

**VISA EXECUTIVE WORKING GROUP (EWG)
MEETING MINUTES
3 March 2016**

NOTICE

The Executive Working Group (EWG) consists primarily of representatives from the Department of Defense (DoD), the Department of Transportation (DOT) and the transportation industry. The purpose of the EWG is to provide a forum for the exchange of information between government and industry pertaining to the readiness of the national defense transportation enterprise to respond to crisis. By making the minutes of EWG meetings available electronically, DoD, DOT, and the NDTA promote other forums for the exchange of information. DoD invites interested parties to comment on issues considered at EWG meetings, to provide additional information, or to request further information.

MEMBERS

<u>Organization</u>	<u>Telephone</u>
American President Lines, Ltd	(202) 496-2484
American Roll-On Roll-Off Carrier, LLC	(201) 307-1626
Central Gulf Lines, Inc./ Waterman Steamship Corp.	(504) 593-8394
Crowley Maritime Corporation	(305) 470-4098
Farrell Lines, Inc.	(703) 351-0125
Foss International, Inc.	(206) 315-3537
Hapag-Lloyd USA, LLC	(813) 276-4698
Intermarine, LLC (Patriot Shipping)	(281) 885-3500
Liberty Global Logistics LLC	(516) 488-8800
Matson Navigation Company, Inc.	(415) 957-4200
Maersk Line, Limited	(703) 351-0124
Overseas Shipping Group, Inc.	(212) 953-4100
Pasha Hawaii Transport Lines, LLC	(415) 927-6400
Seafarers International Union	(301) 899-0675

MEETING SUMMARY

1. Opening Remarks - meeting opened with remarks by LTG Stephen Lyons and Mr. Kevin Tokarski. LTG Lyons welcomed RADM (Ret.) Buzby, President, National Defense Transportation Association (NDTA) and Ms. Michelle “Missy” Donnelly, The Pasha Group, to the EWG.

LTG Lyons noted that four ships and ~175 mariner jobs associated with these ships have left the VISA program since the July 2015 EWG and it is critical that we remain focused on the decline of the U.S. Flag fleet and international shipping capabilities. LTG Lyons stated that the Commander, U.S. Transportation Command is keenly interested and fully understands

that we, DoD, cannot do our job without our commercial partnerships.

RADM (Ret.) Buzby announced the NDTA Fall Meeting will be 31 Oct-3 Nov 2016 in St Louis. The proposed schedule already has double the number of University Day courses as last year. More information to come.

2. Maritime Administration (MARAD) Update - briefed by Mr. Kevin Tokarski, Mr. Bill McDonald and Mr. Mike Hokana
 - a. MARAD discussed engagements with Capitol Hill to emphasize the importance of not just Food Aid but all cargo available to U.S. flag vessels.
 - b. The National Maritime Strategy is with the Office of Management and Budget (OMB). Next step will be public comments.
 - c. Mr. Anthony Fisher was hired to oversee the Maritime Security Program (MSP) and Cargo Preference Programs; Bill McDonald is the new director of Sealift Support and David Tubman is the new Chief Counsel.
 - d. A Federal Register notification covering cargo Preference and compliance requirements for all federal programs is forthcoming.
 - e. MARAD evaluating options for potentially one or more open slots in MSP.
 - f. MSP - Carriers concerned over difference in FY16 Omnibus authorization and future appropriations. FY16 appropriated for \$3.5M per vessel.
 - g. FY16 Omnibus contained an MSP authorization of \$4.9M for FY17, Presidents FY17 Budget Proposal requested \$3.1M.
 - h. MARAD is addressing the MSP funding discrepancies with congress.
 - i. MARAD estimates the need for ~45 additional U.S. flag vessels to maintain the mariner base to provide assurance there are sufficient mariners for sustained activation of the reserve fleet.
 - j. MARAD announced the repeal of the "Clinker" Memo in Dec 2015. The repeal mandates the Federal Highway Administration use the Cargo Preference Act for all Federal-aid projects awarded after Feb 2016. MARAD unable to project the expected volume of cargo as a result of the repeal.
 - k. MARAD is reviewing DoD contracts that involve ocean shipping to ensure contracting officers understand cargo preference requirements. MARAD announced the creation of online educational modules for contracting officers. TCAQ suggested MARAD work with DoD schools to educate contracting officers early in their careers.
 - l. Carriers concerned about cargo preference enforcement. Carriers inquired about enforcement and penalties for agencies going outside cargo preference. MARAD indicated the cargo preference rule making will address this issue.
3. Labor/Industry Topics - briefed by Industry
 - a. Bulk Oil Market - Mr. Eric Smith, Overseas Shipholding Group. The stipend has been flat for seven years; industry recommends \$5M stipend as soon as possible.
 - b. International Ro/Ro Market Conditions - Mr. Eric Ebeling - American Roll-on Roll-off Carrier

- (1) Globally there are 500-600 Ro/Ro's in the market. Order books light. Overcapacity causing downward pressure on rates.
 - (2) Back to 2007-2008 car buying level in the U.S. but mining/agriculture/oil & gas sectors are all down.
 - (3) U.S. flag Ro/Ro's dependent on preference cargo.
 - (4) Carriers expressed concerns over commercial first policy and activations of Ready Reserve Force (RRF) vessels.
 - (5) LTG Lyons stated that activations are the exception.
- c. Multi-Purpose Market Conditions - Mr. Will Terrill - Intermarine, LLC
 - (1) Declines in the oil & gas market have had a negative impact on the multi-purpose market. No new exploration and less equipment being moved.
 - (2) Average age of the multi-purpose fleet is 15 years.
 - (3) Multi-purpose market is seeing historical lows in preference cargo in conjunction with poor international market conditions.
 - (4) Scrapping of vessels in 2016 and 2017 may aid in bringing market into equilibrium.
- d. Domestic Market Conditions - Ms. Missy Donnelly – The Pasha Group
 - (1) Jones Act trade robust and healthy.
 - (2) Positive outlook, investments in Jones Act is good for U.S. shipyards.
 - (3) ~\$3.5 billion in Jones Act investments by VISA participants.
- e. GSA Audits – Industry addressed the issue of GSA implementation of the audit authority over transportation contracts and the resulting deduction of payments without their knowledge. LTG Lyons asked TCJA to review and provide information on where discrepancies exist and the dollar amount of money.
 - f. Universal Services Contract (USC) 8 Information Technology (IT) requirements were addressed by the carriers. Carriers asked for clarifications on the use of “For Official Use Only” (FOUO) on government e-mails.
- 4. TCJ3 Update - briefed by COL John McCoy (TCJ3-S)
 - a. USTRANSCOM and MARAD will host a Joint Planning Advisory Group (JPAG) in February 2017.
 - b. JPAG will examine the surface lift requirements of an emerging and challenging scenario and analyze DoD contingency sealift requirements.
- 5. Liner Forecast - briefed by Mr. Brad Eastman (TCJ4-LS)
 - a. Provided annual forecast by customer.
 - b. EUCOM increases will not offset CENTCOM decreases in the short term.
 - c. AFRICOM requirements undefined.
 - d. Minimal demand for multi-modal solutions.
 - e. Services are seeking efficiencies in transportation.

6. Legislative Update - briefed by Mr. Kurt LaFrance (TCCC-LA)
 - a. Provided update on Capitol Hill environment.
 - b. National Defense Authorization Act (NDAA) FY2016 authorized MSP at \$210M.
 - c. Consolidated Appropriations Act 2016 (Omnibus Bill)
 - (1) MSP Funding FY2016 set at \$210M or \$3.5M per ship.
 - (2) MSP Authorization of \$4.9M per ship for FY17, \$5M for FY18-20, and \$5.2M FY21. Authorization is subject to annual appropriations.
7. OSD Transportation Policy Update - briefed by Ms. Lisa Roberts
 - a. FY2017 DoD Budget request \$582B
 - b. Mr. Berteau (ASD L&MR) and Mr. Peters (DASD L&MR) departing March 2016.
 - c. Mr. Kendall (USD AT&L) priorities:
 - (1) Support current operations
 - (2) Efficiencies
 - (3) Health of the industrial base
 - (4) Protecting the future
8. Surface Deployment and Distribution Command (SDDC) Update - briefed by Mr. Tye Beasley. Mr. Beasley provided an update to SDDC decentralized booking operations process. It was noted the Invoice Processing Portal should go live on 1 May 2016.
9. Military Sealift Command (MSC) Update - briefed by Mr. John Thackrah
 - a. MSC Change of Command summer of 2016. RADM Mewborne will replace RADM Shannon.
 - b. Transition of MSC HQ from Washington, DC to Norfolk, VA will be complete middle of 2017.
 - c. Mariner shortages getting better. Increase in number of mariners coming from oil rigs in Gulf of Mexico as offshore industry slows down. MSC implemented a part-time mariner program and is working with U.S. Coast Guard and MARAD on the military to mariner program to increase the pool of mariners.
10. TCJA Update – briefed by Mr. Toby Harryman (TCJA)
 - a. Request for Equitable Adjustment (REA) and Transportation Discrepancy Reports (TDR). USTRANSCOM established a REA/TDR Fusion Cell to provide single manager responsibility for claims in the DTS. The objective of the fusion cell is to reduce processing times, improve satisfaction, and standardize requirements and process for customer and commercial claims.
 - b. Industry concerned about the length of time required to resolve REA/TDR's.
11. Wrap up/Review the Taskers. See Attachment 3 for tasks stemming from this EWG. Industry inquired into having the VISA EWG meeting rotate between the carrier facilities as

was done in the past. The meeting would allow the carriers to provide a first-hand look at their facilities.

12. Review/Amend EWG Schedule. Current schedule shows the following dates:

Scheduled Meetings: 23 Feb 2017 – Location TBD

13. Closing Remarks.

- a. LTG Lyons closed the meeting.
- b. Meeting adjourned.

UPDATES/CORRECTIONS

Please use the USTRANSCOM ERC point of contact listed for updates or corrections to these minutes.

ATTACHMENTS

1. Tasks

TASK	LEAD	UPDATE DUE
1. TCJA review of GSA Audits to identify where there are discrepancies.	TCJA ASSIST: TCAQ	29 April 2016
2. TCAQ review USC-8 IT security requirements. Determine if government e-mails containing FOUO markings prohibit commercial carriers from obtaining information.	TCAQ ASSIST: TCJ3-FP	29 April 2016