

Maritime Transportation System National Advisory Committee

Minutes of Public Webinar Meeting

Date: July 15, 2020

Location:
Online Webinar

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Wednesday, July 15, 2020

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Acronyms and Abbreviations

| | |
|------------|--|
| CCF | Capital Construction Fund |
| CMTS | Committee on the Maritime Transportation System |
| CONSOL | Consolidated Cargo tanker used to refuel fleet oilers at sea |
| CRF | Construction Reserve Fund |
| DFO | Designated Federal Officer |
| DOT | Department of Transportation |
| FOS | Full Operating Status |
| GDP | Gross Domestic Product |
| HASC | House Armed Services Committee |
| H.R. | House of Representatives |
| IRPT | Inland Rivers Ports & Terminals, Inc. |
| MARAD | Maritime Administration |
| MSP | Maritime Security Program |
| MTSNAC | Maritime Transportation System National Advisory Committee |
| NASSCO | National Steel and Shipbuilding Company |
| NATO | North Atlantic Treaty Organization |
| NDAA | National Defense Authorization Act |
| NMC | National Maritime Center |
| NSMV | National Security Multi-Purpose Vessel |
| OST | Office of the Secretary of Transportation |
| P.L. 480 | Public Law 480 (Cargo Preference) |
| ROS | Reduced Operating Status |
| RRF | Ready Reserve Fleet |
| STCW | Standards of Training, Certification, and Watchkeeping |
| TA | Turbo Action |
| TSP | Tanker Security Program |
| USMMA | United States Merchant Marine Academy |
| USTRANSCOM | U.S. Transportation Command |
| USC | U.S. Code of Federal Regulations |
| USN | U.S. Navy |

Attachments

| | MSTNAC Public Meeting Presentations July 15, 2020 |
|--|--|
| Link to presentation | Presenter |
| <p style="text-align: center;">Attachment A July 15, 2020, MTSNAC Meeting Agenda</p> <p style="text-align: center;"> MTSNAC Meeting Agenda.7.15.20.pdf</p> | DFO MTSNAC/MARAD |
| <p style="text-align: center;">Attachment B Draft Recommendation from the International Shipping Subcommittee</p> <p style="text-align: center;"> MTSNAC International.7.15.20</p> | Capt. Richard Suttie, Jared Henry, and Tom Wetherald |
| <p style="text-align: center;">Attachment C Draft Recommendation from the Domestic Shipping Subcommittee</p> <p style="text-align: center;"> MTSNAC Domestic Shipping Recs_Draft</p> | John Graykowski, Berit Eriksson and Brian Jones |
| <p style="text-align: center;">Attachment D Draft Recommendation from the Ports Subcommittee</p> <p style="text-align: center;"> MTSNAC Ports Subcommittee Recom</p> | Anne Strauss-Weider and Scott Sigman |
| <p style="text-align: center;">Attachment E Public Comment from Inland Rivers Ports & Terminals, Inc.</p> <p style="text-align: center;"> IRPT Public Comments for 7.15.2</p> | Aimee Andres |

Minutes of Maritime Transportation
System National Advisory Committee Webinar Meeting
July 15, 2020
1:00 – 4:00 PM EDT

Call to Order & Roll Call

Ms. Wieland, Chair of the MTSNAC, called the meeting to order at 1:00 p.m. and asked Ms. Rutherford, DFO MARAD, to take the roll call.

Members Present

Lindsey Brock - McLeod Brock, PLLC
David Cicalese – International Longshoremen’s Association
Berit Eriksson – Sailors Union of the Pacific
David Fisher – Port of Beaumont
Joseph Gasperov – International Longshore Warehouse Union
John Graykowski – Maritime Industry Consultants
Daniel Harmon – Texas Department of Transportation
Jared Henry – Hapag-Lloyd USA, LLC
Brian Jones – Nucor Corporation
Jim Kruse – Texas A&M Transportation Institute
Paul LaMarre III – Port of Monroe
Scott Sigman – Illinois Soybean Association
Karl Simon – U.S. Environmental Protection Agency
Anne Strauss-Weider– North Jersey Transportation Planning Authority
Capt. John Sullivan – Matson Navigation, Inc.
Capt. Richard Suttie– Center of Homeland Security and Defense
Augustin Tellez – Seafarers International Union of North America
Robert Wellner – Maritime Consultant (Vice-Chair)
Thomas Wetherald General Dynamics – NASSCO
Lisa Wieland – Massport Authority (Chair)

Members Absent

Robert Hughes – Genco Shipping
Griff Lynch – Georgia Ports Authority
Jim Pelliccio – Port Newark Container Terminal
Gene Seroka – Port of Los Angeles
Brian Wright – Owensboro Riverport Authority

Delegates

Sarah Froman – U.S. Environmental Protection Agency (staff to Karl Simon)
David Libatique – Port of Los Angeles (attending on behalf of Mr. Gene Seroka)
Ryan MacDonald -Georgia Ports Authority (attending on behalf of Mr. Griff Lynch)

MARAD/U.S. DOT Members Present

Admiral Mark Buzby, USN (Ret), Maritime Administrator
Richard Balzano - Deputy Maritime Administrator
William Paape – Associate Administrator, Intermodal System Development, MARAD
Dr. Shashi Kumar, National Coordinator for Maritime Training, MARAD
Amanda Rutherford – DFO, MARAD
Eric Shen – Alternate DFO, MARAD
Jeffrey Flumignan – Alternate DFO, MARAD
Frances Bohnsack – Director, South Atlantic Gateway Office, MARAD
Chad Dorsey – Director, Inland Waterways Gateway Office (Paducah, Ky), MARAD
Brian Hill – Director, Western Gulf Gateway Office, MARAD
Bruce Lambert – Director, Pacific Northwest Gateway Office, MARAD
James Murphy – Director, Central Gulf & Southern Rivers Gateway Office, MARAD
Mike Sullivan – Director, Great Lakes Gateway Office, MARAD
Branden Villalona – Director, Inland Waterways Gateway Office (St. Louis), MARAD
Adam Bartnicki – MARAD (Intern)
Travis Black – MARAD
Tom Bryan - MARAD
Bianca Carr – MARAD
Matt Duggan - MARAD
Russell Haynes - MARAD
Michael Hokana - MARAD
Nuns Jain – MARAD
Bill Kaag - MARAD
Douglas McDonald - MARAD
William McDonald – MARAD
Rod McFadden – MARAD
Aaron Meyers - MARAD
Wade Morefield – MARAD
Tony Padilla – MARAD
Martin Parker – MARAD
Natasha Pavlovich – MARAD
Tim Pickering – MARAD
Lalit Raina – MARAD
Todd Ripley – MARAD
Peter Simons – MARAD
Joshua Voogd – MARAD intern

Matthew Chambers – Bureau of Transportation Statistics, U.S.DOT
Heather Gilbert - CMTS
Brandon White – OST
Vince Mantero – Federal Highway Administration, Office of Freight Management & Operations

Public Comment

Aimee Andres – Executive Director of the Inland Rivers, Ports and Terminals, Inc.

Public Members Present

Richard Berkowitz
Cindy Cutrera
Shawn Danoff
Lucy Fletcher
GeirEilif Kalhagen
James Kearns
Laura McHoney
Miguel Mendoza
Scott Rainey
Dede Smith
Bradley Trammwell
Capt. Bill Van Voorhis

Item 1: Welcome and Comments from the MTSNAC Chairperson

Ms. Wieland welcomed all members to this virtual meeting and thanked the MARAD Administrator and Deputy Administrator for joining as well. She reminded the group that today's agenda (**Attachment A**) is action-packed and wished to thank all the subcommittees for their excellent work. She announced that due to time commitments, the subcommittee presentation order would be changed, with the International Subcommittee presenting first.

Ms. Wieland gave a short preview of milestones leading up to the September meeting. All subcommittees will circulate their White Papers to the members by August 1. Replies are due back to the subcommittees by August 14, and the subcommittees will provide their White Papers to MARAD by August 24. The next full meeting will be virtual and held on September 28-29. And the final recommendations will be forwarded to MARAD. Ms. Wieland then introduced the MARAD Administrator for remarks to the committee.

Item 2: Welcome and Comments from MARAD Administrator

Rear Admiral Mark Buzby USN (Ret), welcomed everyone to the meeting during these unusual circumstances. He reminded the group that everyone needs to use all available tools to fight the coronavirus. He announced that during the pandemic, 206 USMMA graduating seniors were brought back to campus for graduation ceremonies, and 281 incoming freshmen were welcomed at the school. Of the freshman class, seven students were treated for testing positive for the virus. Admiral Buzby appreciates all MTSNAC's work and its draft recommendations. Although some may be controversial or may not fly, he still needs to see them. Since the last meeting, U.S. DOT forwarded to Congress what would have been the National Maritime Strategy, now renamed "Goals and Objectives for a Stronger Maritime Nation." He attended a recent Navy League webinar that focused on outcomes of COVID-19 and how critical the maritime industry is to the U.S. international supply chain. One take away was how important it is for our supply chain to be free of outside forces. Ms. Wieland asked if there were any questions for the Administrator. There were none.

Item 3: Welcome and Comments from MARAD Associate Administrator

Ms. Wieland then introduced Bill Paape, Associate Administrator for Intermodal System Development. After thanking everyone for their attendance, Mr. Paape reminded the group that

due to the pandemic, the September meeting would be virtual. He also announced that the appointment terms for the current members expired in April of this year, and if any of the current members wish to continue serving on the committee, they should let Ms. Rutherford know. A Federal Register Notice will be published in the fall requesting formal applications for the next committee. Mr. Wellner added that there will be a future engagement discussion in the fall after the September meeting. Mr. Paape handed it back to Ms. Wieland, who introduced Messrs. Suttie, Henry, and Wetherald to present for the International Shipping Subcommittee.

Item 4: Draft Recommendations from the International Shipping Subcommittee

The presentation (**Attachment B**) began with a review of the goals addressed in the subcommittee charter.

They are:

- Slide 1
 - 1) Make recommendations to ensure the long-term viability and revitalization of the U.S.-Flag fleet
 - 2) Make recommendations on the most efficient method of ensuring the long-term sustainability of the nation’s strategic sealift capability
 - 3) Make recommendations on the effective use of Cargo Preference to ensure there is adequate cargo to support the revitalization of the U.S.-Flag fleet
 - 4) Make recommendations for what can be done to inspire, train and educate the next generations of mariners

The subcommittee decided not to address the fourth bullet on this slide, but the subcommittee will include this topic in their White Paper

- Slide 2 - A review of the industry background. Throughout this narrative, the international security weaknesses are felt in many ways, e.g., the White Paper will address the Chinese threat activities in the South China Sea.
- Slide 3 – This slide highlights the gaps identified in the current U.S. strategic sealift and tanker capacity, maritime workforce, and maritime industrial base.
- Slide 4 – It lays out the subcommittee’s approach. The subcommittee members are veterans of the industry, representing over 100 years of experience. Although individual recommendations may not be earth-shattering, taken together, they show the interdependency of all recommendations.
- Slide 5 - A graphic to show the interdependency of the various recommendations. There is also an attempt to prioritize the three groups of recommendations: fiscal, programmatic, and legislative.

Fiscal Recommendations (F)

- Slide 6 – This slide outlines the fiscal recommendations.
 - Recommendation F1, a near-term solution, includes a plan to recapitalize U.S.-Flag sealift by acquiring used ships to replace ships in the RRF. The aim is to acquire newer ships, if possible.

- Recommendation F2 asks the Secretary of Transportation to support the accelerated construction of purpose-built surge sealift and prepositioning ships
- Recommendation F3, a long-term commitment, asks the Secretary to support multi-year funding for sealift new construction.
- Recommendation F4 asks the Secretary to support stabilizing the MSP with multi-year funding.

Programmatic/Operational Recommendations (P)

- Slide 7 – This slide begins the programmatic recommendations.
 - Recommendation P1 asks the Secretary to advocate for the shipment of all U.S.- owned fuel on U.S.- built, U.S. -owned, U.S.-Flagged, and U.S.- crewed ships
 - Recommendation P2 asks the Secretary to advocate for increasing and enforcing cargo preference requirements. USTRANSCOM has recently called for an increase to 100%.
- Slide 8
 - Recommendation P3 asks the Secretary to study the costs and viability of various proposals to transition to an active RRF, which would involve the construction of commercial ships with military capabilities and leasing them to operators at a nominal fee.
- Slide 9
 - Recommendation P4 asks the Secretary to support the use of RRF/Surge fleet activation exercises of a scale equivalent to TA 19+ annually
 - Recommendation P5 asks the Secretary to advocate for placing all U.S.- owned sealift ships (Surge and RRF), when not activated, under MARAD. Studies have shown that this is far most efficient and will save the government money.

Legislative Recommendations (L)

- Slide 10
 - Recommendation L1 asks the Secretary to support the institution of a Tanker Security Program (TSP) as proposed in the 2020 HASC NDAA
 - Recommendation L2 asks the Secretary to advocate for reducing costs of U.S.-Flag operation, which would include the elimination of the 50% ad valorem duty on overseas maintenance and repairs
 - Recommendation L3 asks the Secretary to advocate for incentivizing shippers to use U.S.-Flag vessels by modifying U.S. import duties and including U.S. freight charges as part of the NATO nations' GDP commitments
 - Recommendation L4 asks the Secretary to advocate for extending the foreign earned income exclusion to mariners on international trading ships
 - Recommendation L5 asks the Secretary to advocate for the use of a new commercial/government shipbuilding model, as MARAD is now doing with the NMSV

- Recommendation L6 asks the Secretary to support the enactment of the Energizing American Shipbuilding Act actively and offer significant advantage/financial support to ships equipped with CONSOL capabilities This would help reduce the gap in the U.S.-Flag tanker fleet
- Recommendation L7 asks the Secretary to advocate for the elimination of the three - waiting period for carriage of P.L. 480 cargo
- Slide 11 – This is the bubble slide which attempts to show how these recommendations can be accomplished, including the time required and the relative impact of each recommendation. It is important to note that all of these recommendations need to be done collaboratively with each other.
- Slide 12 – Summary slide. The current approach has not worked, and as a result, the industry is falling further behind. The threat is real, and without immediate support, our national and economic security will suffer, the U.S.-Flag fleet will continue to decline, our strategic sealift will become ineffective, the U.S. will be unable to project its force internationally. It will suffer a loss of global influence.

Ms. Wieland thanked the International Shipping Subcommittee for its presentation and applauded it for its attempt to prioritize the recommendations. She also recommended that the subcommittee should make the case to the public of the value of this industry since many people are not aware of what the industry does. We should make everything clear. Mr. Suttie asked if the subcommittee is on the right track. The subcommittee will work out details offline. Mr. Graykowski commented that the subcommittee has stepped out of the box in this presentation but noted that the presentation seems to have taken out political realities. Mr. Wetherald responded that the bubble chart illustrates the political will. Mr. Suttie added that the White Paper will address political will. Mr. Henry said that the goal was to step outside the box and is pleased that the group recognizes that.

Mr. William McDonald of MARAD commented that this effort addresses many of the issues at the top of the MARAD order. It highlights that this is a system of systems. The ability to build ships is part of being a superpower and remaining visible. It also recognizes the need to influence people in Washington. The U.S. faces many threats, and we no longer have the luxury of time to address them. Ms. Wieland then recommended that MTSNAC members reach out individually to the subcommittee with any comments or questions.

Item 5: Draft Recommendations from the Domestic Shipping Subcommittee

Mr. Graykowski, Ms. Eriksson, and Mr. Jones made the presentation (**Attachment C**).

- Slide 1 - Outlines the goals addressed in the subcommittee charter, many of which dovetail with the International Shipping Subcommittee
- Slide 2 - Provides a summary background from the “Goals and Objectives for a Stronger Maritime Nation (2020):
 - Strengthen U.S. Maritime Capabilities Essential to National Security and Economic Prosperity
 - Ensure the Availability of a U.S. Maritime Workforce that will support the Sealift Resource Needs of the National Security Strategy.

The Domestic Shipping Subcommittee, like the International Shipping Subcommittee, identified fiscal, programmatic, and legislative recommendations.

Fiscal Recommendations

- Slide 3- Lists three revisions to the current financing regulations and program administration:
 - Revise Title XI
 - Revise Capital Construction Fund (CCF)
 - Revise Construction Reserve Fund (CRF)

Programmatic Recommendations

- Slide 4- Addresses the intersection with the International Shipping Subcommittee recommendations since the domestic and international mariner pool is fungible:
 - Strict Enforcement of Cargo Preference Laws
 - Create additional entry-level rating billets on the Ready Reserve Fleet and MSP-funded vessels in both FOS and ROS
 - Provide a pathway to a relatively rapid achievement of the STCW endorsements needed for a national sealift emergency

Ms. Eriksson pointed out that USC 46 A, Chapter 27, Subchapter XIII states the Congressional policy for ships to be crewed by U.S. citizens and the need to provide for the education of these citizens. There is already a good system in place for educating licensed mariners, but under the STCW regulations, it is difficult for unlicensed mariners. So, there is a need for entry-level billets to address this issue. Unlicensed mariners need assistance to obtain STCW endorsements. There should be a stand-alone assessment course approved by the NMC, which does not need to be a long course – perhaps one week in duration.

Legislative Recommendations

- Slide 5- Recommends the establishment of tax-based incentives that support the expansion of the U.S.-Flag fleet, mariner base, and domestic shipbuilding/repair industry, such as:
 - Income tax/payroll tax waivers for U.S. mariners
 - Corporate income tax/payroll tax waivers or reductions for owners/operators of U.S.-Flag and Jones Act compliant vessels built after 2015
 - Reduction or elimination of Federal excise taxes applicable to marine fuel purchases
 - Removal of “double taxation” burden as it relates to the payment of Harbor Maintenance Tax

Mr. Jones noted that bold action is needed to make a difference. Mr. Graykowski added that Harbor Maintenance double taxation has been an issue for over 20 years.

- Slide 6 - Recommends the development of incentive programs for the expansion of the U.S.-Flag tanker fleet and further incentives for the beneficial cargo owner to utilize U.S.-Flag tankers in the export of U.S. domestic energy by:
 - Requiring a percentage of domestic oil and natural gas exports to be carried on U.S.-Flag vessels and U.S. built vessels
 - Enactment of the Tanker Security Program
- Slide 7 - Provides a summary of the recommendations:
 - Consistent and unwavering support for the Jones Act
 - Combination of tax-based incentives, funding opportunities, and enhanced cargo preference rules
 - Incentivize recapitalization of the U.S.-Flag and Jones Act fleet
 - Changes to the manning, qualification, and licensing structure
 - Creation of additional billets for U.S. mariners

There were a few questions and comments. Mr. Wetherald pointed out that the Tanker Security Program would be similar to the current Maritime Security Program and added that the TSP should not require U.S.- built vessels only. Ms. Wieland asked if double taxation was an issue for the U.S.-Flag fleet, and if the Subcommittee is proposing to eliminate the HMT for all U.S. flagged carriers? Mr. Jones responded that the recommendation was not aimed at the elimination of the Harbor Maintenance Tax but merely its application to cargoes that are offloaded at one U.S. port and reloaded to another vessel for carriage to another U.S. port. Ms. Wieland thanked the subcommittee for its presentation.

Item 6: Draft Recommendations from the Ports Subcommittee

Ms. Strauss-Weider and Mr. Sigman presented the recommendations (**Attachment D**). Ms. Strauss-Weider noted that these recommendations are at a 30,000- foot level and included comments and inputs from MARAD and others.

- Slide 1 - Contains a list of the Ports Subcommittee members.
- Slide 2 – Provides an overview of the subcommittee charter. The charter requests that the subcommittee:
 - Recommend “Measures of Success” that consider the performance of the maritime transportation system at the national and regional levels
 - Investigate and identify means for multiple public agencies, public and private entities, and numerous jurisdictions to collaborate to achieve the measures of success in the current and future operation of the maritime transportation system. The subcommittee has placed much emphasis on this bullet.
 - Consider how current and emerging technologies can help achieve the measure of success. The subcommittee has not yet looked at emerging technologies. Instead, it is looking at technologies that enable the system to pivot as needed in the supply chain. The goal is to maintain a critical supply chain.
- Slide 3 - Outlines the Measures of Success Guiding Principles. They include:
 - Measures are necessary and meaningful to the broad range of users
 - Users include a wide range of stakeholders, businesses, and agencies
 - Measures are annual (calendar year) and indexed to a base year

- Quantify – develop a numeric metric
 - Qualify – use a qualitative reference and relative scale
 - Measures are simple, scalable, and sustainable
 - Simple – readily understandable and applicable measures
 - Scalable – can be applied at the national, regional, state, and local levels
 - Sustainable – relatively easy to obtain the needed information on a continuing basis
 - Executive summary dashboard stays at the 30,000-foot level
 - Specific and common standards. Will be used for developing the underlying information and data will be developed using
- Slide 4 – Provides an example of “Executive Dashboards” for use in reflecting performance, with proposed measures of success
- Slides 5 & 6– Provide Measures of Success Definitions. They include:
 - Condition of the business and trade environment
 - Speed of shipments moving through port multi-modal systems
 - Consistency of shipment speed through port multi-modal systems
 - Visibility of shipment through port multi-modal systems
 - Air quality/emissions of port multi-modal systems
 - Local jobs supported by port multi-modal systems
 - Maintaining a sufficient and fully trained workforce to support efficient shipment movements
- Slide 7 -Outlines Measures of Success Collaboration Goals:
 - Specify the details of and monitor “measures of success”
 - Collect and assess necessary information as needed
 - Identify collaborations needed to be related to emerging technologies
 - Review the findings from the analysis of state freight plans
 - Develop recommendations for guidance in updates of the measures of success
 - Overall recommendation is to build on existing collaborations established by federal agencies, industry associations, and regional organizations
- Slide 8 – Contains implementation recommendations:
 - Establish a public/private collaboration group
 - Define the metric base year and targets
 - Work to incorporate the measures of success and executive dashboard with other U.S. DOT freight initiatives
 - Determine the best means for sharing the findings annually
 - Ensure ongoing review and revisions to the measures of success after implemented

Mr. Sigman reminded the group that this must all operate within a system of systems. He added that the subcommittee had a wide variety of members, including ports, labor, and shippers. The challenge is how to optimize the economy with our transportation investments. Ports are the launching pad for exports and a point of touch for imports. A wide variety of groups have a common interest, although many of them do not recognize that. It is important to remember that you cannot manage what you cannot measure. He also pointed out that this must be accomplished in the context of corridors, so there is no comparison between individual ports. He

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noted that the Domestic Shipping Subcommittee comments align very well with the Ports Subcommittee. The fiscal, programmatic, and legislative approach needs will be synthesized.

Ms. Wieland thanked the subcommittee for its presentation and opened the floor to questions and comments. Ms. Eriksson asked whether the local land use will be included in these measures since it is vital to present the industrial and local land use issues to local officials. Ms. Strauss-Weider replied that although not explicitly mentioned, it will be included in this multi-modal approach. All parties need to be good neighbors. There is also a need to build an understanding with local communities and officials.

Item 7: Break

Ms. Wieland then called for a short 10- minute break.

Item 8: Discussion and Synthesis of Draft Recommendations

Ms. Wieland challenged the group to raise areas of inconsistency in the subcommittee presentations. Mr. Wellner complimented all subcommittees for their excellent work. He added that all groups need to establish priorities by including fiscal, programmatic, and legislative recommendations. Also, it is essential to tie everything together in a system of systems. Mr. Sigman added that this is a three-legged stool – cargo, operating assets, and people tying us together. Ms. Strauss-Weider suggested that a small section on the pandemic be included at the beginning of the recommendations.

Item 9: Public Comment

Ms. Rutherford recognized Ms. Aimee Andres, Executive Director of IRPT, and asked her to make her public presentation. Ms. Andres had also submitted written comments (**Attachment E**) of these minutes. During her comments, Ms. Andres requested that MTSNAC ask the Secretary of Transportation to support private terminal eligibility for federal funding opportunities independent of a public sponsor, which is the current requirement. She also asked for the support of H.R. 7416 – “Coastal and Inland Ports and Terminals Commerce Improvements” – which would expand this eligibility to inland ports and terminals. After Ms. Andres’ presentation, Ms. Rutherford asked if there were any clarifying questions from the members, and there were none.

Item 10: Comments from MARAD Deputy Administrator

Ms. Wieland then introduced Deputy Administrator Richard Balzano. He thanked the group for its work and added that he agreed with all the subcommittee recommendations. Some of them are achievable, and some are not and added that it is essential if the recommendations could include proposals of how best to accomplish them. There is a real need to focus more on the reality of implementation. This approach would be a great help to both him, the Administrator, and the Secretary.

He then highlighted some of the recommendations. As far as the tax-based incentives, they face a difficult hurdle. However, including a percentage goal to accomplish the recommendations would be helpful. Title XI is another problematic hurdle. Many people in Washington do not like this program, citing its many risky and failed deals in the past. MARAD has been working with Congress to remove some of the risks from the program, so this recommendation is still good. He added that he agrees with the recommendations on Cargo Preference, but they are

almost unachievable. It involves multiple agencies that do not want to cooperate or are hostile to its implementation. MARAD, however, has made significant inroads in the past few years, mainly by educating federal agency contracting officers, many of whom are unaware of the regulations. The recommendation to provide enforcement power to MARAD for Cargo Preference is probably a no-go. Education is key. As far as the tanker fleet, more detail on its implementation is needed.

Ms. Wieland thanked Mr. Balzano for his helpful suggestions. She reminded him that two things had impacted the subcommittees' schedule: the MARAD request to accelerate recommendations from April 2021 to Sept 2020 and COVID. Additionally, Ms. Wieland reminded Mr. Balzano that they were tasked with focusing on the "what" rather than the "how" due to the shortened timeframe. Mr. Wellner commented that he was not sure if MTSNAC should be recommending specific proposals to implement these recommendations, which could be more appropriate for the government to prepare. He added that this was not a criticism but said that perhaps a few bullets on how to achieve the recommendations could be helpful. Maybe this could be a task for the committee between September and April.

Item 11: Closing Remarks and Adjournment

Ms. Wieland thanked everyone for their comments and quickly reviewed the upcoming deadlines:

- 1) By August 1 – each subcommittee to circulate its White Paper to the entire committee
- 2) By August 14 – all members to review and provide feedback to the subcommittees
- 3) By August 24 – each committee to submit its final White Paper to MARAD for its review
- 4) Next full committee meeting (virtual) – September 28-29, 2020

Ms. Wieland then adjourned the meeting at 3:57 p.m.

Certification and Approval



Lisa Wieland
Chair

Date: July 30, 2020

U.S. Maritime Transportation System National Advisory Committee

Meeting link:

<https://usdot.webex.com/usdot/j.php?MTID=m1b9cb81d3ee26ff5e88134b3578c05ef>

Meeting number: 146 072 7963

Password: Mtsnac2020 (*Case sensitive*)

Join by phone:

877-336-1839

Access Code 7369326

Meeting Agenda

Public Meeting – Wednesday, July 15, 2020

1:00-4:00 PM EDT

- 1:00 PM Call to Order & Roll Call (5 mins)**
Lisa Wieland, Chair of MTSNAC & Amanda Rutherford, Designated Federal Officer
- Item 1 Welcome and Comments from the MTSNAC Chairperson (5 mins)**
Lisa Wieland, Chair of MTSNAC
- Item 2 Welcome and Comments from MARAD Administrator (10 mins)**
Rear Admiral Mark “Buz” Buzby, USN (Ret.), Maritime Administrator
- Item 3 Welcome and Comments from MARAD Associate Administrator (5 mins)**
William “Bill” Paape, Maritime Associate Administrator
- Item 4 Draft Recommendations from the Port Subcommittee (30 mins)**
- Item 5 Draft Recommendations from the Domestic Subcommittee (30 mins)**
- Item 6 Draft Recommendations from the International Subcommittee (30 mins)**
- Item 7 Break (5 mins)**
- Item 8 Discussion and Synthesis of Draft Recommendations (30 mins)**
Lisa Wieland, Chair of MTSNAC
- Item 9 Public Comment (15 mins)**
Amanda Rutherford, Designated Federal Officer
- Item 10 Comments from MARAD Deputy Administrator (10 mins)**
Richard Balzano, Deputy Maritime Administrator
- Item 11 Closing Remarks and Adjournment (5 mins)**
4:00 PM *Lisa Wieland, Chairperson, Maritime Transportation System National Advisory Committee*



Maritime Administration
Maritime Transportation System National Advisory Committee

Recommendations from the International Shipping Subcommittee

Goals Addressed in the Subcommittee Charter



- Make recommendations to ensure the long-term viability and revitalization of the US Flag Fleet
- Make recommendations on the most efficient method of ensuring the long-term viability of the nation's strategic sealift capability
- Make recommendations on the effective use of Cargo Preference to ensure there is adequate cargo to support the revitalization of the US Flag fleet.
- Make recommendations for what can be done to inspire, train and educate the next generations of mariners

Background

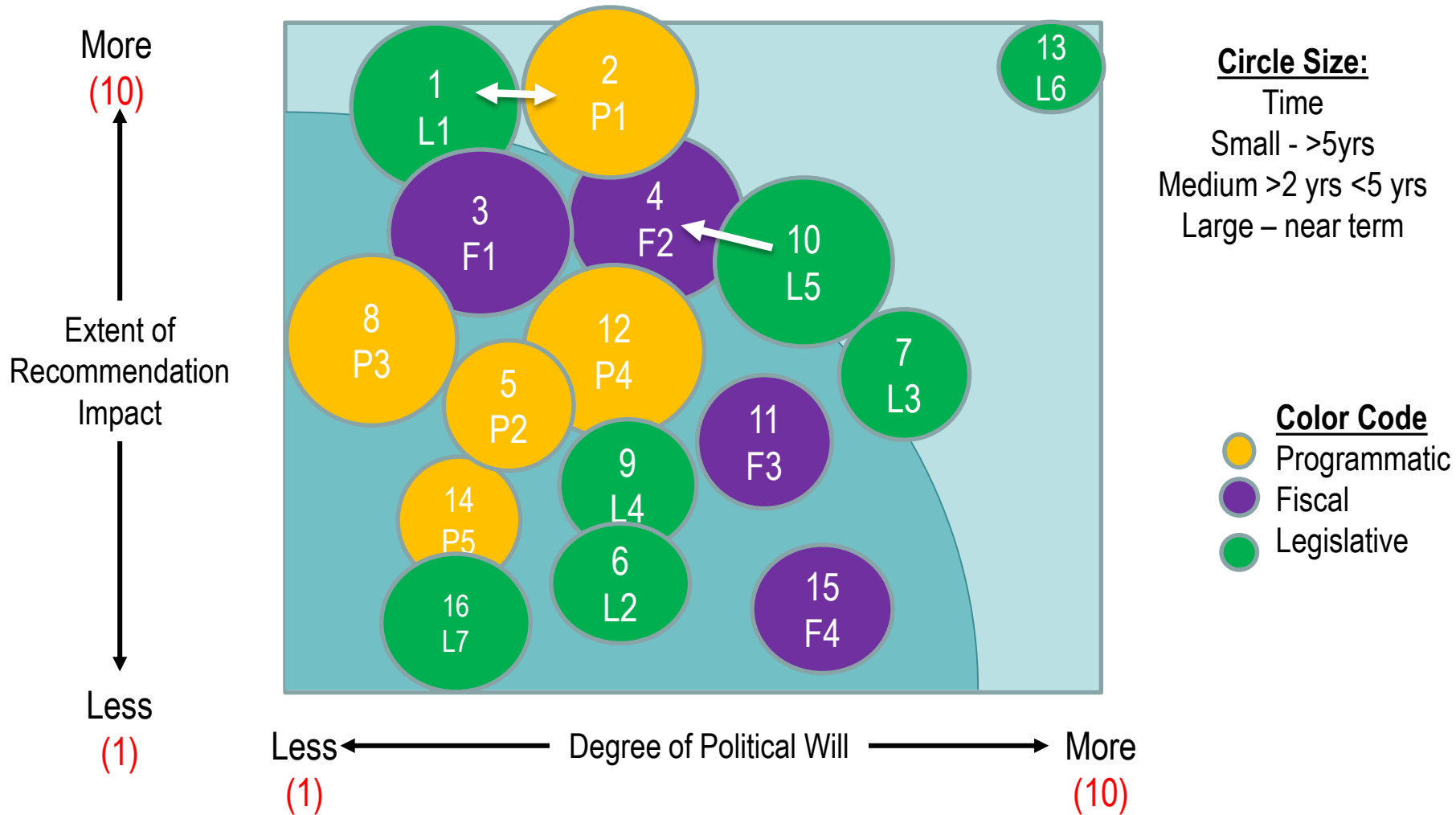
- Maritime is a National Security Imperative
- Merchant Marine Act of 1936 – Act stated, in part...
 - “It is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine –
Sufficient to carry the waterborne domestic commerce and a substantial part of the waterborne export and import foreign commerce of the United States
- Currently Us Flag carriers handle a little over 1 percent of the foreign commerce of the United States
- Shrinking US Flag International Fleet
 - From 199 vessels in 1990 to 87 today

- **Reduced Strategic Sealift capacity**
 - Large and growing gap in lift capacity compared to lift requirement
 - TA-19+ exercise indicated that only 40% sealift fleet ready for sustained combat operations
- **Huge gap in strategic Tanker capacity**
 - Only 6 US Flag tankers operating in International Trade
 - 89 CONSUL tankers and 24 Fleet Oilers are required
 - US govt. controls 7 CONSUL tankers and US Navy has 15 fleet oilers
- **Insufficient Maritime Workforce**
 - MARAD estimates 1800 mariner shortage to maintain a sealift operation for more than 4 months
- **Brittle Industrial base**
 - 92% of global commercial shipbuilding is conducted in Asia
 - 1 of 7 shipyards that supported 1990s strategic sealift buildup remains in business and capable of building sealift ships.

Subcommittee Approach

- **Veteran Subcommittee**
 - Nothing new under the sun
 - Most of these recommendations have been made before but have not been presented together
- **Comprehensive**
 - Nibbling at the edges of the problem or “cherry picking” from a list of solutions will not have an appreciable effect
- **Integrated**
 - Interdependence of recommendations
 - Understand mutual influences
- **Prioritized**
 - Some recommendations are more easily achieved (requiring more or less political will) and some are more impactful to the overall solution than others
 - Combination of impact, political will and timeliness or ease of action
 - In the case a tie, timeliness or ease prevailed

Subcommittee Recommendation Integrated Landscape



Fiscal Recommendations

- (3) F1 Secretary support the acceleration of acquisition of used ships to replace ships in the RRF (near term solution)
 - Short term solution until shift to active reserve
 - Focus on newer ships to increase available service life. Car carriers (PCTCs) not the best solution
- (4) F2 Secretary support the acceleration of construction of purpose built surge sealift and prepositioning ships
- (11) F3 Secretary support consistent (multi-year) funding to support sealift new construction
 - Long term commitment creating a steady state, long term build program that will avoid block obsolescence in the sealift fleets and a boom bust market place for the shipbuilding industry
- (15) F4 Secretary support stabilizing the MSP with multi-year funding

Programmatic/Operational Recommendations

- (2) P1 Secretary advocate for requiring all US owned fuel (of all types) that is moved worldwide within the Defense Fuels (DLA) network to be moved on US built, US owned, US flagged, US crewed ships (do not conflate with the Jones Act)
- (5) P2 Secretary advocate for increasing and enforcing cargo preference requirements
 - Endorsement of an executive order - 100% cargo preference requirement for all US Government-impelled or sponsored cargoes
 - Including all foreign military sales and EDA (not including DCS)
 - Implement MARAD enforcement authority (2008 NDAA)
 - Provide MARAD Cargo Preference group a system capable of tracking all planned government shipments

Programmatic/Operational Recommendations



- (8) P3 Secretary charter study of the costs and viability of various proposals to transition to an Active Ready Reserve
- Transition to a commercially viable Active Ready Reserve
 - Government build commercial ships with military capabilities and lease to operators at a nominal fee
 - Hold a government – Industry conference and/or series of working groups to define the ships that would need to be built to ensure commercial utility and commercial acquisition processes.
 - Government fund construction or partially fund construction of ships
 - USG lease to US flag operators
 - Lease for nominal amount
 - Operate under US Flag
 - MSP operating stipend would apply
 - Other tax breaks?
 - Commercial build, government engaged ships (charter or otherwise)
 - Reduces RRF fleet over time
 - Transition to a completely leased RRF

Programmatic/Operational Recommendations



- (12) P4 Secretary support conduct of RRF/Surge fleet activation exercises of a scale equivalent to TA 19+ annually

 - Capture the post TA 19+ sentiment – wakeup call, seminal moment. Assured access became presumed access.
 - In future TAs what else should be tested? Sustainment, crew availability, etc.
- (14) P5 Secretary advocate for placing all US owned sealift ships (Surge and RRF) when not activated under MARAD

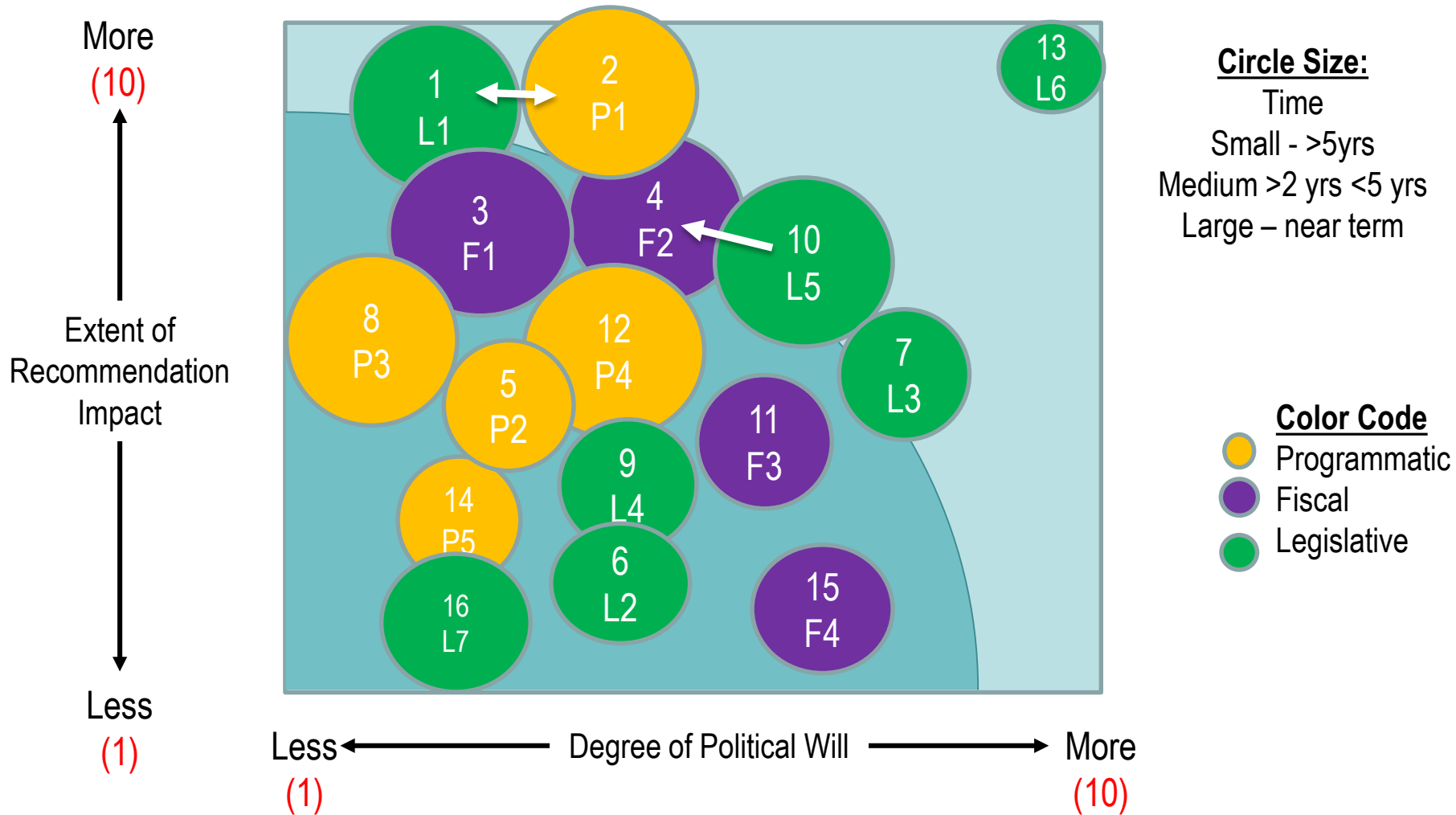
Legislative Recommendations

- (1) L1 Secretary advocate for instituting a Tanker Security Program (TSP) as proposed in the 2020 HASC NDAA
 - Either as a separate program or as a second tier of the MSP
 - Must be tied to above initiatives. TSP must have cargo
- (6) L2 Secretary advocate for reducing costs of US flag operation
 - Eliminate the 50 percent ad valorem duty on overseas maintenance and repairs
- (7) L3 Secretary advocate for incentivizing shippers to use US Flag
 - Modify US import duties on items shipped on US flagged ships
 - Exempt US import cargoes arriving on US Flag ships from HMT
 - NATO – Include US Freight charges as part of the NATO Nations' GDP-commitment
- (9) L4 Secretary advocate for extending the foreign earned income exclusion to mariners on international trading ships

Legislative Recommendations

- (10) L5 Secretary advocate for use of new commercial/
government shipbuilding model
 - Maximize use of commercial designs and specifications
 - Use commercial contracting best practices
 - Add minimal required national defense features (e.g., cranes, extra berthing, heavy ramps, heavy decks)
- (13) L6 Secretary actively support the enactment of the Energizing American Shipbuilding Act and offer significant advantage/financial support to ships equipped with CONSUL capabilities
- (16) L7 Secretary advocate for elimination of 3-year waiting period for carriage of PL480

Subcommittee Recommendation Integrated Landscape



- The current approach hasn't worked
 - Piecemeal, disjointed, non-prioritized
 - Have failed to get fiscal, programmatic, and legislative action
 - Definition of insanity
- The threat is real...without immediate support:
 - National and economic security will suffer
 - US Flag fleet will continue to decline
 - Strategic sealift will become ineffective
 - Inability to project force, internationally
 - Loss of global influence



Maritime Administration
Maritime Transportation System National Advisory Committee

Recommendations from the Domestic Shipping Subcommittee

Goals Addressed in the Subcommittee Charter

- **The domestic shipping industry of the United States is constantly challenged and misunderstood. Review the domestic shipping industry of the United States and make recommendations to maintain a strong national commitment to preserve U.S. coastwise trade for U.S. flag coastwise eligible vessels, helping to assure an adequate number of U.S. flag vessels, mariners, and shipbuilding and repair facilities to support the Nation during times of war and emergency.**
- **The nation lacks sufficient mariners to crew a larger U.S. Flag fleet and to operate the nation's reserve strategic sealift ships in time of war. Make recommendations that will help ensure there are an adequate number of trained US mariners to support a revitalized U.S. Flag fleet and to meet national security requirements.**

U.S. Maritime Administration (MARAD): “Goals and Objectives for a Stronger Maritime Nation.” (2020)

- **Goal 1: “Strengthen U.S. Maritime Capabilities Essential to National Security and Economic Prosperity.”**
- **Goal 2: “Ensure the Availability of a U.S. Maritime Workforce that Will Support the Sealift Resource Needs of the National Security Strategy.”**

- **Revise Title XI, Capital Construction Fund (CCF), and Construction Reserve Fund (CRF) Financing Regulations and Program Administration.**
 - **MARAD has existing statutory authority**
 - **Modernize and revise**
 - **Expand capacity**

Programmatic/Operational Recommendations

- **Strict Enforcement of Cargo Preference Laws**
- **Create additional entry level ratings billets on the Ready Reserve Fleet and MSP funded vessels in both FOS and ROS.**
- **Provide a pathway to a relatively rapid achievement of the STCW endorsements need for a national sealift emergency.**

Legislative Recommendations

- **Provide tax based incentives that support the expansion of the U.S. flag fleet, mariner base and domestic shipbuilding/repair industry.**
 - **Income tax / payroll tax waivers for U.S. mariners**
 - **Corporate Income tax / payroll tax waivers or reductions for owners / operators of U.S. flag and Jones Act compliant vessels built after 2015.**
 - **Reduction and/or elimination of Federal excise taxes applicable to marine fuel purchases.**
 - **Removal of “double taxation” burden as it relates to payment of Harbor Maintenance.**

Legislative Recommendations

- **Develop incentive programs for the expansion of the US flag tanker fleet and further incentivize the beneficial cargo owner to utilize US flag tankers in the export of US domestic energy.**
 - **Require a percentage of domestic oil and natural gas exports to be carried on U.S. flag vessels and U.S. built vessels**
 - **Enactment of the Tanker Security Program**

- **Consistent and unwavering support for the Jones Act.**
- **Combination of tax based incentives, funding opportunities, and enhanced cargo preference rules.**
- **Incentivize recapitalization of the US Flag and Jones Act fleet**
- **Changes to the manning, qualification, and licensing structure.**
- **Creation of additional billets for US mariners.**

Measures of Success and the Collaborations Needed

July 2020



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MTSNAC Ports Subcommittee Members

| Member | Organization |
|-----------------------------------|---|
| Mr. Scott Sigman, Co-Chair | Illinois Soybean Association |
| Ms. Anne Strauss-Wieder, Co-Chair | North Jersey Transportation Planning Authority |
| Mr. David C. Fisher | Port of Beaumont |
| Mr. Joseph Gasperov | International Longshore and Warehouse Union, Local 63 |
| Capt. Robert Hughes | GENCO Shipping & Trading |
| Mr. Griff Lynch/Ryan Macdonald | Georgia Ports Authority |
| Mr. Gene Seroka/David Libatique | Port of Los Angeles |
| Mr. Karl Simon | Environmental Protection Agency |
| Ms. Lisa Wieland | Massachusetts Port Authority |

Liaisons: James Murphy, Travis Black, Branden Villalona, Matt Chambers

Ports Subcommittee Charter

- Recommend “Measures of Success” that consider the performance of the maritime transportation system at the national and regional levels.
- Investigate and identify means for multiple public agencies, public and private entities and multiple jurisdictions to collaborate to achieve the measures of success in current and future operation of the maritime transportation system.
- ~~• Consider how current and emerging technologies can help achieve the measure of success.~~

Measures of Success Guiding Principles

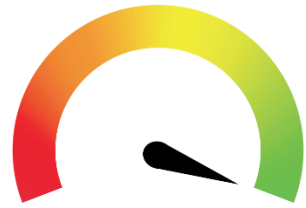
- Measures are important and meaningful to the broad range of users
 - Users include a wide range of stakeholders, businesses and agencies
- Measures are annual (calendar year) and indexed to a base year
 - Quantify – develop numeric metric
 - Qualify – use a qualitative reference and relative scale
- Measures are simple, scalable and sustainable
 - Simple – readily understandable and applicable measures
 - Scalable – can be applied at the national, regional, state and local levels
 - Sustainable – relatively easy to obtain the needed information on a continuing basis
- Executive summary dashboard stays at the 30,000-foot level
- Specific and common standards will be used for the underlying information and data

Measures of Success Executive Dashboard

For Illustration Only/Not Actual



Maritime Business and Trade Climate



Speed of Shipments



Consistency of Shipment Speeds



Shipment Visibility



Air Quality/Emissions



Local Jobs Supported



Sufficient and Fully Trained Workforce

Measures of Success Definitions

| <i>Measure of Success – Annual Basis</i> | <i>Definition</i> | <i>Type of Measure</i> |
|--|--|--|
| The condition of the business and trade environment | Financial and economic stability, along with growth or reduction of maritime movements that affect the customers, transportation providers and maritime terminal operators | Qualify – Surveys of shippers, carriers, terminal operators and port authorities |
| The speed of shipments moving through port multi-modal systems | Speed at which a shipment moves between a vessel, the terminal and inland to/from the first place of rest (including truck and rail movements). | Quantify – Average time between vessel and first place of rest outside a port |
| The consistency of shipment speed through port multi-modal systems | Consistency of the speed at which a shipment moves between a vessel, the terminal and inland to/from the first place of rest. | Quantify – Percent that the average time/speed of shipment is achieved |
| The visibility of shipments through port multi-modal systems | Visibility of shipments between vessels, terminals and inland to/from movements the first place of rest. | Qualify – Availability and usefulness of real-time data systems to shippers |

Measures of Success Definitions

| <i>Measure of Success – Annual Basis</i> | <i>Definition</i> | <i>Type of Measure</i> |
|--|--|---|
| The air quality/emissions of port multi-modal systems | Air quality/emissions related to vessels, terminals and inland movements to/from the first place of rest. | Quantify -- air quality/emissions related to shipment moves between a vessel, the terminal and inland to/from the first place of rest |
| The local jobs supported by port multi-modal systems | Jobs directly related to shipment movements between a vessel, the terminal and inland to/from the first place of rest (including truck and rail movements) and the port-related jobs at the first place of rest. | Quantify – number of direct on-site jobs at the terminals and at facilities directly served by the Port within the defined local communities surrounding the Port |
| Maintaining a sufficient and fully trained workforce to support efficient shipment movements | Staffing at maritime terminals and operations directly related to the maritime movement of goods and passengers with required training. | Quantify – percent of positions filled |

Measures of Success Collaboration Goals

- Specify the details of and monitor “measures of success”
- Collect and assess necessary information as needed
- Identify collaborations needed related to emerging technologies
- Review the findings from the analysis of state freight plans
- Develop recommendations for guidance in updates of the measures of success

Recommendation: Build on existing collaborations established by federal agencies, industry associations and regional organizations

Implementation Recommendations

- Establish a public/private collaboration group
- Define the metric base year and targets.
- Work to incorporate the measures of success and executive dashboard with other USDOT freight initiatives.
- Determine best means for sharing the findings annually.
- Ensure ongoing review and revisions to the measures of success after implemented.

Thank You!



July 8, 2020

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

Dear Committee Members,

Inland Rivers Ports & Terminals, Inc. (IRPT) writes to request that the Committee advise the U.S. Secretary of Transportation, through the Maritime Administrator, of the Committee's support for private terminal eligibility for federal funding opportunities independent of a public sponsor.

IRPT advocates this stronger support of the inland waterways since the economic development along those inland waterways, i.e. the commercially navigable rivers, could not be created by any other means than via our ports and terminals along those waterways.

Over the past few years, many lawmakers have asked the questions:

“What are the principal barriers to development America’s Marine Highways?” – Rep Sean Maloney (NY),

“What can Congress do to jumpstart short sea shipping?” – Rep. Bob Gibbs (OH),

“What can Congress do to promote maritime careers?” – Rep. Carol Miller (WV), and

“What legislative support is needed to rebuild America’s marine industry?” – Rep. John Garamendi (CA).

On June 29, 2020, H.R. 7416 -- the **“Coastal and Inland Ports and Terminals Commerce Improvements Act”** was introduced. The bill is sponsored by Rep. Mike Bost (R-IL) and Rep. Conor Lamb (D-PA).

This historic bipartisan legislation will increase access to critical federal funding for inland ports, terminals, and waterways. The *Coastal and Inland Ports and Terminals Commerce Improvements Act* establishes a competitive grant matching program for projects at smaller ports and terminals and makes privately-owned terminals eligible for assistance independently of a public sponsor.

In 2019, Congress enacted the PORTS Act to provide matching grants for enhancing operations and efficiency investments at our larger ports. The PORTS Act contained a 25% set-aside for small projects. Since even large coastal ports can have small projects, the *Coastal and Inland Ports and Terminals Commerce Improvements Act*, expands upon the success of the PORTS Act by better utilizing that existing set-aside to establish a similar competitive grant matching program for smaller coastal and inland ports and terminals.

Every year, 575 million tons of cargo travel through our inland ports, terminals and waterways. Half a

million American jobs depend upon inland shipping, yet these ports and terminals are at a disadvantage when competing for federal grants. Improving these facilities will have a big impact on our economy and help make local farmers, miners, and manufacturers more competitive in the marketplace.

America's inland ports and terminals are a vital and undervalued contributor to the movement of commerce. H.R. 7416 addresses inequities in existing law that have placed smaller coastal ports and terminals at a disadvantage when competing for infrastructure investment and create long-term sustainability. H.R. 7416 will jumpstart shortsea shipping and promote America's Marine Highways, in that:

- It will help cover the capital costs needed to increase throughput cargo without passing that capital cost on to waterway customers;
- It will help river transportation to be treated more equitably relative to other modes of transportation, as other modes already allow grants to private entities (i.e. rail and air);
- When river transportation services are relatively more competitive, it will help promote using the river for transport, thus the title Commerce Improvements Act.

Funding programs that allow private terminal eligibility only through a State DOT sponsor still face inequities. Each State DOT has its own internal policies/processes that determine if it will sponsor a grant application for a private terminal. Current policies and processes that are barriers include the following:

1. For those States with a waterway (or ports and harbors) branch, a private terminal could request sponsorship through DOT, but in most cases, it must meet a certain public benefit threshold in order for the State DOT to sponsor. This becomes problematic in that the threshold does not take into account the market benefit as well. For example, if a private terminal receives a grant that that improves cargo handling efficiencies resulting in higher cargo throughput (say, an increase from 1 million tons to 10 million tons per year), the public benefit is that 10 million tons of cargo can transit on the waterways and not by trucks on the roads. The *market* benefit however, is that more efficient throughput typically results in lower transportation costs for the farmers and ultimately to consumers. In addition, when the cost of capital improvements are reduced thanks to federal grants, the private terminal does not need to pass those costs on to its customers.
2. With federal grant programs where private terminals are eligible only with a State DOT lead sponsor, a private terminal in a State such as Nebraska, in which the State DOT has no waterways division, will likely have more difficulty being eligible, than will a private terminal in a State such as Illinois, in which the State DOT has a ports and harbors division.

An important part of the answer to the many important and great questions being asked, **what can be done do to promote short sea shipping, promote maritime careers and rebuild America's maritime industry** will be to allow private entities eligibility independently from a public sponsor, as proposed in H.R. 7416.

Inland Marine Highways, that is, the inland rivers, move commerce to and from 38 states throughout our nation's heartland; they serve as transport ramps to industrial and agricultural centers; and they facilitate

imports and exports at gateway ports on the Coasts. Our nation's rivers deliver vital goods between major gateway ports, establish new trade networks with significant public benefits and create a foundation for future trade growth.

IRPT is a non-profit trade association with over 300 members nationwide. IRPT advocates for the inland waterways, industries and companies that serve and utilize our inland rivers, ports and terminals. IRPT promotes the use of our nation's rivers as the most cost effective, and environmentally-friendly form of transportation. Our Members consist of public ports, private terminals, barge and rail operators, waterway associations, shippers and firms.

IRPT truly thanks you for your consideration in advising the U.S. Secretary of Transportation through the Maritime Administrator to allow private terminal eligibility for federal funding opportunities independent of a public sponsor.

Sincerely,

Aimee Andres
Aimee Andres, AMPE
Executive Director