

Maritime Transportation System National Advisory Committee

Minutes of Public Webinar Meeting

Date: June 3, 2020

Location:
Online Webinar

Table of Contents





Wednesday, June 3, 2020

| | |
|---|----|
| Acronyms And Abbreviations | 3 |
| Attachments | 4 |
| Call to Order & Roll Call..... | 5 |
| Item 1: Welcome and Comments from MARAD Administrator | 7 |
| Item 2: Welcome and Comments from the MTSNAC Chairperson | 7 |
| Item 3: Draft Recommendations from the Ports Subcommittee | 8 |
| Item 4: Draft Recommendations from the Domestic Shipping Subcommittee...10 | |
| Item 5: Draft Recommendations from the International Shipping Subcommittee | 13 |
| Item 6: Discussion and Synthesis of Draft Recommendations | 15 |
| Item 7: Break..... | 15 |
| Item 8: Comments from MARAD Deputy Administrator | 15 |
| Item 9: Public Comments | 16 |
| Item 10: Closing Remarks and Adjournment..... | 16 |
| Certification and Approval | 16 |

Acronyms And Abbreviations

| | |
|-----------|--|
| AB | Able Bodied Seaman |
| AAPA | American Association of Port Authorities |
| CARES Act | Coronavirus Aid, Relief, and Economic Security Act |
| CCF | Capital Construction Fund |
| CDC | Center for Disease Control and Prevention |
| CDC | Construction Differential Subsidy |
| CDC | Construction Differential Subsidy |
| CMTS | Committee on the Maritime Transportation System |
| CRF | Construction Reserve Fund |
| DFO | Designated Federal Office |
| DOT | Department of Transportation |
| FEMA | Federal Emergency Management Agency |
| FOS | Full Operating Status |
| INFRA | Infrastructure for Rebuilding America program |
| IRA | Individual Retirement Account |
| LNG | Liquefied Natural Gas |
| MARAD | Maritime Administration |
| MSP | Maritime Security Program |
| MSTNAC | Maritime Transportation System National Advisory Committee |
| NDAA | National Defense Authorization Act |
| NASSO | National Steel and Shipbuilding Company |
| NAVSEA | Naval Sea Systems Command |
| NMC/USCG | National Maritime Center/U.S. Coast Guard |
| NSMV | National Security Multi-Purpose Vessel |
| NSNV | National Security Multi-Mission Vessel |
| NVIC | Navigation and Vessel Inspection Circular |
| OST | Office of the Secretary of Transportation |
| PPE | Personal Protective Equipment |
| QMED | Qualified Member of the Engine Department |
| ROS | Reduced Operating Status |
| RRF | Ready Reserve Fleet |
| STCW | Standards of Training, Certification, and Watchkeeping |
| T.A. | Turbo Action |

Attachments

| | MSTNAC Public Meeting Presentations June 3, 2020 |
|--|---|
| Link to presentation | Presenter |
| <p style="text-align: center;">Attachment A June 3, 2020, MTSNAC Meeting Agenda</p> <p style="text-align: center;"> 2020-06-03 MTSNAC Meeting Ag</p> | DFO MTSNAC/MARAD |
| <p style="text-align: center;">Attachment B Draft Recommendation Slides 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 C Draft Recommendations from the Domestic Subcommittee</p> <p style="text-align: center;"> MTSNAC Domestic Shipping Subcommi</p> | Daniel Harmon and Berit Eriksson |
| <p style="text-align: center;">Attachment D Draft Recommendations from the International Subcommittee</p> <p style="text-align: center;"> MTSNAC International subcom</p> | Jared Henry and Tom Wetherald |

Minutes of Maritime Transportation System National Advisory Committee Public
Webinar Meeting
June 3, 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. She asked Ms. Rutherford, DFO MARAD, to take the roll call. Ms. Rutherford announced that no public comments were received so that there would not be a separate Public Comment Period during today's meeting. She added that if any member of the public wishes to provide public comment, they may email their comments to MTSNAC@DOT.GOV. The DFO asked all participants to mute their phones until they ask to speak since this meeting is in a Webinar format. Then the roll call was taken.

Members Present

Lindsey Brock - Rumrell, McLeod & Brock, LLC
David Cicalese – International Longshoremen's Association
Berit Eriksson – Sailors Union of the Pacific
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
Scott Sigman – Illinois Soybean Association
Karl Simon – U.S. Environmental Protection Agency
Anne Strauss-Weider– North Jersey Transportation Planning Authority
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)
Brian Wright – Owensboro Riverport Authority

Members Absent

David Fisher – Port of Beaumont
Paul LaMarre III – Port of Monroe
Griff Lynch – Georgia Ports Authority
Jim Pelliccio – Port Newark Container Terminal
Gene Seroka – Port of Los Angeles
Capt. John Sullivan – Matson Navigation, Inc.

Delegates

Sarah Forman – U.S. Environmental Protection Agency (staff to Karl Simon)

David Libatique – Port of Los Angeles (attending on behalf of Mr. Seroka)
Ryan Macdonald - Georgia Ports Authority (attending on behalf of Mr. Lynch)

MARAD/U.S. DOT Members Present

Admiral Mark Buzby, USN (Ret), Maritime Administrator
Richard Balzano—USN (Ret), Deputy Maritime Administrator
William Paape – Acting Associate Administrator, Office of Ports & Waterways, MARAD
Dr. Shashi Kumar, National Coordinator Maritime Training MARAD

Amanda Rutherford – DFO, MARAD
Eric Shen – Alternate DFO, MARAD
Jeffrey Flumignan – Alternate DFO, MARAD

Fran Bohnsack – Director, South Atlantic Gateway, MARAD
Chad Dorsey – Director, Inland Waterways Gateway Office, MARAD
Brian Hill – Director, Western Gulf Gateway Office, MARAD
Bruce Lambert – Director, Northwest Pacific Office, MARAD
James Murphy – Director, Central Gulf & Southern Rivers Gateway, MARAD
Mike Sullivan – Director, Great Lakes Office, MARAD
Branden Villalona – Director, Inland Waterways Gateway, MARAD

Adam Bartnicki – MARAD (Intern)
Travis Black - MARAD
Bianca Carr – MARAD
Michael Hokana – MARAD
Nuns Jain – MARAD
William McDonald – MARAD
Rod McFadden – MARAD
Wade Morefield – MARAD
Martin Parker - MARAD
Natasha Pavlovich - MARAD
Tim Pickering –MARAD
Lalit Raina – MARAD
Peter Simons – MARAD
Mike Sullivan - MARAD

Matthew Chambers – Bureau of Transportation Statistics, U.S. DOT
Heather Gilbert - CMTS
Brandon White – OST

Public Members Present

Melanie Alvord
Richard Berkowitz
Bryant Gardner
WH Hansen
Lisa Himer – Maritime Exchange for Delaware River and Bay

Richard McFadden
Matthew Mueller
Dominique Pope
Prashant Singh
Bradley Trammwell

Ms. Rutherford then introduced Mr. Paape, Acting Director of the Office of Ports and Waterways, for a few brief words. Mr. Paape recognized the entire MARAD MTSNAC team for its work in putting this meeting together today. He also announced his promotion to Associate Administrator for the Office of Ports & Waterways. Mr. Paape then introduced the Maritime Administrator.

Item 1: Welcome and Comments from MARAD Administrator

Rear Admiral Mark Buzby, USN (Ret), congratulated Mr. Paape and Ms. Rutherford for all their work and thanked the MTSNAC leadership for their work to date. He noted that MARAD had accomplished much in the last several weeks during the regular MARAD/Industry calls to update all concerned on issues, challenges, and successes, noting that everyone is facing these during the COVID-19 pandemic. Admiral Buzby thanked the industry for this helpful interaction. It is an excellent example of maritime unions, carriers, and ports all coming together. He added that the U.S. Flag fleet remained operational and that there have been no COVID-19 outbreaks on any U.S. Flagships. Much of that is attributable to everyone following CDC guidelines. These regular calls will continue. He underscored that this has also been helpful in the Agency's testimony before Congress. He pointed out that FEMA has released PPE to the maritime industry, including 2.4 million masks alone. MARAD is working with AAPA to get 900,000 of those masks distributed throughout our U.S. ports.

He then gave the group an overview of important grants that MARAD is administering for U.S. ports and carriers, including the award and signing of Small Shipyard Grants. He added that the award of Marine Highway grants (\$9.7 m) within the next 7-10 days. And the Administrator announced the INFRA (Infrastructure for Rebuilding America program) awards would be made by September or October of this year after the award of Marine Highway grants. He finished his remarks by noting that the long-awaited "Maritime Transportation Strategy" document, (renamed "Goals and Objectives for a Stronger Maritime Nation") was released approximately two months ago. The report had morphed several times before its official debut. He also added that there is now a sealift component in the Navy's strategy.

Item 2: Welcome and Comments from the MTSNAC Chairperson

Lisa Wieland, MTSNAC Chair, thanked the Administrator for his presentation and expressed her appreciation for the engagement with MARAD over the last few months. She noted that the Nation has been through a great deal over the previous several months. Ms. Wieland then reminded the group that today's goal is to march toward a September deadline for final recommendations from the three subcommittees. The schedule has an accelerated timeframe compared to the previous one. Today it is essential to see where the subcommittees are and to talk across the committees to refine the final report. Each Subcommittee will present for 20 minutes, followed by questions and discussion.

Ms. Rutherford announced that the scheduled break would occur after the Draft subcommittee presentations and before the general discussion. Mr. Wellner (Vice-Chair) acknowledged the various government agencies for their work and especially for Admiral Buzby's leadership. He reminded the MTSNAC members that today's actions are not for today but the future. The Vice-Chair challenged each group to be creative and think outside the box. He also complimented Ms. Rutherford and Ms. Wieland for their excellent work and leadership.

Item 3: Draft Recommendations from the Ports Subcommittee

Anne Strauss-Weider and Scott Sigman made the Subcommittee's presentation. (See Appendix B). The Subcommittee has had monthly conference calls to address ports and gateways and how they can improve throughput. The Ports Subcommittee Charter contained three tasks:

- 1) Recommend measures of success for the performance of the maritime transportation system at the national and regional levels;
- 2) Investigate and identify means for multiple public agencies, public and private entities, and various jurisdictions to collaborate to achieve the measures of success in current and future operation of maritime; and
- 3) Consider how current and emerging technologies can help achieve the measures of success (Due to time constraints this task was not discussed further)

Specifically, the presentation illustrated:

- Slide 1 – Discussed Ports Subcommittee charter – recommend measures of success for the maritime system at national and regional levels. Also, investigate means for multiple public agencies to collaborate to achieve the measures.
- Slide 2 – Discussed guiding principles of measures of success: essential and meaningful; annual availability; simple, scalable, and sustainable; high level; and specific and common standards for underlying data.
- Slide 3 – Reviewed what was meaningful to stakeholders for a measure of success, such as discussed measures, definitions, and type of measure (qualitative vs. quantitative).
- Measures include the condition of business and trade environment; the speed of shipments moving through port multi-modal systems; consistency of shipment speed through port multi-modal systems; and visibility of shipments moving through port multi-modal systems
- Slide 4 – Additional measures and definitions. Include air quality/emissions of port multi-modal systems; local jobs supported by port multi-modal systems; maintaining sufficient and fully trained workforce.
- Slide 5 – Provided an example of “Executive Dashboards” for use in reflecting performance. The Dashboard should be graphically illustrative and easy to grasp.
- Slide 6 – Sample of a maritime executive dashboard with proposed measures of success.
- Slide 7 – Addressed necessary collaborations and coordination across a wide range of stakeholder groups. Entities not yet identified for collaboration.
- Slide 8 – Additional discussion regarding future collaboration and coordination needs. It will be necessary to investigate various trade-offs in perspectives when identifying collaborating entities.
- Final Slide – Next steps – Complete work on necessary collaborations. Outline and assign roles for partnerships. Develop final recommendations for MARAD. Draft

recommendations include: establish public/private working group on definitions and deployment of measures; define base year and targets for metrics; incorporate measures and Dashboard with other U.S. DOT freight initiatives; determine best means for sharing findings annually, ensure ongoing review and revisions of measures after implementation (through public/private working group).

The Subcommittee developed Measures of Success Guiding Principles, which state that these measures must address a wide range of stakeholder groups, be assessed annually, both quantify and qualify, be simple, scalable, and sustainable, at a high level, and include specific and common standards for underlying data. A question is who will use these measures of success. The Subcommittee identified seven measures that should be useful to all stakeholders, including the condition of business and trade environment, speed of shipments moving through port multi-modal systems, consistency of shipment speed through port multi-modal systems, visibility of shipments moving through these systems, air quality/emissions of port systems, local jobs supported by the port systems, and maintenance of a sufficient and full trained workforce.

The Subcommittee is planning to develop an Executive Dashboard using a green, yellow, and red-light configuration that measures the performance level of these separate measures of success. These indicators will give MARAD the ability to keep current and ensure that the proper Agency is aware of the status. The Subcommittee emphasized the need to engage with rail, truck, and Marine Highway stakeholders to ensure that this is a genuinely multi-modal tool. The next steps for the Subcommittee include completion of its work on collaborations needed to formulate, test, and implement the measures of success, outline and assign roles for completing the Subcommittee's white paper, and developing final recommendations for MARAD implementation.

Lisa Wieland thanked the Subcommittee for its presentation and opened the floor to questions from the participants. Ms. Eriksson of the Domestic Shipping Subcommittee stated that land-use issues near ports are not adequately addressed. There is often tension between industrial use and gentrification in local port communities. How can this best be addressed? Anne Strauss-Weider replied that this would be captured in the air quality and local jobs measures in the Dashboard. Brian Jones asked how much of the data will be objective vs. subjective. Ms. Strauss-Weider answered that this is part of the discussion. There is a need to convene a working group to look at qualitative vs. quantitative data. Mr. Sigman added that the proposed Dashboard would have metadata that would identify the background data/inputs source. He noted that land use and waterfront data would be highlighted in the final product.

Ms. Wieland asked what will be the end state of the Dashboard, and will the Dashboard be indexed to a base year; will there be a final mechanism, or will a working group be convened? Ms. Strauss-Weider replied that a public/private working group is needed. Ms. Wieland then asked if the Dashboard would merely measure improvement over time? Ms. Strauss-Weider answered yes that a dashboard is an executive tool. Ms. Wieland hoped that the group would suggest a base year with pros and cons. Ms. Strauss-Weider said that the group is looking at 2018 and not 2020, which would not be a good year. There were no questions from the International Shipping Subcommittee, so the next presentation was from the Domestic Shipping Subcommittee.

Item 4: Draft Recommendations from the Domestic Shipping Subcommittee

Mr. Harmon and Mr. Graykowski presented for this Subcommittee. (See Appendix C). Mr. Harmon explained that the Subcommittee originally had four tasks. Subsequently, the committee focused on tasks #1 and #2 and deferred tasks #3 and #4 (tasks related to maritime and marine insurance law, that required some technical expertise that the current Subcommittee did not possess.)

- 1) 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 domestic vessels, mariners, and shipbuilding and repair facilities to support the Nation during times of war and emergency;
- 2) Make recommendations that will help ensure there is an adequate number of trained U.S. mariners to support a revitalized U.S.-flag fleet and to meet national security requirements;
- 3) Provide an overview of these industry clusters and make recommendations that will sustain their presence in the United States; and
- 4) Make policy recommendations that will help facilitate both the strengthening of the U.S.-flag fleet and the American marine insurance sector's ability to underwrite U.S. merchant vessels

To address Task #1, the Subcommittee has made four recommendations:

- 1) Provide tax-based incentives that support the expansion of the U.S.-flag domestic fleet, mariner base, and shipbuilding/repair industry;
- 2) Revise Title XI, (CCF, and CRF financing regulations and program administration;
- 3) Strict Enforcement of Cargo Preference laws; and
- 4) Develop incentive programs for the expansion of the U.S.-flag tanker fleet and further incentivize the beneficial cargo owner to utilize U.S.-flag tankers in the export of U.S. domestic energy

To address Task #2, the Subcommittee has made three recommendations:

- 1) There need to be additional entry-level rating billets on the Ready Reserve Fleet and MSP funded vessels in both FOS and ROS to create more available mariners for U.S. sealift surge capabilities,
- 2) Expand the mariner base by providing a pathway for brown water/National Able Seamen and QMED Oilers to acquire the STCW assessments needed for qualifying for the STCW Able Seafarer Deck or Engine endorsement; and
- 3) Develop for NMC/USCG approval a stand-alone course for Able Seafarer Deck (NVIC 14-14, enclosure 3) and Engine (NVIC 18-14, enclosure 2) assessments.

Committee Comments for First Recommendation:

- New Laws Needed:
 - The Subcommittee recommended looking at payroll tax waivers and other tax exclusions to make the mariner income more attractive to potential workers. This applies to both blue and brownwater sailors.

- The structure of corporate tax relief should be reviewed for U.S. flag operators. Possibly only for those ships that were constructed after 2015 to encourage new shipbuilding.
 - Harbor Maintenance Tax still needs to be implemented for what it was intended for.
 - Ship construction programs – “like an IRA for shipbuilders” here in the U.S.
 - Strengthen aspects of Cargo Preference.
 - Construction Differential Subsidies? Most people on the Subcommittee did not think it was realistic at this time to implement as we would be getting into a subsidy fight with China, but it should be looked at anyway.
 - Title 11 should be expanded.
- Comments from MTSNAC members:
 - The Domestic Subcommittee’s last recommendation is similar to one by the International Subcommittee – they should confer.
 - Why the emphasis on bluewater? Emphasize brownwater subsidies too.
 - Look at coordinating training between blue and brown.
 - Recapitalizing fishing fleets should also be investigated.
 - CCF? “Not for Jones Act Fleet”
- **Committee Comments for Second Recommendation:**
 - There is a lack of entry-level billets in the U.S. fleet. We need to get from wiper to Able Bodied Seaman (AB).
 - Many AB’s want to move up, but lack STCW training qualifications
 - However, we should not just help licensed workers. What about officers? There are not enough job opportunities for advancement for officers. However, if all the Domestic Subcommittee recommendations are approved, then new high-level jobs will slowly be created/trickle down.

Mr. Harmon said that the next steps are to complete a draft white paper and prepare a full presentation of the Subcommittee’s recommendations.

The Chair then opened the floor to discussion and questions. Mr. Graykowski, a member of the Subcommittee, noted that the first recommendation of Task #1 would require congressional action. As far as the second recommendation, MARAD would update CCF and CRF. He also pointed out that strict enforcement of Cargo Preference laws is particularly crucial to this task. Admiral Buzby responded that MARAD was focusing on better enforcement of the Cargo Preference laws, especially with the NSMV program. He asked Mr. Graykowski if the Subcommittee had looked at the use of CDS as a possibility? Mr. Graykowski responded that it had not, but it perhaps could work for the domestic shipping industry. Mr. Wetherald pointed out that U.S. shipyards used CDS to make them more competitive with other international builders.

Mr. Wellner said that the last bullet seems to overlap with efforts of the International Shipping Subcommittee and the Domestic Subcommittee might want to work in conjunction with them on that. He also said that most of these recommendations for Task #1 seem to be skewed toward

bluewater shipping. Mr. Graykowski acknowledged that it was a fair point and added that the workforce issues under Task #2 are targeted toward the domestic fleet.

Ms. Eriksson noted that STCW had created barriers for domestic maritime workers. Many Able Seafarers are domestically qualified but not STCW-qualified. It would only take a few days of instruction for this group to obtain the STCW endorsement. Unfortunately, there are currently no stand-alone courses for this. She emphasized that this would be for surge requirements.

Mr. Graykowski elaborated on tax-based incentives for the preservation of the U.S. coastwise trade. Tax relief or exclusion for merchant mariners. Payroll tax waivers for ship operators (ships built after 2015 to incentivize new construction). Excise tax relief on fuel. Eliminate double taxation with harbor maintenance tax. These are the types of incentives that would require congressional involvement. Not many other tools are available to build fleet or mariners. Mr. Graykowski elaborated on CCF and CRF – CRF has not been an active program; that CCF might be modernized to support new builds. He elaborated on what cargo preference laws require and what they mean for U.S. flag operations.

Administrator Buzby addressed cargo preference. Part of the NSMV program specified total compliance with cargo preference, working to increase compliance with cargo preference among other government agencies and Title XI, CCF, CRF – were construction differential subsidies (CDS) considered?

Mr. Graykowski indicated CDS was not considered because it did not incentivize efficiency. It would work for short sea shipping, though. Warrants additional consideration moving forward. 10, 15, or 20% discount for construction.

Mr. Wetherald noted that price differential today is 3 to 4x what it used to be. CDS might open up a “subsidy war” with foreign yards. For example, massive direct subsidies by Chinese and Koreans are bailing out shipyards.

Administrator Buzby indicated that the “playing field should be leveled out” in some fashion. Tom Wetherald responded that such leveling should be accomplished within the Jones Act for ops, but shipbuilding competitiveness may not be feasible.

Bob Wellner – The last bullet point on recommendations has overlap with International Shipping. Any duplication should be resolved with the International shipping subcommittee. Additional domestic incentives could be identified for barges, ferries (domestic use).

Ms. Eriksson mentioned additional needs for the recapitalization of fishing fleets, among others.

Mr. Wetherald - Cannot use CCF for Jones Act ships. That is an issue.

Ms. Eriksson addressed licensing structure and maritime academies – IMO conventions have created barriers to entry-level billets due to sea time requirements. The creation of additional entry-level billets on RRF and MSP funded vessels would be helpful. Expanding the mariner

base for STCW compliance could involve only a few days of additional assessments, but there is no stand-alone course for this path. Suggest developing a new class/pilot program allowing training providers to transition QMED/Oilers to STCW.

Mr. Jones responded that a comparative analysis was not completed for other modes and incentives for cargo preference. Truck cargo is strictly origin-destination based and cannot easily move to water.

Mr. Graykowski stated that the trucking industry benefits from infrastructure investments by the public sector. Rail also may have other advantages not available to maritime.

Mr. Jones responded that objective was not to compare against other modes but to make water transportation more attractive and financially successful

Mr. Wellner stated all recommendations relate to unlicensed mariners. Licensed mariner graduates from academies face a shortage of billets. Should consider issues facing licensed mariners as well as unlicensed.

Ms. Eriksson acknowledged that point and solicited ideas/input.

The Chair stated we should move on to International Subcommittee.

Mr. Henry said that the International Shipping Subcommittee had looked at the international competition and wondered if the Domestic Shipping Subcommittee had done the same. Mr. Wright responded that the Subcommittee did not make a comparative analysis with road and rail since many domestic cargoes are routed on a specific mode based on geographic considerations rather than the cargo itself.

Item 5: Draft Recommendations from the International Shipping Subcommittee

Messrs. Henry, Suttie, and Wetherald presented for this Subcommittee (See Appendix D).

Mr. Suttie began by reviewing the Subcommittee's problem statements which include:

- 1) Dwindling U.S.-flag fleet in international commerce;
- 2) A deficit in strategic sealift;
- 3) Shortage in U.S. mariner workforce; and
- 4) The recent loss of impelled cargo under cargo preference regulations

The final report will include "best practices" for consideration. Mr. Suttie added that nibbling at the edges or cherry-picking from a list of recommendations would not be successful. The list of objectives will include sequence, priority, and impact.

Mr. Henry reminded the group that cargo is key to the viability of the U.S.-flag international fleet. He added that it is part of a three-legged stool consisting of MSP stipend, government impelled cargo, and commercial cargo. The Subcommittee has suggested ways to incentivize shippers, such as modifying U.S. import duties on cargoes shipped on U.S.-flag vessels, exempting U.S. import cargoes arriving on U.S.-flag ships from the HMT, and including U.S.

freight charges as part of the NATO nations' GDP commitment. Other ways to support the U.S.-flag fleet included explicit support of the Jones Act reducing costs of U.S.-flag operation by eliminating the 50% ad valorem duty on overseas vessel maintenance and repairs, and extending the foreign earned income exclusion to mariners on U.S.-flag international trading ships.

Mr. Wetherald then reviewed strategic sealift proposals with the group. He pointed out that the group looked at these proposals as a "system of systems." Recommendations include:

- 1) Transition the current RRF to an active Ready Reserve Fleet by allowing the government to build commercial ships with military capabilities and leasing/chartering those vessels to commercial operators for a nominal fee;
- 2) Accelerate acquisition of used ships to replace ships in the RRF (a near term solution);
- 3) Stabilize MSP with multi-year funding;
- 4) Accelerate the construction of purpose-built surge sealift and preposition ships;
- 5) Place all sealift ships under MARAD when not activated; and
Conduct annual RRF/surge fleet exercises on a scale equivalent to T.A. 19+

Mr. Wetherald then explained that the most significant deficit in strategic sealift is U.S.-flag tanker capacity. One subcommittee recommendation is to require all U.S. owned fuel moved worldwide be carried on U.S.- built, U.S.- owned, U.S.-flagged and U.S. crewed ships to address that deficit. Also, a tanker security program, as proposed in the 2020 House Armed Services Committee NDAA should be instituted, as well as the enactment of the Energizing American Shipbuilding Act along with allowing reflagging and coastwise endorsement of former U.S.-flagged LNG carriers. The final proposal concerns the Nation's industrial base. There needs to be consistent (multi-year) funding to support sealift construction and a new commercial/government shipbuilding model that starts with an entirely commercial design for vessels followed by "buy-up" national defense features. The foreign design could be utilized, thereby minimizing costs.

Mr. Suttie then summarized the Subcommittee's Way Ahead, which will include obtaining feedback, framing recommendations in terms of priority (immediate, near-term, and long-term), referencing prior research and studies, and finally, producing a white paper.

The Chair asked the MSTNAC for questions and discussion. Mr. Jones asked what was meant by leasing/chartering government-built vessels for a nominal fee. Mr. Wetherald suggested \$1 per year. Mr. Jones asked if that might pose a risk for the U.S. vis-à-vis unfair international trade charges. Mr. Wetherald felt that this nominal fee would not make any significant difference in the international arena. Mr. Henry responded that U.S.-flag costs are driven more by crew costs than shipbuilding costs. Also, subsidies under the MSP program are required to keep ships U.S.-flagged. The key to success is finding adequate cargo.

Mr. Wellner said that the idea of a "system of systems" is essential in approaching this issue. The group also needs to review each recommendation and the potential political pushback. Also, each recommendation might need to include a proposed price tag. Mr. Wieland responded that although funding needs to be noted, it should not constrain the group's recommendations. Ms. Eriksson added that MTSNAC's job is to provide recommendations, and it is up to the

sponsoring agency/department to figure out the details. She also asked how the inclusion of freight charges on NATO nations' GDP commitment came up. Mr. Henry replied that this suggestion/recommendation had just recently come up in February. He also cautioned the group not to underestimate the effect of reduction in customs duties, which would enhance the use of U.S.-flag vessels. Mr. Sigman asked what sort of impact the elimination of the ad valorem duty would have. Mr. Henry said that had not yet been calculated.

Item 6: Discussion and Synthesis of Draft Recommendations

The Chair explained that this discussion would take place after the Deputy Administrator's remarks. (Noted in Item 6A below)

Item 7: Break

Due to time considerations, the Chair dispensed with the scheduled break.

Item 8: Comments from MARAD Deputy Administrator

Deputy Maritime Administrator Richard Balzano joined the group and stated that the committee is addressing many of the same topics that he is covering in a paper he is writing. He also reminded them that maritime industry subsidies and incentives are difficult to acquire and keep based on ever-changing policies. As an example, one possible policy change might include requiring China to use U.S.-flag vessels for 25% of imports to the U.S. from China. He is also pleased with the direction that the International Shipping Subcommittee is going.

Ms. Wieland asked Mr. Balzano if he wanted to make his comments to the group, which he did. He thanked the members for all their great work and congratulated the maritime industry for its consistent operation during the pandemic. During this time, MARAD has hosted numerous COVID-19 calls with the industry, which greatly helped MARAD to be the industry's voice to the Congress and the Administration. MARAD also helped maritime schools and unions to institute distance learning. He highlighted the Agency's 147-page plan to bring back U.S. Merchant Marine Academy (USMMA) seniors to campus to complete their classwork and take the required Coast Guard-administered tests so they can graduate on time. MARAD is using the same plan for the state academies. The Massachusetts Maritime Academy is placing some cadets on board of its training vessel (currently in Alabama for repairs), so they can sail from Alabama back to Buzzards Bay and gain valuable shipboard training time and experience.

Also, MARAD received some CARES Act funding, including \$3.1 m for USMMA and the state maritime academies. MARAD will continue close and regular communications with the industry over the next year. He also highlighted how the NSMV program is an indicator of the wave of the future. MARAD successfully achieved a firm, fixed price for five ships at \$320m per ship compared with an estimate from The NAVSEA of \$750 –\$ 900 m per ship. MARAD is also working on getting grant program awards and funding allocated ASAP to help keep the industry working.

Item 6A: Discussion and Synthesis of Draft Recommendations

Ms. Wieland noted that there was considerable overlap between the International and Domestic Shipping Subcommittees, and they need to develop consensus. She also reminded the subcommittees to bring clarity to their recommendations and to put the recommendations in

context, using more real-time examples since some of the intended audience for these recommendations may not be aware of what our industry does. She then asked if the Vice-Chair, Mr. Wellner, had any comments. Mr. Wellner requested that the chairs of each Subcommittee talk to each other to coordinate and improve their recommendations. Ms. Eriksson noted that there was an overarching connection between the domestic and international workforce and that the U.S. Coast Guard had jurisdiction here.

Item 9: Public Comments

Ms. Rutherford announced there were no public comments received, so the scheduled Public Comment Period will not be open to the floor. Anyone wishing to provide public comments can still email them to the MTSNAC email address, MTSNAC@DOT.GOV.

Item 10: Closing Remarks and Adjournment

Ms. Wieland reviewed the schedule for the upcoming months. The next MTSNAC Webinar will be held on July 15th to hear refinements on the subcommittee recommendations. Ms. Wieland requested that she, Mr. Wellner, Ms. Rutherford, and the six subcommittee co-chairs meet before the July meeting to discuss alignment between groups. Following the July webinar, the MTSNAC September will be an in-person public meeting on September 28-29 at DOT Headquarters. Ms. Rutherford added that the recommendations would need to be posted to the MTSNAC website in early September in advance of the late September meeting.

Ms. Wieland then asked if there were any questions for the Deputy Administrator before adjourning the meeting. Ms. Eriksson thanked the Deputy Administrator for MARAD’s guidance to the other schools that allowed private providers to open and provide necessary training to her union members.

There were no other questions. Ms. Wieland thanked the members for their commitment to MTSNAC and urged everyone to stay safe and healthy until the next meeting. The Chair adjourned the meeting at 3:52 p.m.

Certification and Approval

/s/ Lisa Wieland

Lisa Wieland Date: June 16, 2020
Chair