

MSP: Linchpin for Commercial Wartime

Indicative of its widespread support that swerves across partisan dividers, a successor program to the Maritime Security Program (MSP) has been driven into place two years before the current program grinds to a halt.

Called “the linchpin in our wartime U.S. commercial sealift capability” by the head of the U.S. Transportation Command, Gen. John Handy, the new MSP will officially snap into place on October 1, 2005 upon the expiration of the current program. The successor, which has been redubbed the “Maritime Security Fleet,” stretches the program out for another decade while strengthening the amount of participants and escalating per ship payments.

MSP underwrites a partnership between the federal government and ship operators in which U.S.-flag, U.S. citizen-crewed ships, equipment, terminals and management services are made available to the Department of Defense during national emergencies. In exchange, annual per ves-

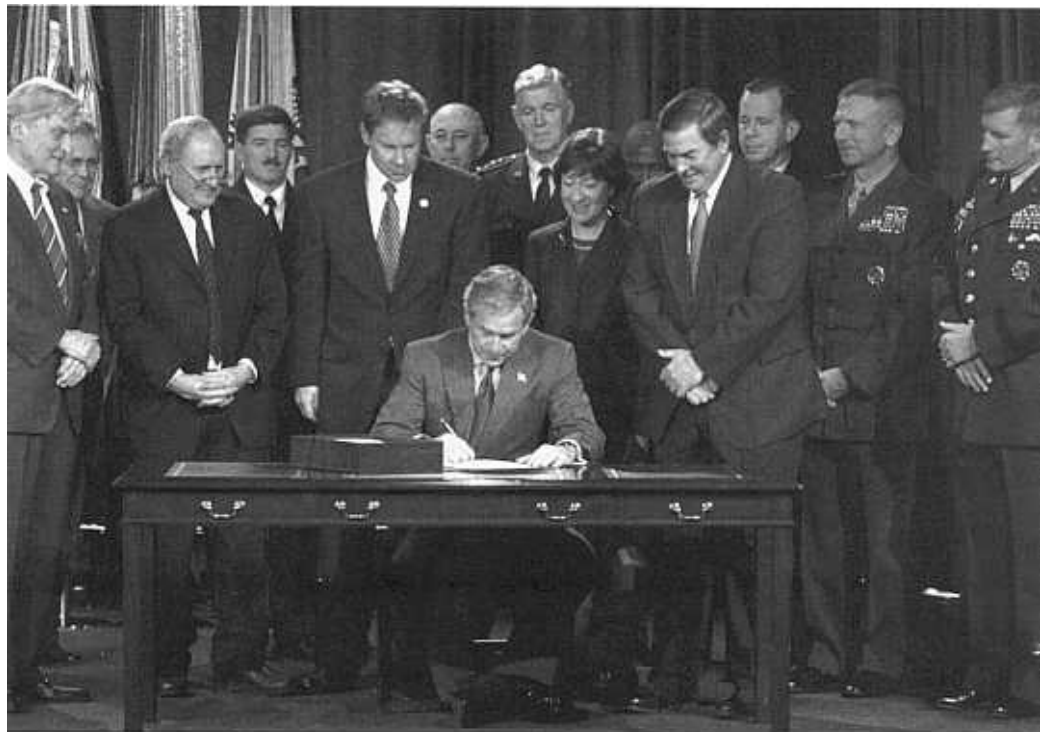
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gram, as is the current MSP, is subject to annual appropriations. However, with the ardent sponsorship of a unified maritime industry coupled with the fervent support for the program by lawmakers, MSP has sailed through its annual appropriations with full funding since its inception.



MEBA President Ron Davis testified in support of MSP reauthorization in a House hearing last year. To his left is MM&P's Mike Rodriguez.



President Bush was joined by Congressional and military leaders in November as he signed the DOD Authorization bill, including Maritime Security Fleet language, into law.

The new Maritime Security Fleet lengthens the program to September 30, 2015 while swelling the number of participating vessels to 60. Annual per ship payments will be stepped up from the \$2.1 million per vessel of the current program to \$2.6 million in each of the first three fiscal years of the MSF. In fiscal years 2009-2011, the payments will expand to \$2.9 million per ship. In the final four fiscal years covered by the program, payments will balloon to \$3.1 million per vessel. This successor pro-

From the beginning, the Maritime Administration has been charged with the oversight of the MSP. However, the Bush Administration had earlier floated a proposal to shift MSP jurisdiction to the Department of Defense. That proposal failed to carry over to the establishment of the MSF. However, under the new scheme, the decisionmaking process will be performed in conjunction with DOD war planners. The new program also amends eligibility and participation rules.

Sealift Reloaded



The SEALAND PATRIOT in Baltimore with a full load. The vessel is one of the 40 MEBA-crewed MSP ships.

In a nod to American shipyards, a new provision of the MSF will reserve the first five new chits in the program for U.S.-built double-hulled product tankers. A “grandfather” clause will reserve 47 slots in the new program for vessels participating in the current MSP. However, this will be contingent on whether the vessel continues to meet eligibility standards set for the program.

Encased in the \$401.3 billion Defense Authorization bill, President Bush signed the package into law on November 24th in a Pentagon ceremony attended by representatives of the MEBA and the American Maritime Congress among others. MEBA and AMC were part of a broad coalition of maritime labor, ship operators and owners who tirelessly promoted the creation of this new program and helped enable the follow-on program so far in advance. MEBA President Ron Davis has helped

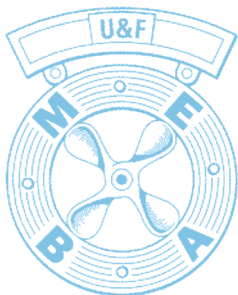


The E-Ships vessel ENDEAVOR. Vessels currently enrolled in the MSP receive high priority for enrollment in the new Maritime Security Fleet.

propel the new MSP forward throughout his administration. In fact, he was among a handful of labor leaders who testified before Members of Congress in the summer of 2002 to lobby for the renewal of MSP which has proved to be 'a pillar of maritime policy.'

President Davis pointed out that, "MSP is valuable not only in providing a fleet of militarily-useful vessels in times of crisis, but just as importantly for providing a core base of employment for American mariners who may be called upon when government vessels are activated." Maritime Administrator Capt. William Schubert who fought for the new program concurred with that thesis. "The failure to support reauthorization would mean the eventual disappearance of a viable U.S.-flag fleet, and ultimately the U.S. merchant mariner pools," he declared. Indeed, the value of MSP was reinforced by the wildly successful sealift of Operation Iraqi Freedom that was crewed by many of the mariners who rely on MSP for peacetime employment.

The military's appreciation of MSP has been rock solid as well, as illustrated by remarks made by Gen. Handy in testimony before a House Committee last year. He pointed out that, "the alternative to MSP is, ultimately, reliance on foreign flag vessels manned by foreign crews during crisis....An improved, long-term program, adequately funded, which provides stability for the government and industry is the right approach from the warfighting perspective." MSP, he said, "is a national security imperative of the highest magnitude." ✕



Key Provisions of New Maritime Security Fleet

Congress completed work on establishing a successor program to MSP by passing the National Defense Authorization Act for Fiscal Year 2004 (H.R. 1588). The House of Representatives passed the legislation 362-40 on November 7th and the Senate gave its approval 95-3 for passage on November 12th. MEBA and AMC representatives were in attendance as the President signed the bill into law on November 24. Below is a summary of key provisions of the new Maritime Security Fleet:

- Takes effect October 1, 2005 upon conclusion of the current Maritime Security Program.
- Extends the program for 10 years ending September 30, 2015, subject to annual appropriation.
- Expands the current fleet of 47 participating vessels to 60 militarily useful United States-flag commercial vessels operating internationally.
- Increases annual per vessel payments from the current \$2.1 million per vessel to \$2.6 million in each of the first three fiscal years of the new program, i.e. FY 2006, 2007, and 2008.
- Increases annual per vessel payment to \$2.9 million in each of the next three fiscal years: FY 2009, 2010, and 2011.
- Increases annual per vessel payment of \$3.1 million in each of the last four fiscal years of the new program: FY 2012, 2013, 2014, and 2015.
- Authorizes participation for up to five product tankers in international trade and includes a \$250 million tanker construction program to assist in financing construction for that purpose.
- Allows the participating vessel owner to reflag if the owner substitutes the outgoing ship with a replacement vessel of military value.
- Eliminates the current citizenship-based priority system for the award of operating agreements to the 47 vessels participating in the Maritime Security Program as of December 31, 2004.
- Gives high priority to the 47 vessels currently in MSP (as of December 31, 2004) for participation in the new program.