

SUPPORT INCREASED FUNDING **FOR THE MARITIME SECURITY PROGRAM**

OBJECTIVE

To support an increase in authorized funding for the Maritime Security Program of \$114 million in order to provide each militarily-useful U.S.-flag commercial vessel enrolled in the program with a \$5 million annual commercial sealift retainer payment.

NATIONAL SECURITY BENEFITS OF MSP

- The Maritime Security Program (MSP) is a unique government – private shipping industry partnership that gives the Department of Defense (DOD) the commercial sealift capability it needs while saving the American taxpayer the billions of dollars it would take for DOD to develop and maintain this capability itself. Developed under President George H.W. Bush, and first implemented under President Bill Clinton, full funding for MSP has been supported by each President and Congress since 1996.
- Since 2009, privately-owned U.S.-flag commercial vessels and their civilian U.S. citizen crews have transported more than 90 percent of the sustainment cargo needed to support U.S. military operations and rebuilding programs in Iraq and Afghanistan. Significantly, vessels enrolled in MSP carried 99 percent of these cargoes. Without the assured U.S.-flag commercial sealift capability provided by MSP, U.S. troops stationed overseas could find themselves dependent on foreign vessels and foreign crews to deliver the supplies and equipment they need to do their job on our behalf.

“It is our U.S.-flagged merchant fleet and our mariners that ensure that our Soldiers, Sailors, Airmen and Marines are supplied. From Inchon to Iraq, our mariners and our maritime industry delivered . . . Let us not, as a nation, sign away our remaining sealift capacity to non-U.S.-flagged fleets sailed by non-U.S. mariners.”

**Rear Admiral Thomas Shannon, Commander, Military Sealift Command
National Maritime Day, May 21, 2015**

ECONOMIC BENEFITS OF MSP

- A 2006 report prepared for the National Defense Transportation Association – Military Sealift Committee concluded that “the likely cost to the government to replicate just the vessel capacity provided by MSP dry cargo vessels would be \$13 billion.” In addition, the United States Transportation Command has estimated that it would cost the U.S. Government an additional \$52 billion to replicate the global intermodal systems made available to DOD by MSP contractors who are continuously developing, maintaining and upgrading their logistics systems.
- In contrast, the commercial maritime industry, through MSP, is providing DOD with these vessels and systems at a cost to the taxpayer of only \$186 million or \$3.1 million per ship in FY’15 and, with the proposed increase in funding for MSP in FY’16 and subsequent years, would be providing this essential sealift capability to DOD at a cost of only \$300 million or \$5 million per ship, a fraction of the estimated \$65 billion that it would cost our government to replicate this capability.

NEED FOR AN INCREASE IN MSP FUNDING

- The authorized amount for MSP has not increased since 2012 and is not scheduled to increase until 2019 when the per vessel stipend increases from \$3.1 to \$3.5 million.
- Earlier this year, Maritime Administrator Paul Jaenichen told the House Coast Guard and Maritime Transportation Subcommittee that “The most significant challenge facing the MSP is the declining Department of Defense cargo due to the drawdown of operations in Iraq and Afghanistan coupled with the over 80 percent reduction in personnel and military bases overseas.”
- Compounding this situation, several recent developments have further threatened the continued availability of MSP to DOD. According to General Paul Selva, Commander, United States Transportation Command, in testimony to the Senate Committee on Armed Services in March, 2015, “The reduction in government impelled cargoes due to the drawdown in Afghanistan and reductions in food aid . . . are driving vessel owners to reflag to non-U.S.-flag out of economic necessityWith the recent vessel reductions, the mariner base is at the point where future reductions in U.S.-flag capacity puts our ability to fully activate, deploy and sustain forces at increased risk.”

- These factors affect the ability of U.S.-flag vessel operators to reinvest in new U.S.-flag ships. New ships are long term assets, eligible to participate in MSP for 25 years. The MSP program as currently funded does not sufficiently address the external factors affecting the viability of the U.S.-flag fleet or provide the necessary long term stability to justify the investment in ships that cost more than \$100 million each. Adding to this is the ongoing need for continued upgrading and investment in the attendant global intermodal networks that the MSP carriers bring to DOD.
- As noted, significant reductions in the amounts of defense and other government cargoes available to U.S.-flag vessels; the proliferation of tax and other economic incentives available to foreign flag vessels and crews but not to U.S.-flag vessels and crews; the regulatory compliance requirements imposed only on U.S.-flag vessels by the U.S. government; and the growing competition for cargoes from foreign flag of convenience vessel operations which fail to meet the standards applicable to U.S.-flag vessels necessitate an immediate and long term increase in funding for the MSP.
- In order to help better determine the necessary MSP funding level, ocean carriers participating in MSP retained David St. Armand (Navigistics Consulting) and Dr. Henry Marcus to examine the operating cost differential between U.S.-flag vessels participating in the MSP and foreign flag vessels. The study determined that once all these factors, plus such factors as insurance, vessel maintenance and repair, total crew costs and ship management are considered, U.S.-flag vessel operations were \$5 million higher than the costs for equivalent foreign flag vessels.
- **Consequently, to ensure that the privately-owned militarily-useful U.S.-flag vessels enrolled in the MSP, the MSP vessel operators' worldwide logistics systems, and their U.S. citizen crews remain available to DOD to advance America's security interests and to support and supply American troops overseas, we ask that you support a \$114 million increase in the authorization for MSP in order to provide vessels enrolled in the program with an annual \$5 million commercial sealift retainer payment.**
- To do otherwise will mean a loss of America's commercial sealift capability, a loss of American maritime jobs and a significant increase in costs to the Federal government as it attempts to replicate current capability, an increase far in excess of the cost of the proposed increase in funding for the MSP.