private investment in infrastructure and technology to improve physical and data security, as well as supply chain processes. Similarly, MARAD and DOT should look for additional opportunities to support private investment in next-generation cargo handling equipment that meets State mandates for reducing air emissions at maritime ports.

While the TOTE Group is extremely appreciative of MARAD and DOT’s continued support of the Port Infrastructure Development Program (“PIDP”), in its current form this program creates certain challenges for private marine terminal operators. Specifically, because the primary recipients of the funding must be public entities, marine terminal operator priorities are often a secondary consideration in the application process. Other grant programs, such as the Department of Homeland Security’s Port Security Grant Program, allow private marine terminal operators to be primary recipients, which has been a successful model to ensure that federal funding has a meaningful impact on port security improvements. Accordingly, MTSNAC should recommend that MARAD and DOT seek a broader authorization for PIDP, to allow direct grants to private marine terminal operators.

Similarly, as currently administered, PIDP rarely grants waivers of Buy American requirements, notwithstanding the law's general allowance for waivers when products are not available in sufficient and reasonably available commercial quantities of a satisfactory quality. The simple reality is that many of most innovative tools to improve port and marine terminal security and to improve supply chain processes are not currently developed in the United States. Accordingly, MTSNAC should recommend that MARAD and DOT apply the Buy American waiver process as originally intended when necessary products are not available in the United States.

The above issues will become more critical as port air emission reduction requirements come into effect across the United States. For example, the Port of Seattle, Northwest Seaport Alliance, and Port of Tacoma's collective Northwest Ports Clean Air Strategy commits to achieving a goal of zero emissions from seaport-related activities by 2050. These mandates will force private marine terminal operators and stevedores to invest billions of dollars of private funding into next-generation near-zero emission cargo handling equipment. Federal support for private investment in near-zero cargo handling equipment – much of which is not currently produced in the United States – will be critical to meeting these important carbon emission reductions. Accordingly, as stated above, expanding programs such as PIDP to allow direct grants to private marine terminal operators, as well ensuring the availability of Buy America waivers, should be key focus areas for MTSNAC. In addition, MTSNAC should look for other MARAD support opportunities for these critical marine terminal investments, such as expanding the Capital Construction Fund to add marine terminals as eligible participants.

Thank you for your consideration of the above comments, as well as for your important work in overseeing MTSNAC's administration. I am available to answer any questions related to these comments that may arise from MTSNAC's members or MARAD's staff as the Committee develops its recommendations and MARAD works towards publishing the next National Maritime Strategy.

Sincerely,

Tim Nolan
President & CEO
TOTE Group, LLC

cc: William Paape
Doug McDonald

Appendix R – SME Presentation -Dual Use Vessels

**Navy League Views:
Dual Use Vessels on
America's Marine Highway**

MTSNAC

20 September 2023



Mr. Jonathan (Jon) Kaskin

Chair, Merchant Marine Affairs Committee
Navy League of the United States

OUTLINE

- Navy League's Maritime Policy Recommendation regarding Dual Use Vessels (DUVs) on Marine Highways
- Quick Review of Business Case (BCA) for Dual Use Vessels
 - Sealift Recapitalization Requirement
 - Exploration of Options to Meet Requirement
 - Business Case for Dual Use Vessels as Preferred Option
- Activities Since Last Presentation before MTSNAC
- Future Prospects for Implementation
- Recommendation for MTSNAC

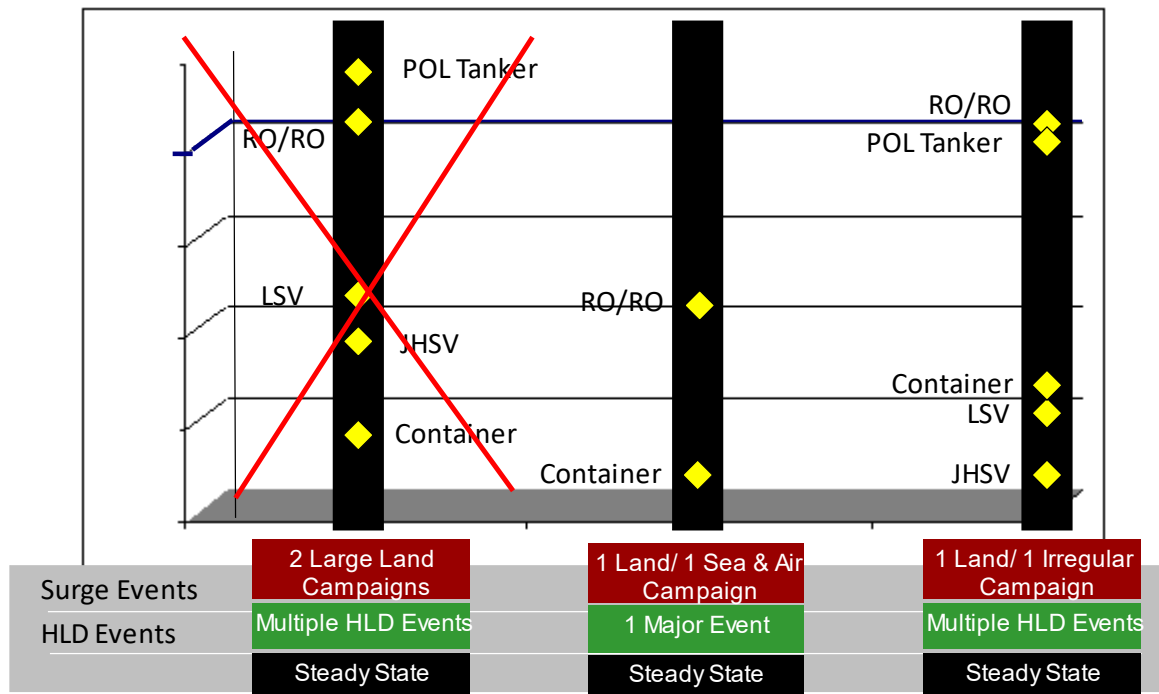
NAVY LEAGUE 2023-2024 Maritime Policy



Navy League of the United States Recommends:

Building dual-use vessels. The Navy and MARAD should work rapidly on recapitalizing the RRF by operationalizing the dual-use vessel concept on AMH or propose another viable alternative. Legislative and policy changes should be enacted by fiscal 2024.

Assumes Sealift Requirements Don't Change Much



HLD: Homeland Defense POL: Petroleum Oil Lubricants LSV: Logistics Support Vessel
 RO/RO: Roll -on/Roll-off Vessel JHSV: Joint High Speed Vessel

USTRANSCOM Sealift Requirement

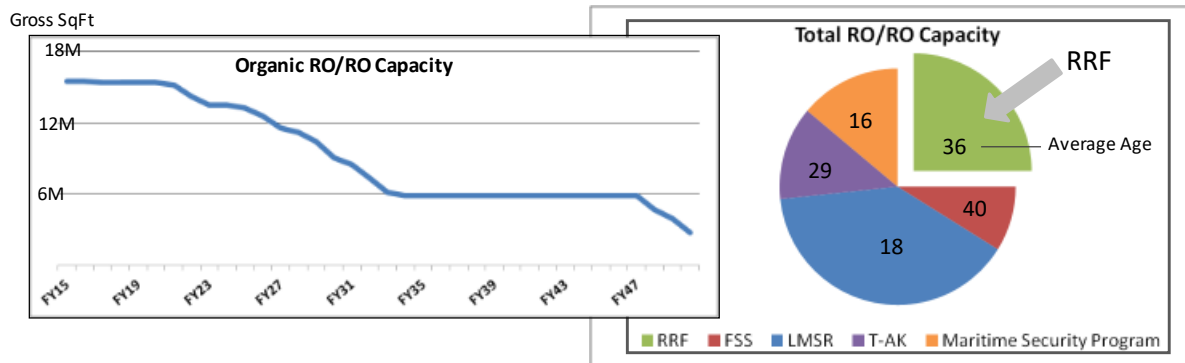


Clip from 30 July 2014 HASC Seapower and Projection Forces Subcommittee Hearing on Logistics and Sealift Requirements

Sealift Recapitalization Timing

“...First, the U.S. -owned commercial ocean carrier industry, to the extent it is capable, will be relied upon to provide sealift in peace, crisis, and war. This capability will be augmented during crisis and war by reserve fleets comprised of ships with national defense features that are not available in sufficient numbers or types in the active U.S. - owned commercial industry...”

-National Security Directive (NSD) 28 Oct 1989



Task is to Examine Options to Recap Aging Surge Sealift, Aligned with Strategic Sealift Policy (NSD 28) while Facing Intense Budgetary Pressure

Dual-Use Vessels (DUV)

MARAD and Navy are exploring the concept of developing dual-use vessels that can serve the needs of both military sealift capacity and the America's Marine Highway (AMH) Program.

DUV for the AMH is:

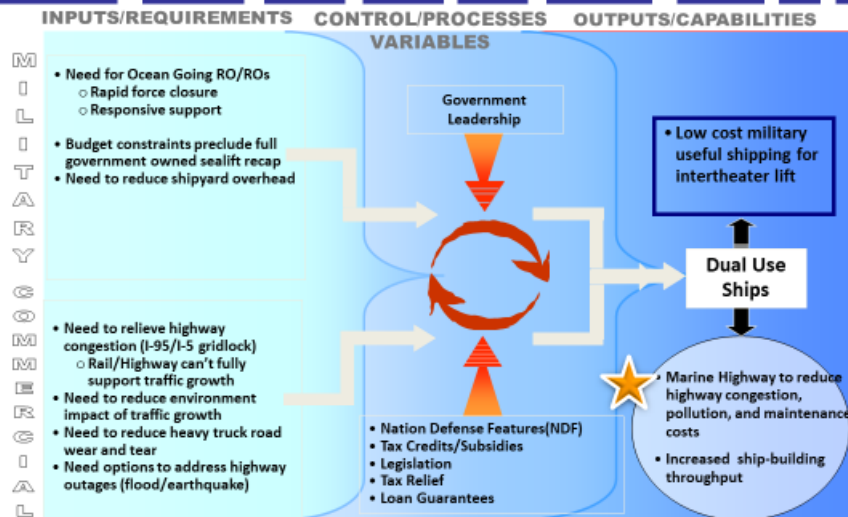
- A commercially viable, militarily useful oceangoing ship for trade between US ports
 - Preference for RO/RO, Container-RO/RO or Trailership
 - At least 15 kts, 5,000-10,000 nm range, 96,000 military useful square feet
 - Military utility could be enhanced with Navy funded National Defense Features (NDF)
- NDF include:
 - Expeditionary ramps and increased bunker tanks for ocean transits
 - Only available for U.S. Built, U.S. Flag



Approved Marine Highways

DUV's Fully Support Sealift Policy While Providing Responsive Sealift Ro/Ro Capacity

Marine Highway's Dual Use Shipping April 2005 Senior Executive Sealift Forum



Navy/MARAD/USTC Leadership Required to Make Marine Highway a Reality

Commercial Versus Organic

Organic Recap Capability

- Immediate access to capability
- Includes unique capabilities not available in commercial sector
- Requires large capital investments
- Requires annual funding for O&M

Current Commercial Capability

- Charter as required - Cost limited to actual use of ship
- Commercial capability may not meet military requirement
- Less Responsive

AMH Dual Use Vessels

- Charter as required -- Cost limited to actual use of ship
- RO-CONs, Trailerships and RO/ROs meet military requirement
- At Least As responsive as RRF
- Stabilizes US Industrial Base
- Engine for Economic Development
- Requires Some Navy Investment

Dual Use Vessels Meet Requirements At Lowest Cost

Options for RO/ROs Reaching ESL through 2030

Ship Class	Number in Class	Year Built	ESL	Gross SqFt	Commercial Program (MSP/Cont. Contract)	Maritime Highway	OERA/Extend Service Life	Foreign Purchase (Legislative Change)	New Build
CALLAGHAN	1	1967	2017	142k	X	X	X		X
CAPE E	1	1971	2021	161k	X	X			X
CAPE D	5	1972-73	2022-23	167k	X	X		X	X
T-AK MARTIN	1	1980	2025	203k	X	X			
LMSR Conv. (NN)	2	1972	2022	322k		X	X		
CAPE I	4	1975-77	2025-27	149k		X			X
MPS Waterman	3	1981-82	2026-27	175k					X
LMSR Conv. (NASSCO)	3	1981	2026.2031	302k		X	X		
CAPE R	3	1977	2027	176k		X		X	X
CAPE T	3	1977	2027	116k		X			X
MPS Amsea	5	1985-86	2330-31	163k					X

○ Options Deemed Best to Pursue Based on Balancing Cost and Requirement

10

If Commercial Program / MSP replace ~8% (1.3 M SqFt) of Organic Fleet, and 2 LMSR receive extended ESLs, then new build RO/RO delivery can be deferred to 2025

AMH/DUV Dual-Use Vessel Development Program

Overview

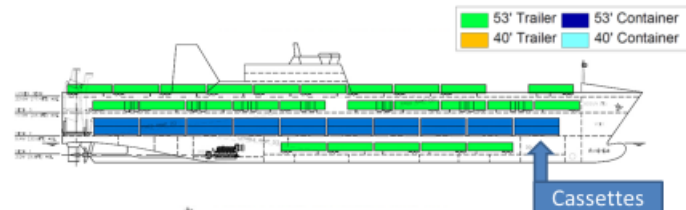
Both Projects performed by Herbert Engineering Corp

- **MARAD Project: American Marine Highway Vessel Design** (October 2011)
 - Vessel types best suited to take trailers off the highways
 - Focus on ocean-going vessels for longer range services
 - Vessels should be suitable for military dual-use for sealift
 - Vessel Designs: Eleven Different Designs
 - Vessels range across a wide spectrum of sizes, types & speeds
 - Market Assessment and RFR Analysis of Potential Routes and Vessels
- **CCDoTT Project: Multi-purpose American Marine Highways Series Production Ship.** (January 2012)
 - Select 3 most viable AMH designs and carry the designs and economic analyses to the next level
 - RFR Analysis results prepared by Dr. Tedesco
 - Designs & RFR Analyses completed and included in presentation

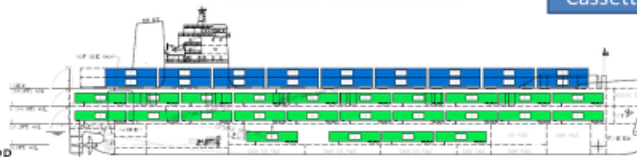
Studies Completed Under of Navy/Maritime Administration MOA

Selected Vessel Designs for Economic Evaluation

03- RoRo Medium 23 kt
 682'x95'x77.4'
 Draft 23.2'
 151 trailers
 104 containers
 RoRo 130,820 ft²
 28,000 kW, Twin Screw w/ CPP



04- RoRo Medium 20 kt
 602'x95'x68.2'
 Draft 23.3'
 154 trailers
 160 containers
 RoRo 144,500 ft²
 17,000 kW, Twin Screw w/ CPP



13- Rocon Large 22 kt
 660'x106'x61'
 Draft 24.9'
 101 trailers
 363 containers
 RoRo 110,145 ft²
 21,000 kW, Single Screw w/ FPP



Two High Container Cassette



Container Cassette can sit without special fittings on ground or deck



Cassette for multi-length containers (40'/45') on special trailer

Vessel Construction Costs

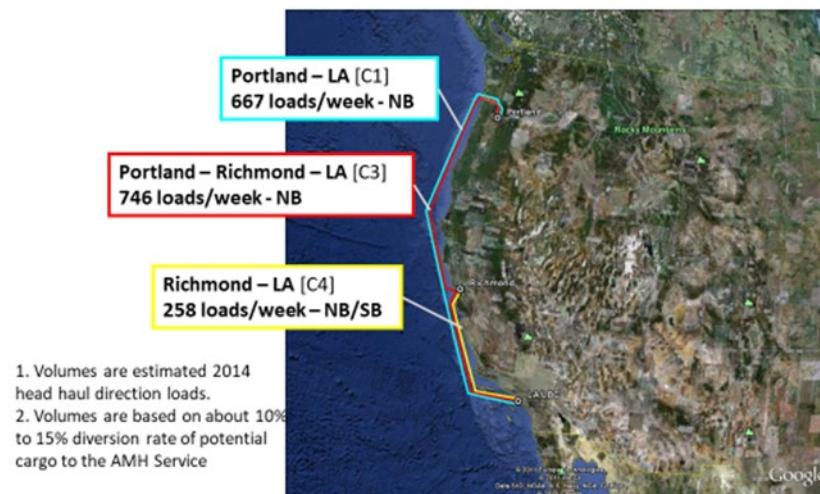
- US Construction Costs based on large or mid-tier shipyards currently building commercial vessels using best available technology (technical support from overseas shipyards)
- Costs have Uncertainty so range given on standard designs have higher uncertainty on side
- Indicated Costs (\$ M) for 3 Ship Series average cost per vessel with LNG capable engines for all vessels except 02, 11, 13
- The costs are estimated final negotiated contract prices and not initial asking prices by shipyard which are likely to be higher

	01-RoRo Small 18kt	02-RoRo Trimaran 29kt	03-RoRo Med 23kt	04-RoRo Med 20kt	05-RoRo Large 21 kt	06-RoRo Fastship 30kt
Ship Price - Each	\$122	\$301	\$197	\$163	\$182	\$357
Lower bound estimate	\$110	\$271	\$177	\$147	\$164	\$321
Upper bound estimate	\$134	\$347	\$217	\$180	\$200	\$410
Uncertainty	-10%/+10%	-10%/+15%	-10%/+10%	-10%/+10%	-10%/+10%	-10%/+15%

	11-ATB Rocon 14kt	12-Rocon Large 18kt	13-Rocon Large 22kt	21-Container Feeder 18 kt	22-Ropax Med 22kt
Ship Price - Each	\$114	\$164	\$160	\$84	\$211
Lower bound estimate	\$103	\$148	\$144	\$77	\$190
Upper bound estimate	\$126	\$180	\$176	\$90	\$242
Uncertainty	-10%/+10%	-10%/+10%	-10%/+10%	-8%/+8%	-10%/+15%

Full LNG Capability Will Add ~10% to Construction Costs—But LNG Better Meets Emission Requirements & Fuel Savings Result in Short Payback Period

AMH Likely Routes & Cargo Volumes – West Coast



Cargo Availability Determined from Shipper Interviews and Cargo Transport Analysis

Marine Highways System Evaluation Model

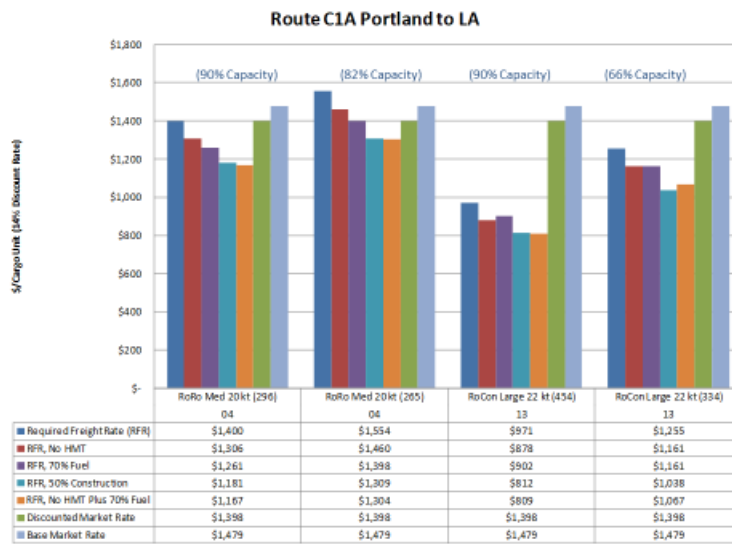
RFR Calculations and Cash Flow Analysis

- Perform analysis of Required Freight Rates (RFR) using AMH System Evaluation Model and available market data in coordination with HEC effort
- Estimate RFR at 90% capacity and at assumed market volumes in specific routes, with fixed schedules, and market volume constraints on percent capacity
- Both terminal to terminal RFR (no drayage cost) and door to door RFR (with drayage) calculated
- Conduct sensitivity analyses for key cost drivers
- Compare estimated RFRs to projected market rates



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Required Freight Rate Example

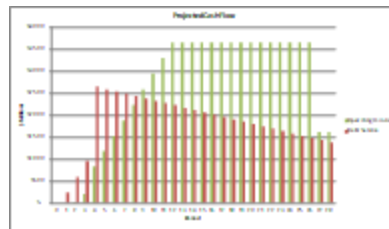
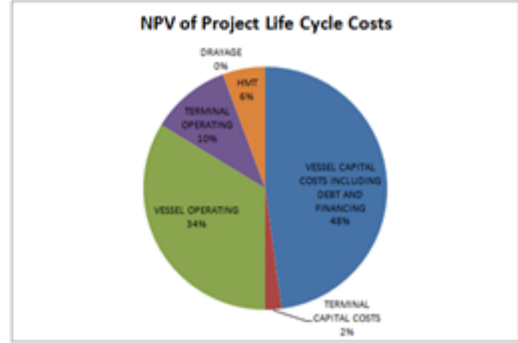


Use of LNG & Elimination of HMT Substantially Enhances AMH Competitiveness

Analysis of DUV/AMH Economic Feasibility

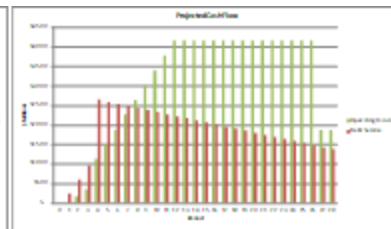
DATA ID	USES AND SOURCES	USES	SOURCES
65	Vessels (\$M)	\$ 359.99	
66	Terminals (\$M)	\$ 7.96	
67	Debt Fees (\$M)	\$ 23.00	
68	Other Capital Expenditures (\$M)	\$ -	
69	Equity Fees (\$M)	\$ 6.27	
70	Debt Service Shortfall (\$M)	\$ 66.02	
71	Debt (\$M)		\$ 331.53
72	Equity (\$M)		\$ 131.71
73	TOTALS	\$ 463.24	\$ 463.24

DATA ID	NPV of Project Life Cycle Costs	NPV	%
74	VESSEL CAPITAL COSTS INCLUDING DEBT AND FINANCING	\$178.66	48%
75	TERMINAL CAPITAL COSTS	\$7.96	2%
76	VESSEL OPERATING	\$125.91	34%
77	TERMINAL OPERATING	\$39.56	11%
78	DRAYAGE	\$2.00	0%
79	HMT	\$21.10	6%



With HMT:

- Covers debt in Period 9
- Equity Required: \$131.7 M
- Equity IRR 1.8%



Without HMT:

- Covers debt in Period 8
- Equity Required: \$112.7 M
- Equity IRR 5.41%

Economics Looks Promising IF Cargo Materializes

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Business Case (BC) for Navy Investment into DUVs

- BC Assumes that Operators cannot not profitably initiate coastwise services without Government Support
 - Need access to affordable financing
 - Need startup capital until services become profitable
- To help provide affordable financing:
 - Navy would underwrite MARAD issued Title XI mortgage guarantees for DUVs by:
 - Funding OMB mandated risk pools
 - Paying off mortgage in case of default, taking title, and then selling to another AMH operator or placing vessel in RRF
- To help provide startup capital:
 - Navy would fund upfront and limited duration annual incentives for ships solely in coastwise trades
 - Size and duration of incentives would be determined by operators in response to competitive RFP
 - Selection of operators based on best value of vessel military utility for funds invested, taking into account evaluated risk from business plan submitted by operator
- In exchange for underwriting Title XI and/or providing capital:
 - DUV operators will enroll their vessels into VISA
 - MARAD will formally coordinate selection of operators/vessels with Navy

Legislation and Policy Changes WRT Title XI, HMT, ETC. Will Be Required

Business Case Analysis Assumptions

- Pilot program to replace 5 Ready Reserve Force vessels
 - Starting Date Is Notional, Used for Present Value Calculation Purposes
- Inflation/Escalation Rate: 1.8% (2012)
- Discount Rate: OMB Nominal Rates (2102)

5 year	7 year	10 year	20 year	30 year
2.1%	2.5%	2.8%	3.5%	3.8%
- Construction Cost: \$200M/vessel (2014)
 - Navy funded organic RRF ship costs 15% more than Jones Act equivalent
 - Adding full LNG capability adds about 15% to diesel equivalent
- Annual Government O&M: Organic (\$5.5M)
- AMH Specific Assumptions
 - National Defense Features for AMH vessels add \$6M/vessel
 - 20% of total ship construction costs included in risk pool for Title XI mortgage guarantee (~\$40M/vessel)
- Two AMH Incentive Scenarios examined:
 - Coastwise Service (High): \$50M lump sum payment per vessel paid to ship owner for start-up costs; Annual incentives of \$14M per vessel for operating years 1-5, and \$7M per vessel years 6-10 paid to shippers or ship operator/owner
 - Mixed Coastwise/Non-Contiguous Service (Low): No lump sum or annual incentives, just funding for NDFs and Title XI risk pool
- Externality Benefits Not Included

FY15	FY16	FY17
1	2	2

Each Scenario Supported by at Least One Carrier

Economics for 5 Ship Pilot Program

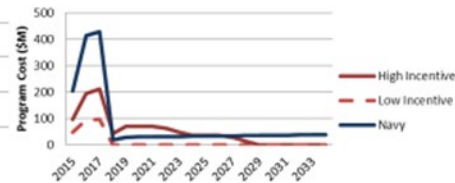
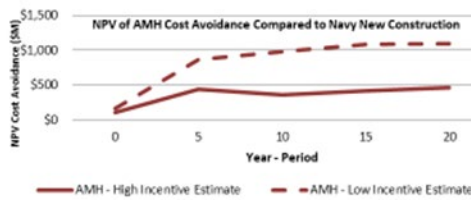
Cost Avoidance Comparison

NPV(\$M)*	5 year	10 year	20 year
AMH DUV: High Incentive	434	355	463
AMH DUV: Low Incentive	858	977	1094

* Values are the difference in Net Present Value of cash flows between the AMH alternatives and Navy Construction in SFY15

Required Investment

OSM	FY15	FY16	FY17	FY18	FY19	FY20	FY21-29
High Incentive							
AMH Risk Pool	41	85	84	0	0	0	208
Construction Startup	50	300	300	0	0	0	250
NDF	6	12	12	0	0	0	30
Cargo Incentive	0	0	14	42	30	30	126
Total	97	397	710	42	30	30	634
Low Incentive							
AMH Risk Pool	41	85	84	0	0	0	208
NDF	6	12	12	0	0	0	30
Total	47	97	96	0	0	0	238
Navy							
Construction Cost	204	415	422	0	0	0	3045
O&M	0	0	6	17	30	30	55
Total	204	415	428	17	30	30	3095



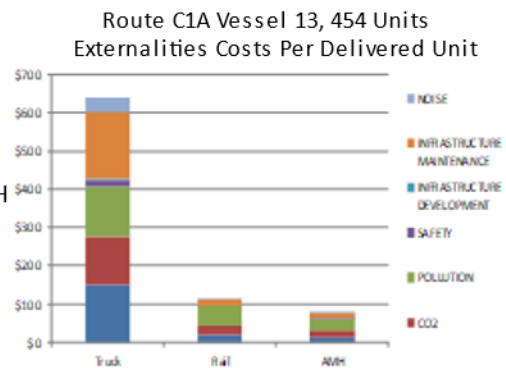
20 Year Present Value net savings of ~\$460M-1.1B for FYDP investment of ~\$610M-240M

- Assumes no carrier defaults
- Assumes no externality benefits (reduced congestion, road wear, etc.) ~\$16-25M/year/ship
- Assumes no auxiliary/sealift shipbuilding industrial base savings

DUV/AMH Cost Effective Alternative For RRF Recapitalization Over Any FYDP

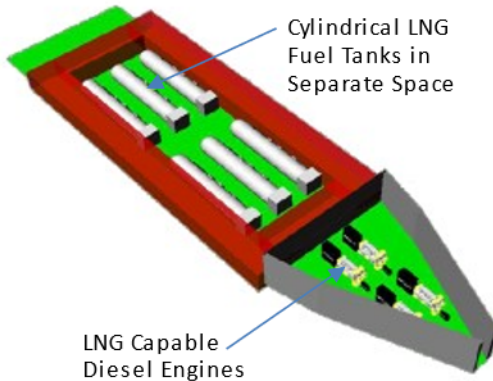
Externalities Approach

- Assessed suitability of published cost estimating methodologies
 - Marine Highways Cooperative “Public Benefits Calculator”
 - The Public Benefits of the ShoreSea Intermodal System (National Waterways Institute, 2004)
 - Compared resulting assessment with January 2011 GAO report “A Comparison of the Costs of Road, Rail, and Waterways Freight Shipments That Are Not Passed on to Consumers”
- Published metrics used to derive rates to apply to available output data
- Cost estimating methodologies developed and incorporated into spreadsheet economic model to address externalities
- Updated model used to assess externalities for AMH Dual Use Vessel concept(s) in routes and markets supporting the N42 Dual Use Vessel Deployment Plan
- Three modes: All truck, rail plus drayage, marine highway plus drayage



Externalities alone generate up to \$1625M annual benefit per vessel over truck

LNG Propulsion



Cylindrical LNG Fuel Tanks in Separate Space

LNG Capable Diesel Engines

LNG Tank Illustration from ONR CSD

- **LNG as a ship fuel has great potential as fuel of choice for the future**
 - Clean burning– meets all current and future emission standards
 - Existing Technology: Dual fuel engines in use on LNG carriers and coastal vessels/ferries in Europe
 - Lower cost LNG Fuel - about 30% lower than diesel fuel
 - Vessel regulatory issues manageable
 - LNG can be stored in internal tanks of the ship, CNG cannot
 - Variable Range Possible- Short Range on LNG (2,500 mi), Long Range with diesel fuel (dual-use)
- **Major roadblocks**
 - Lack of availability of bunkering system
 - Higher cost for engines and fuel tanks
 - Mostly unfounded fear of LNG by some
 - Loss of area on lower cargo decks on RoRo vessels to make space for LNG Tanks

LNG GAINING ACCEPTANCE

Ongoing LNG Fuel Ship Projects:

- 2 Tote ORCA Class trailership conversions for Alaskan trade
- 2 Tote new construction MARLIN class containerships for Puerto Rican trade
- 2 Crowley new construction ~~CORVs~~ for Puerto Rican trade
- 2 Matson new construction containership for Hawaiian trade (dual fuel engines)
- 8 Crowley new construction tankers (AKER) (dual fuel engines)
- 7 Seabulk and APT new construction tankers (NASSCO) (dual fuel engines)
- 6 Harvey Gulf International Marine OSVs

Ongoing LNG Bunkering Projects:

- Jacksonville, FL to support Tote containerships (Pivotal LNG/WesPac Midstream)
- Port Furchon, LA to support Harvey OSVs
- Baton Rouge, LA (Waller Marine)

MARAD Sponsored R&D Project with Horizon Lines to Monitor LNG Conversion Vessel

Source: NVG Today: “LNG is moving forward as a marine fuel, here’s what you need to know”, June 24, 2014, FNC Commissioner William P. Doyle

All of These Projects Were Announced in Last Two Years!

BCA Conclusions

- Business Case Analyses Are Major Undertakings and Require:
 - Understanding of Underlying Requirements Drivers
 - Understanding of Performance, Cost, Risk Tradeoffs
 - Metrics and Means to Quantify Against Those Metrics
 - Evaluating Impacts of known “unknowns”, e.g., freight availability and scope of incentives
 - Understanding of Fiscal, Political and Joint/Interagency Issues

Nevertheless, BCA’s Are The Best Way To Justify a New Program

Conclusions/Recommendations (5Mar13)

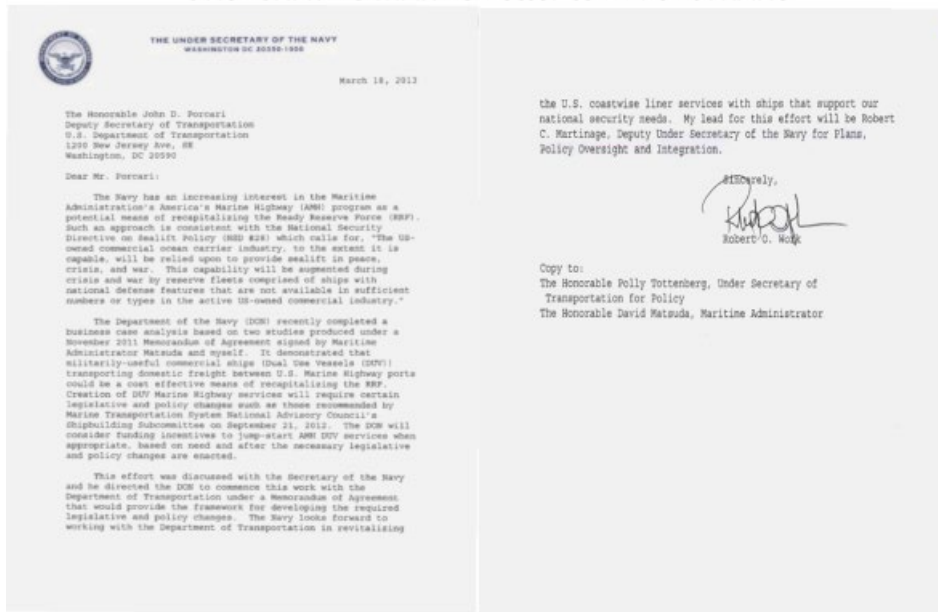
- RRF capacity requirement likely to remain firm as long as National Security Strategy retains need to deploy heavy forces for one major ground war
- DUV/AMH Program is a cost effective alternative for RRF recapitalization and a potential means to maintain auxiliary/sealift shipbuilding industrial base
- DUV/AMN options require Navy funding between ~\$610M-240M within POM-15 FYDP, with a potential 20 year Present Value savings of ~\$460M-1.1B compared to organic build and layup option—not accounting for potential ~\$115M*-1.5B T-AO(X) savings
- Funding for RRF Recap not needed before ~2018; Shipbuilding industrial base preservation or reducing outyear funding requirements possible rationales for earlier start of DUV/AMH program
- Amount and timing of non-DUV/AMH commercial ship construction could impact size and timing of DUV/AMH program to fill the current auxiliary/sealift shipbuilding industrial base production gap
 - Defer timing and funding decision to initiate DUV/AMH program until future commercial construction orders are determined
- Near term (FY15) DUV/AMH program implementation will require senior political leadership involvement to get legislative and policy changes in place in time
 - Formalize senior DOT/DOD involvement through SECNAV/SECDEF MOA
 - **Use Marine Transportation System National Advisory Council recommendations as basis of legislative/policy change package**
 - Further engage OMB, refine Navy investment into Title XI risk pool
 - Continue industry outreach efforts to solidify industry interest

Next Steps: Draft MOA, Prepare Legislative/Policy Package While Determining When to Initiate DUV/AMH for RRF Recapitalization/Shipbuilding Industrial Base

Developments Since 5MAR13 Brief to UNSECNAV

- At 5 March 2013 Meeting, Navy Leadership Team:
 - Agreed With DUV/AMH approach for RRF recapitalization
 - Supported Navy/DOD engagement with DOT via MOA to produce legislative/policy changes
 - Deferred funding decision until legislative/policy changes enacted/promulgated (after 2015)
- 18 March, UNSECNAV sent letter to DEPSECTTRANS requesting DOT engagement w/Navy
 - Suggested consideration of Marine Transportation System National Advisory Council (MTSNAC) Shipbuilding Subcommittee recommendations as starting point

UNSECNAV 18 MAR 13 Letter to DEPSECTTRANS



Developments Since 5MAR13 Brief to UNSECNAV

- On 8 April, Deputy Maritime Administrator (DEPMARAD) met with Navy DUSN(PPO&I):
 - Agreed to work with Navy on path forward, but suggests no MOA required
 - Requested Navy to re-assess its opposition to buy foreign hulls aging out of MSP LegProp
- On 29 May, DEPMARD informed that ASN(RD&A) still opposed to LegProp to allow buying of foreign hulls for RRF
- 5 June, DEPMARAD forwarded DEPSECTTRANS 28 May reply to former UNSECNAV 18 March Letter

Developments Since 5MAR13 Brief to UNSECNAV

- Agrees to work with Navy on required legislative/policy changes for DUV/AMH

- Suggests existing Navy/MARAD MOA suffices for effort



Developments Since 5MAR13 Brief to UNSECNAV

On 14 June, House passed Section 3503 of the 2014 NDAA with DUV/AMH specifically included in Sense of Congress:

(a) Findings- Congress finds the following:

- (1) It is in the interest of United States national security that the United States merchant marine, both ships and mariners, serve as a naval auxiliary in times of war or national emergency.
- (2) The readiness of the United States merchant fleet should be augmented by a Government-owned reserve fleet comprised of ships with national defense features that may not be available immediately in sufficient numbers or types in the active United States-owned, United States-flagged, and United States-crewed commercial industry.
- (3) The Ready Reserve Force of the Maritime Administration, a component of the National Defense Reserve Fleet, plays an important role in United States national security by providing necessary readiness and efficiency in the form of a Government-owned sealift fleet.

(b) Sense of Congress- It is the sense of Congress that--

- (1) maintaining a United States shipbuilding base is critical to meeting United States national security requirements;
- (2) it is of vital importance that the Ready Reserve Force of the Maritime Administration remains capable, modern, and efficient in order to best serve the national security needs of the United States in times of war or national emergency;
- (3) Federal agencies must consider investment options for replacing aging vessels within the Ready Reserve Force to meet future operational commitments;
- (4) investment in recapitalizing the Ready Reserve Force may include--
 - (A) construction of dual-use vessels, based on need, for use in the America's Marine Highway Program of the Department of Transportation, as a recent study performed under a cooperative agreement between the Maritime Administration and the Navy demonstrated that dual-use vessels transporting domestic freight between United States ports could be called upon to supplement sealift capacity;
 - (B) construction of tanker vessels to meet military transport needs; and
 - (C) construction of vessels for use in transporting potential new energy exports; and
- (5) the Department of Transportation, in consultation with the Navy, should pursue the most cost-effective means of recapitalizing the Ready Reserve Force, including by promoting the building of new vessels that are militarily useful and commercially viable.

Developments Since 5MAR13 Brief to UNSECNAV

- **During June 2013, MARAD and MTSNAC Shipbuilding Subcommittee refine White Papers that specify required legislative and policy changes needed for AMH and for DUVs on AMH**
- During July/August, TRANSCOM submits revised buy foreign hulls to recap RRF LegProp
 - Although MARAD Supports, Navy and OSD again opposed
- **On 9 September, MTSNAC Shipbuilding Subcommittee Briefs Secretary Foxx on Objectives of Policy/Legislation Changes Required to Initiate American Marine Highway**
 - Objective 1 – Ensure transparency and effectiveness of Title XI Ship Financing Program for US built vessels
 - Credit Council/Title XI Process Reform
 - Title XI Funding Increase
 - Title XI Amendments & Additions
 - Objective 2 – Support the American Marine Highway by removing barriers, providing adequate ship capacity and incentivizing demand
 - Investment Tax Credit & Depreciation
 - Tonnage Tax
 - Harbor Maintenance Tax
 - LNG bunkering terminals
 - Objective 3 – Support Navy Dual Use Vessel (DUV) Initiative
 - MARAD work with Navy to set legislative and policy package to facilitate DUV initiative for use by Navy in the future


Objective 3 Recommendations Dual Use Vessel Initiative

Dual-Use Vessels (DUV)

MARAD and Navy are exploring the concept of developing dual-use vessels that can serve the needs of both military sealift capacity and the America's Marine Highway Program.

DUV is:

- A commercially viable, militarily useful oceangoing ship for coastwise trade
 - Preference for RO/RO, Container-RO/RO or Trailership
 - At least 15 kts, 5,000-10,000 nm range, 96,000 military useful square feet
 - Military utility could be enhanced with Navy funded National Defense Features (NDF)
- NDF include:
 - Expeditionary ramps and increased bunker tanks for ocean transits
 - Only available for U.S. Built, U.S. Flag



Proposed Marine Highways

MARAD/USN MOA signed 18 November 2011

Source: Mr. Jonathan Kaskin, Maritime Executive Forum May 8, 2012

- A DUV program could be used by Navy to partially recapitalize the RRF when needed
- Recommend MARAD work with Navy to set a legislative and policy package to facilitate this initiative.

Developments Since 5MAR13 Brief to UNSECNAV

- On 23 December, MARAD staff given comprehensive Dual Use Vessel on America's Marine Highways brief requested to provide names of lawyers to draft LegProg w/NavyOGC

Discussed Potential Items for a Dual-Use Vessel (DUV) LegProp (In addition to those recommended by Shipbuilding Subcommittee):

- Authorizes MARAD to execute a DUV program on behalf of Navy, including administering a modified Title XI program for DUV vessels in contiguous and contiguous/non-contiguous AMH corridors (permits greater risk (eliminates arbitrary financial ratios)), paying Navy funded incentives (type of incentives to be determined) for DUVs on contiguous AMH corridors, and competitively contracting for DUV owner/operators
- Authorizes Navy to indemnify MARAD for DUV Title Mortgage Guarantees
- Authorizes MARAD to attempt to sell defaulted DUV to an eligible "Section 2" U.S. citizen company to economically operate the vessel on America's Marine Highway (AMH) between U.S. ports
- Directs MARAD to transfer Title XI defaulted vessel into NDRF after Navy indemnification of outstanding balance of Title XI mortgage guarantee, in case that sale for another AMH service is not economically feasible
- Requires MARAD to consult with Navy regarding on source selection process/plan and which companies are awarded contracts to operate DUVs with Navy funding/indemnifications; Navy has right to make a final determination whether to accept MARAD's recommendations for contract awards.
- Authorizes Navy to fund Title XI risk pool for DUVs
- Authorizes Navy to fund grants and incentives to assist DUV operators to successfully initiate new AMH services
- Authorizes, if owner requests, non-Jones Act tonnage, to replace any DUV taken up from trades to support a military contingency

Next Steps: Work with MARAD to Prepare Legislative/Policy Package, Update OMB

Developments Since 5MAR13 Brief to UNSECNAV

- On 26 December, Congress passed 2014 NDAA with House Sense of Congress Supporting RRF Recapitalization with Dual Use Vessels
- January-March 2014, nothing heard from MARAD
- **On 1 April, DUV status report presented to full MTSNAC meeting**
 - **Highlighted events since 5 March 2013 brief to UNSECNAV**
 - **Listed suggested legislative/policy changes**
 - **Requested MTSNAC recommend that MARAD expeditiously provide legal support to develop a Navy/MARAD legislative proposal in the next few weeks**
- On 29 April, Acting Maritime Administrator sends letter to Navy Acting UNSECNAV
 - Concludes that size and complexity of legislative/policy changes is prohibitive in current economic and political environment
 - Claims only one vessel owner expressed serious interest in DUV program
 - Claims MARAD funded studies showed lack of economic viability
 - Claims cost of military features adversely affect economic sustainability
 - Claims difficulty in modifying HMT and misinterprets BCA incentives
 - Claims Congress unlikely to support DUV due funding req'ts/tax code changes

DUV/AMH Industry Interest

Company	Interest	Comments
International Shipholding	Coastwise Trades	Strong Long Term Interest
Intermodal Marine Lines	Coastwise Trades	Strong Long Term Interest
Horizon Lines	Mixed CW/Non-contiguous	Subject to Revised Title XI
Matson Lines	Non-contiguous	Desires NDFs Only
Tote	Undecided	
Crowley Lines	Not Interested At This Time	
Pasha	Not Interested	
Seacor	Coastwise Trades	Interest Began Spring 2014

Sufficient Interest For Pilot Program Competition

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MARAD Funded Study Results

"American Marine Highway Design Project Final Report" by Herbert Engineering Corp. of October 28, 2011

- As expected, the greatest opportunities for AMH service are routes where trucking costs are high, and where intermodal competition is not strong. **One of the best routes for this is the one between the Pacific Northwest and Southern California.** Other routes with potential for profitable operation are between the major metropolitan centers in the Mid-Atlantic area (Delaware River or New York/New Jersey) and Florida, and across the Gulf of Mexico from Texas to the west coast of Florida (where the sea route is shorter than the land route).

"West Coast Marine Highway Market Analysis Project" by Whatcom Council of Governments of April 2014

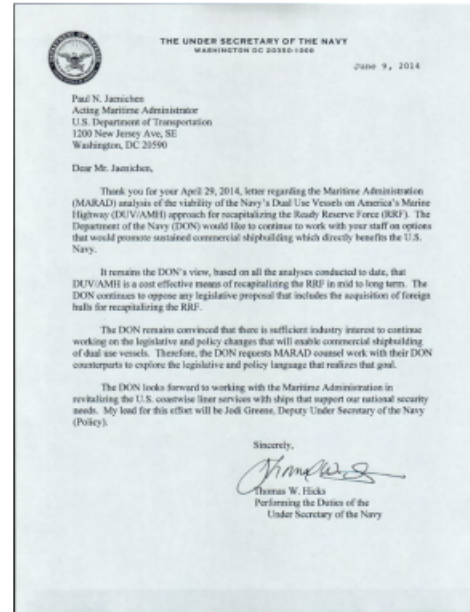
- San Pedro to Oakland route that, "For the "all-in new vessel Title XI" scenario, the route performs very well"
- San Pedro to Pacific Northwest, "For the "all-in" scenario (new build), the route performs reasonably well....Title XI financing would improve the financial attractiveness of this Marine Highway service"

•Both Studies Did not Assume Use of LNG which offers 30 percent net fuel savings over MDO

•All studies indicate more detailed market analysis should be completed to test the interests of line haul container operators and identify potentially viable domestic cargoes.

Developments Since 5MAR13 Brief to UNSECNAV

- On 9 June, Acting UNSECNAV replies:
 - Navy's view, based on all analyses conducted to date, is that DUV/AMH is a cost effective means of recapitalizing the RRF
 - Navy opposes any legislative proposal to acquire foreign hulls for RRF recapitalization
 - Navy convinced there is sufficient industry interest to continue working with MARAD on legislative/policy changes that could result in US construction of Dual Use Vessels



Developments Since 5MAR13 Brief to UNSECNAV

On 17 July, Maritime Administrator Jaenichen was interviewed by MaritimeTV aboard the M/V Donna Rushing near the AEP River Operations facility in Paducah Kentucky:

Q: Why is MARAD unwilling to support the Navy proposal to use U.S. built, dual use, and actively trading Marine Highway vessels as a method to replace the aging RRF fleet?

A: Well, it is a very interesting idea, and if I had my druthers, I would love to be able to get into a situation where we partner with the Navy to build a vessel that could be used commercially. **What we have found right now is that it just doesn't work..all the studies we have done.**

There are so many changes in legislation and policy that would have to have to occur from our perspective...and I have talked to the Navy about this and we are going to continue to engage on this. **The policy and legislation that has to occur is so significant, in this political and economic environment...it is a hill just too high to climb.**

And from my perspective, **if I am going to spend a lot of effort, I am going to spend it on things, we know, that have an actual chance of being able to accomplish during my tenure at the Maritime Administration.** Well, you know, if something changes, we will go work on it, but right now I believe that one is just too much to bite off.

Lingering Questions Regarding Dual Use Vessels

- Won't Requirements Change, Eliminating or Deferring Need to Dual Use Vessels
 - Sealift capacity sized to support one major ground war—readiness likely to change before size
 - Any changes would apply immediately to RRF, possibly MSP
- Will DUV's for AMH Actually Impact Shipbuilding Industrial Base?
 - Navy Assistant Secretary for Research, Development and Acquisition (ASN(RD&A)) believes additional Jones Act construction will help maintain industrial base for future auxiliaries (T-AO(X)) and prepositioning/sealift
 - Better chance for funding than build and lay-up
- Can DUV's on AMH really be commercially viable?
 - MARAD/Navy Funded analysis indicates potential for profitable service
 - Long delayed MARAD East/West Coast corridor studies validate near term West Coast economic viability
 - Decision to invest will be determined by commercial operators, not Navy or MARAD
- Are the Required Legislative and Policy (HMT, Title XI, Tonnage Tax, etc.) Changes Feasible?
 - Better chance if submitted by Administration, led by DOD with associated funding
 - OMB staff have supported such initiatives if Business Case shows least expensive need to meet Defense requirement, e.g., MSP
- Will Carriers Be Willing to Participate Given DUV's Could be Taken Up for Contingency Operations?
 - 50% of Jones Act Ship Capacity Already Committed to VISA/100% of MSP
 - Backfill with Jones Act waived ships possible mitigation
- Isn't it cheaper to buy foreign hulls to recapitalize the RRF?
 - Maybe for pure coastwise trades, not for mixed contiguous and non-contiguous routes
 - Not legally permitted and legislation to permit opposed by Navy and Congress

TBD if MARAD/USTRANSCOM Will Change Current Views for 2017 Program Submit

Developments Since 5MAR13 Brief to UNSECNAV

Recently Enacted FY2018 National Defense Authorization Act Conference Report:

Therefore, the conferees direct the Secretary of the Navy, in consultation with the Commander, U.S. Transportation Command and the Maritime Administrator, to submit a report to the congressional defense committees not later than March 1, 2018 that includes the following items:

- (1) An assessment, by vessel, of the material condition and remaining service life of the RRF component of the NDRF and the MSC's surge fleet;
- (2) A description of any major modernization program, by vessel, that seeks to extend the service life of the RRF component of the NDRF and the MSC's surge fleet;
- (3) A notional acquisition strategy for the next five years to acquire used vessels that describes the following elements:
 - (a) An assessment of U.S.-built ships that could be procured for the RRF;
 - (b) Total number of used vessels required for purchase;
 - (c) A proposed timeline for the acquisition of each used vessel, the modernization or conversion of the used vessel and an initial operating capability to align with the retirement of the existing RRF vessel;
 - (d) A cost estimate for procurement of each used vessel and an assessment of modernization or conversion costs to support delivering a RRF vessel;
 - (e) A determination of the contracting agency and program office that will be used to procure, modernize or convert the used vessels; and
 - (f) A determination of which agency or program office will assess the material condition and ability to meet RRF or MSC surge fleet requirements of each used vessel prior to purchase;
- (4) A description of the program of record associated with the CHAMP program to include major acquisition milestone events, which shall also include an assessment of the extent to which the CHAMP program could be accelerated;
- (5) The fiscal profile, by account, that supports this plan to recapitalize the RRF component of the NDRF and the MSC's surge fleet; and
- (6) Additional legislative authorities, if any, necessary to continue meeting Department of Defense sealift requirements while recapitalizing the surge sealift force. Any such authorities should be supported by appropriate analysis and justification.

Changes Since Completion of 2013 BCA

- **Potential Positive Impacts**
 - Trucking Costs Have Increased Faster Than Inflation
 - Systemic Shortage of Long Haul Truck Drivers, Diverting Cargo to Double-Stack Rail (potential for DUVs)
 - Truck/Train Diesel Costs Increased Faster Than Inflation & Higher Than LNG (Preferred DUV Fuel)
 - Used RO/RO Costs Have More than Doubled
- **Potential Negative Impacts**
 - U.S. Shipbuilding Costs Have Increased Faster Than Inflation
 - Increased Crewing Costs to Address Post-COVID Marine Shortfalls
- **Unknown Impacts That Need Quantification**
 - Potential Current/Future Hinterland Cargo Capture from Truck/Trail on Various Coast-Wise Routes
 - Costs of Meeting Current and Projected Emission Standards for Truck/Rail/ Vessels
 - Changes in OMB Discount Rates

Developments Since 5MAR14 Brief to UNSECNAV

Passage of Section 3542 of 2023 National Defense Authorization Act

- Requires Study to Inform a National Maritime Strategy (Awarded 13SEP23 to CNA)
- Study to Solicit Input from Many Entities (such as MTSNAC)
- Study to Examine “Incentives, including regulatory changes, needed to maintain a commercially viable U.S. documented fleet, including...an identification of other incentives that could be used that may not be authorized at the time of the study;”
- Requires National Maritime Strategy to Include Recommendations to “Increase the use of short sea transportation routes, including routes designated under section 55601(b), to enhance intermodal freight movements;”

Passage of Section 3546 of 2023 National Defense Authorization Act

- Authorizes MARAD to Execute a New Construction Sealift/Auxiliary Program of 10 Vessels for RRF Recapitalization (no appropriations provided) – Potential for Charter Out as DUV’s??

OPPORTUNITY FOR MTSNAC TO SUPPORT/PREFORM DUV BCA UPDATE

Changes Since Completion of 2013 BCA

- **Potential Positive Impacts**
 - Trucking Costs Have Increased Faster Than Inflation
 - Systemic Shortage of Long Haul Truck Drivers, Diverting Cargo to Double-Stack Rail (potential for DUVs)
 - Truck/Train Diesel Costs Increased Faster Than Inflation & Higher Than LNG (Preferred DUV Fuel)
 - Used RO/RO Costs Have More than Doubled
- **Potential Negative Impacts**
 - U.S. Shipbuilding Costs Have Increased Faster Than Inflation
 - Increased Crewing Costs to Address Post-COVID Marine Shortfalls
- **Unknown Impacts That Need Quantification**
 - Potential Current/Future Hinterland Cargo Capture from Truck/Trail on Various Coast-Wise Routes
 - Costs of Meeting Current and Projected Emission Standards for Truck/Rail/ Vessels
 - Changes in OMB Discount Rates

Additional Items To Quantify/Monitize for Updated BCA

- Value of Reduced Greenhouse Gas and Other Emission Reductions Associated with Waterborne Transport
- Value of Reduced Congestion/Accidents and Road Wear and Tear By Diverting Truck Cargo Off Highways
- Increased Reliability/Availability of Active DUVs Compared to RRF Ships in Reduced Operating Status (ROS)
- Increased Resiliency Offered by DUVs to Mitigate Road/Rail Closures Due to Natural Disaster/Terrorism

JUST SOME OF MANY CHANGES TO QUANTIFY IN UPDATED BCA

Future Prospects for Implementation

Depends on:

- Ongoing RRF Recapitalization Studies
- Better Market Analysis/Greater Industry Interest
- Future Congressional Hearings/Subsequent Legislation
- Navy Funding Priorities and Industrial Bases Issues
- Changes in Leadership

Implementation of Good Ideas Require All the Stars to Be Aligned

Options for Way Forward (as of 2018)

- MARAD/Navy Develop Implementing LegProp (MARAD/Navy)
- Update BCA to Include Buying Foreign Hulls(Navy/MARAD)
- Further Develop Market Analysis / Industry Interest
- Reengage Navy/OMB
- Include DUV Option BCA in NDAA RRF Recap Report to Congress

Implementation of Good Ideas Require All the Stars to Be Aligned

NAVY LEAGUE RECOMMENDATION TO MTSNAC

Navy League of the United States Recommends:

**MTSNAC Conducts an UPDATED Dual Use Vessel
Business Case Analysis as Input into the FY2023
Section 3542 National Maritime Strategy Study
Performed By the Center for Naval Analyses**

Appendix S – Article

Re-examining DUVs

The case for dual-use vessels on America's marine highways

BY JON KASKIN

The movement of dry cargo along the U.S. coasts in break-bulk freighters was phased out when the newly built interstate highway system provided a less expensive and speedier alternative. Today, that freight is moved less quickly via congested interstate highways and essentially only petroleum-based products continue to move coastwise onboard tank ships and barges in places where pipelines are not available or have insufficient capacity. This has resulted in the U.S.-flag “Jones Act” domestic fleet of 92 oceangoing vessels being composed of 55 tankers, with the remaining 37 dry cargo vessels primarily supporting the non-contiguous trades (Alaska, Hawaii, and Puerto Rico) with little prospect of growth.

Even fewer U.S.-flag ships operate in the U.S.-foreign trades. The Maritime Security program (MSP) offers 60 of 85 ships a stipend to be available for contingencies, and about half of the remainder is on charter to the United States Navy’s Military Sealift Command (MSC). Here again, there is little prospect of growth without additional government cargo preference programs or subsidies such as the recently authorized and funded tanker security program, which may grow to 20 vessels over the next couple of years.

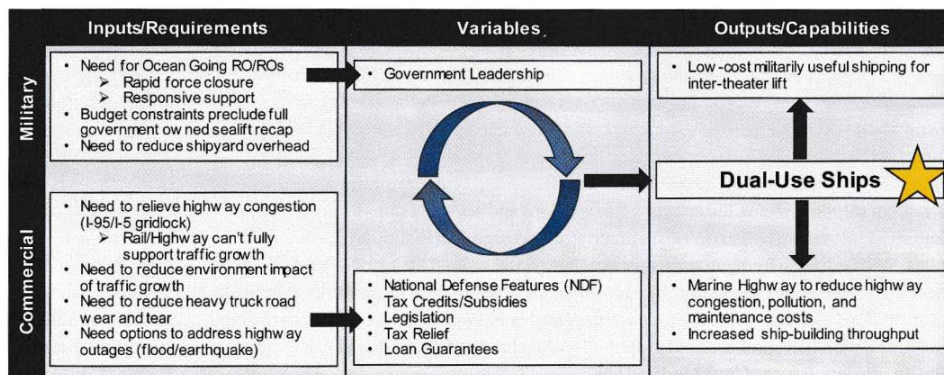
Our National Security Sealift Policy (NSD #28) states that we must have sufficient sealift capacity, in conjunction with our allies, to support military operations during times of war, with ships drawn from the active U.S.-flag merchant marine and, if insufficient, secondarily from ships from government-owned reserve fleets. Because military unit equipment is primarily rolling stock, this policy

demands that the active and reserve fleets have adequate roll-on/roll-off (RoRo) ship capacity to support the major deployment of ground forces. Given that there are only about 20 such active ships not committed to supporting the non-contiguous domestic trades, this has meant that most of the required RoRo ship capacity has resided in the reserve fleets maintained by MSC and the Maritime Administration (MARAD). Most of the reserve fleet was acquired in the 1980s through the mid-1990s, resulting in the average age of the 44 RoRos in the reserve fleets being 45 years old; 13 are more than 50 years old and will be removed from the fleet over the next couple of years.

Recapitalizing the fleets

The navy, being responsible within the Department of Defense for recapitalizing the reserve fleets, has been attempting to replace the aging reserve RoRos through the acquisition of used ships, using a limited waiver from the congressional requirement to build new ships. Two 26-plus-year-old RoRos have recently been acquired from the MSP, and funding for four more used ships has been appropriated. However, Congress has been mandating that the navy also replace at least ten of these aging Ready Reserve Force (RRF) ships with new U.S.-built ships to support the U.S. shipbuilding industrial base that has run out of orders for large oceangoing ships to service the domestic trades.

As the navy has not found funds to meet that mandate, Congress has authorized (Section 3546 of the FY2023 National Defense Authorization Act), but not yet funded, MARAD to execute a new construction



Most of the reserve fleet was acquired in the 1980s through the mid-1990s, resulting in the average age of the 44 RoRos in the reserve fleets being 45 years old.

sealift/auxiliary ship program of 10 vessels for RRF recapitalization. Additionally, there has been opposition to the navy spending close to \$100 million per ship to buy/convert used ships, where much of the funds would be used by the seller to purchase replacement ships from China, thereby supporting a potential adversary's naval shipbuilding industrial base.

Rather than buying used foreign-built or new-construction U.S.-built RoRos for RRF recapitalization, there is a third option, which is the construction of similar U.S.-built ships for the coastwise trades. These

dual-use vessels (DUVs) would be privately owned, commercially viable, militarily useful RoRo, container/RoRo or trailer ships that would be at least 15 knots, 5,000-10,000 nm range, with at least 100,000 sq. ft. of militarily useful capacity. These DUVs would meet the RRF requirement to be on berth within five days (a timeline not met by most MSP and other RoRos in foreign commerce) and have government-funded national defense features (expeditionary/heavy ramps, increased bunker capacity, and so forth) that would enhance their military utility during times of

(opinion)

Re-examining DUVs *continued*

war. In peacetime, they would transport domestic containers/trailers along the coasts paralleling Interstates I-95/I-5/I-10.

The concept of DUVs was conceived by MARAD more than 20 years ago and was one of the primary drivers for the establishment of its Marine Highway program, devised to absorb tractor-trailer truck traffic that was expected to exceed the capacity of interstate highways in 2040. It was also one of the first programs focused on reducing domestic transport pollution as emissions per ton-mile from ocean-borne cargo movement is a small fraction of that of truck/rail.

However, because the funding required to support the startup of DUV oceangoing services was far more than what was appropriated to MARAD's Marine Highway program, MARAD was limited to supporting the development of inland waterways, intra-port, and short-range intermodal barge services. Consequently, the navy, facing the expense of recapitalizing the RRF during an expected period of tight ship-building budgets, investigated whether it would be less costly to fund the incentives needed to convince ship operators to initiate DUV coastwise services rather than to build new ships for RRF recapitalization.

(At that time, use of navy funds to acquire foreign-built ships was prohibited by law.)

Viability

While it was easy to prove that it would be far less expensive to provide incentives for ship operators to domestically build and operate DUVs than for the navy to fully fund their acquisition and operation/maintenance in the RRF, this assumed that the commercial service was viable even with such incentives. To determine such viability, the navy and MARAD, between 2011 and 2014, funded business case analyses to determine how DUVs could compete against existing truck and rail services along the east and west coasts servicing customers within various port hinterlands. These analyses assumed several things: the navy funding the Title XI Federal Financing System OMB-mandated risk pools to ensure the availability of financing; operator/owner use of the MARAD Capital Construction Fund mechanism; exemption from the Harbor Maintenance Tax; and use of liquefied natural gas (LNG) bunker fuels.

Assuming that the initial cargo projections were accurate, the bottom line was that certain west coast services would be economically viable even without government

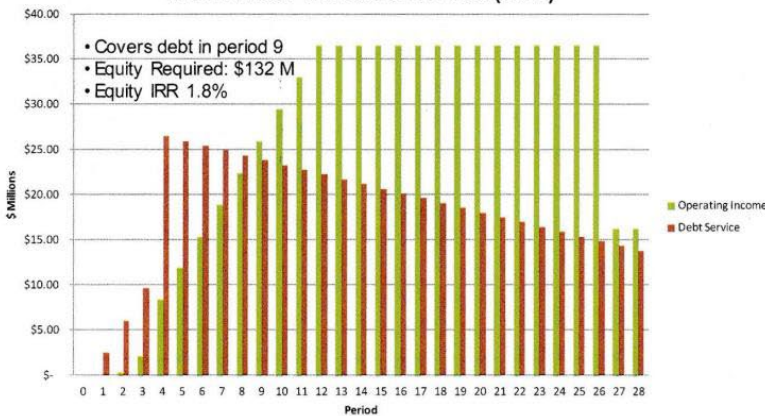
incentives. Viability on the east coast was less certain because of railroad competition.

After reviewing the business cases, navy leadership agreed to work with MARAD to obtain the legislative authority to execute a pilot 5-ship DUV program if future funding became available. However, the maritime administrator at that time refused to pursue the effort. One of his major concerns was that no operator would be willing to sign up for a program whereby they could have their services disrupted if their DUVs were called up for a national emergency, thereby permanently alienating their customers. He could never explain why every RoRo in the non-contiguous domestic trade had already signed up for an emergency call-up without equivalent concern, or why the DUV customers wouldn't return to the cheaper DUV option after the services were restored, given that they could always use truck/rail during the contingency as they had before the lower-cost DUV services were initiated. In any case, no further action has been taken regarding the DUV concept since 2014.

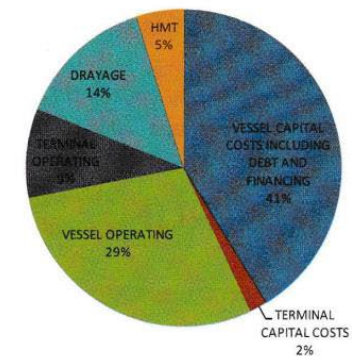
Since then, the following changes in quantifiable economic factors make it worthwhile to re-explore the relative economics of DUV services compared to alternative modes.

Analysis of DUV/AMH economic feasibility.

Example Cash Flow Analysis (West Coast Service) With Harbor Maintenance Tax (HMT)



NPV of Project Life Cycle Costs "Door-to-Door"



The concept of DUVs was conceived by MARAD more than 20 years ago.

Potential positive impacts:

- trucking costs have increased faster than inflation
- systemic shortage of long-haul truck drivers, resulting in diversion to double-stack rail
- truck/train diesel costs increased faster than inflation and are higher than LNG, the current preferred DUV bunker fuel.

Potential negative impacts:

- U.S. shipbuilding costs have increased faster than inflation
- increased crewing costs to address post-COVID mariner shortfalls.

Unknown impacts that need to be quantified:

- potential current/future hinterland cargo capture from truck/rail on various coastwise routes
- costs of meeting current and projected emission standards for truck/rail/vessels.

Given these changes, the business analysis conducted in 2013 needs to be updated to account for these and many other factors such as the limited authority to acquire foreign-built vessels. Additionally, there are several beneficial factors associated with

DUVs that were not monetized or not considered in the earlier business case analyses that should be quantified, if possible:

- reduced greenhouse gas and other emission reductions associated with waterborne movements
- reduced congestion/accidents and road wear from diverting trucks off the highways
- increased reliability/availability of active DUVs compared to ships maintained in reduced operating status in the RRF
- increased resiliency offered by DUVs to mitigate coastwise road/rail closures due to natural disasters or acts of terrorism

(opinion)

Re-examining DUVs *continued*

Navy leadership agreed to work with MARAD to obtain the legislative authority to execute a pilot 5-ship DUV program if future funding became available.

- using DUVs as test platforms for new U.S.-developed technologies such as for alternative fuels (ammonia, methanol, and so forth) and propulsion systems, including molten sulfur nuclear plants, and hydrogen cell batteries
- increasing shipbuilding industrial base workload for the very few U.S. shipyards capable of building large oceangoing ships, and military transports and auxiliaries
- generating a greater number of actively sailing mariners to crew a smaller number of specialized RRF ships, eliminating the current RRF mariner shortfall.

Recently, another option has been suggested regarding how to employ the 10 congressionally authorized RoRo ships

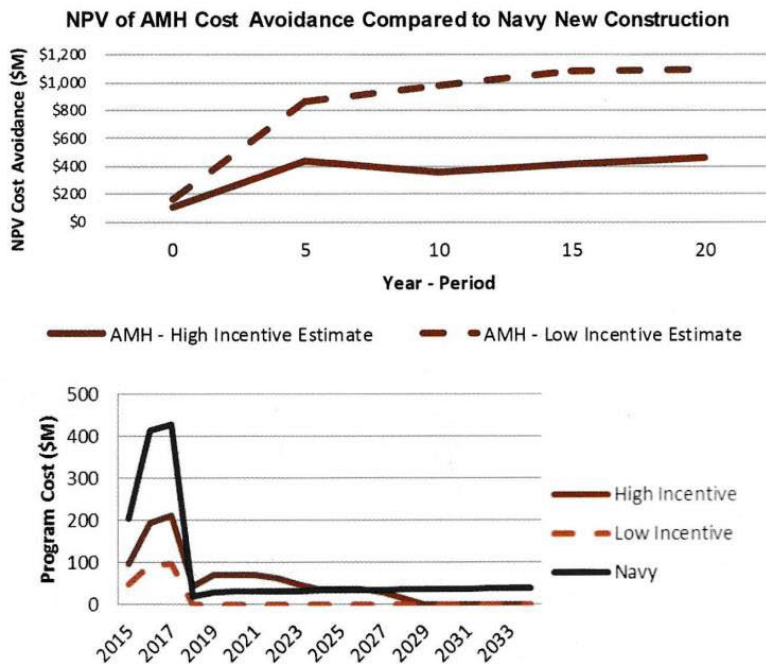
built in U.S. shipyards for recapitalizing the RRF. It would have these ships built as DUVs and leased to U.S.-flag ship operators to operate in U.S. trades to meet military contingency requirements. This would be preferable to laying them up in reduced operating status as they would be fully crewed with much higher operational availability. If operated in the domestic trades under appropriate legislative authorities, they would generate the same positive benefits as described earlier. If operated in the foreign trades, this would be like the successful 29-ship “Mariner” program of the 1950s that built domestically constructed MARAD-funded militarily useful ships and chartered/sold

many of them to commercial operators. These ships could be replaced by newly built vessels after 20-25 years and placed in the NDRF or RRF as needed.

In summary, the implementation of DUV services along U.S. coasts has the potential to meet many national requirements such as RRF recapitalization at lower/equivalent costs with greater reliability than other options. DUVs will generate far fewer emissions per ton-mile and reduce congestion and wear and tear on domestic highways. They are also one of the very few ways to increase the number of U.S.-flag oceangoing vessels and eliminate the wartime mariner shortfall. Such services can provide domestic transportation system resiliency and add to this nation’s economic security by providing fully operational shipping assets to meet various contingencies.

Several years ago, Congress asked that DUVs be evaluated as an option for recapitalizing the RRF. For the reasons detailed here, that analysis was never conducted. This year, Congress (Section 3542 of the FY2023 NDAA) has asked for a new national maritime strategy to be developed based on results generated by a study conducted by a federally funded research and development center (FFRDC). It is strongly recommended that the FFRDC update the earlier business case analysis for DUVs to determine whether the funding that would have been allocated to buying used ships or building new ships for lay-up in the RRF would be better used to support the U.S. construction of fully-crewed militarily useful ships in the coastwise trades. MT

Economics for five-ship pilot program.



Jon Kaskin was a member of the Senior Executive Service for more than 25 years and is a SNAME Fellow.