

Maritime Administration

Draft Strategic Plan

1998-2002

December 1997



**U.S. Department
of Transportation**
**Maritime
Administration**

MESSAGE FROM THE ADMINISTRATOR

My Fellow Employees,
Our Partners in Government and Industry,
and the American People:

The Maritime Administration's 1998-2002 Strategic Plan sets forth the mission, goals and specific actions that the Agency will pursue in implementing our statutory mandates, which are to ensure the availability of: efficient water transportation service to American shippers and consumers; an adequate shipbuilding and repair base; efficient ports; effective intermodal water and land transportation connections; and sufficient intermodal shipping capacity for use by the Department of Defense in time of national emergency. This Strategic Plan provides our direction into the 21st Century as we strive to meet the challenges and changes facing the maritime industry, the Federal Government, and the economic and national security of the Nation.

The massive increase in commercial waterborne commerce and passenger traffic projected for the future, as well as the increasing reliance of the U.S. military on commercial transportation systems, demands that we plan wisely now for these requirements. By focusing our efforts on the strategic areas of national security, shipbuilding, intermodalism, and trade, MARAD's Strategic Plan also supports the strategic goals of the Department of Transportation.

Taken together, MARAD's strategic goals, legislative mandates, and program activities -- coupled with performance planning -- constitute a blueprint for joining the public and private sectors into a partnership to fulfill MARAD's mission. However, the blueprint is not "carved in stone." MARAD's strategic goals and priorities will evolve over time as current goals are met, new domestic and international policy objectives emerge, and the needs of our customers change in response to competitive market conditions. The Agency's performance planning process provides for the periodic review of its strategic goals to respond to the mandates of Congress, the Administration, the maritime industry, and its customers and suppliers.

The achievement of our mission depends upon our commitment to our goals, working effectively with Congress and our partners in government and in the private sector, and most of all, on the dedicated employees in MARAD. I look forward to working with all of you to realize our goals.

Sincerely,

John E. Graykowski
Acting Maritime Administrator

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**MARITIME ADMINISTRATION
DRAFT STRATEGIC PLAN: 1998-2002**

I. INTRODUCTION

From the Nation's founding, the U.S. maritime industry has worked to keep America prosperous and secure. Since 1789, every Administration and Congress has recognized that America's status as a maritime Nation must be preserved. As we approach the 21st Century, the intent and purposes of the Merchant Marine Act of 1936 -- the key legislation in the series of maritime laws enacted over the decades -- continue to serve the Nation well. Section 101 of the Act declares that it is U.S. policy to foster the development and encourage the maintenance of a merchant marine:

(a) sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and import commerce of the United States..., (b) capable of serving as a naval and military auxiliary in time of war or national emergency, (c) owned and operated under the United States flag by citizens of the United States insofar as may be practicable, (d) composed of the best equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel, and (e) supplemented by efficient facilities for shipbuilding and ship repair.

Dramatic changes are occurring in maritime transportation, which moves approximately 95 percent of the Nation's international commerce (measured by tonnage). Two indicators of these changes are a predicted seven- to ten-fold increase in international waterborne commerce by 2050 (currently over 2 billion metric tons per annum) and manifold increases in transport productivity (30 ships can carry today in a year what it took well over 100 ships to carry 30 years ago).

A major challenge ahead is to ensure that infrastructure improvements will be in place when needed to support projected U.S. trade growth, and that sufficient trained personnel will have the tools necessary to increase efficiency while improving safety and value of services.

II. SCOPE OF THE U.S. MARITIME TRANSPORTATION SYSTEM

The American maritime transport system encompasses a national and global network of navigable ocean (domestic and foreign), lake, river and inland waterway routes; the vessels that carry waterborne commerce, such as general cargo ships, tankers, dry bulk carriers, tugs, barges, and ferries; a complex of ports and terminals serving as intermodal points of transfer from the water system to the land-based modes; shipbuilders and ship operators; an extensive supplier base; and shipboard, shipyard, and longshore labor forces.

As of October 1, 1997, the U.S. merchant marine -- the fleet of privately owned, U.S.-registered ships in foreign and domestic trades -- totaled 356 vessels (286 oceangoing ships and 70 large Great Lakes vessels) with a capacity of approximately 15 million deadweight tons (dwt). In addition, during 1996, approximately 33,000 cargo carrying vessels and 8,000 tugs, ferries, passenger, and supply boats served the inland waterways, Great Lakes and coastwise trades. Overall, the U.S. water transportation industry employs over 170,000 people on board ships and in supporting shoreside occupations. An additional 34,000 production workers are employed in the major shipyards, and thousands more work in smaller shipbuilding and ship repair facilities.

Foreign Trade

The United States is the world's largest trading nation, accounting for nearly 20 percent of world oceanborne trade. For several decades, the U.S. maritime industry has struggled to compete effectively in the international shipping market, and currently 3 percent of U.S. foreign waterborne trade is carried by our merchant fleet.

Table 1

U.S.-Flag Share of U.S. Oceanborne Trade
Millions of Long Tons
Selected Years, 1970-1996

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1995</u>	<u>1996</u>
Total Trade	473.2	772.2	853.9	956.0	959.8
U.S.-Flag	25.2	28.2	34.6	32.0	28.3
Percent U.S.-Flag	5.3	3.7	4.1	3.3	3.0

Even though the share of U.S. foreign trade carried by U.S.-flag vessels has declined, the quantity of cargo carried by our fleet generally has increased -- from 25.2 million long tons in 1970 to 28.3

million long tons in 1996, a 12.5 percent increase. The absolute increase in cargo carried on U.S.-flag vessels reflects the deployment of larger, more productive U.S.-flag vessels since the 1970s.

The U.S. merchant marine has consistently been a leader in innovations and technology development in the quest for lower transportation costs and improved service to shippers. U.S.-flag vessel operators have achieved dramatic productivity increases through innovation, creative application of modern technology, and the introduction of efficient intermodal systems that employ large, fast ships with relatively small crews. Since the demand for transportation services is derived from the demand for the goods transported, economic growth is clearly promoted by the availability of efficient transportation services. In the coming years, the pressures of competing in an international marketplace will demand a wider range of services and cooperative relationships with other transportation service providers in order to survive.

Despite the achievements of the U.S. maritime industry, U.S.-flag ship operators continue to face substantial competition from foreign operators who match or better our productivity, and who enjoy substantially lower operating and capital costs resulting from tax benefits in flag-of-convenience countries, lax standards of construction and maintenance, and the employment of inexpensive labor from lesser developed countries. Given these conditions, the role of government in assuring a U.S.-flag presence and protecting national interests will need to be addressed in the years ahead.

Domestic Shipping

Domestic shipping includes commerce on the Great Lakes, the inland waterways, and in the domestic ocean trades. The domestic system of water routes includes over 25,000 miles of inland, intracoastal and coastal waterways; the Great Lakes; the 2,300-mile St. Lawrence Seaway; and an extensive waterborne network that provides deep-draft navigation connecting our coastal cities and our offshore and non-contiguous states and possessions. Over 1 billion short tons of cargo move annually in the domestic trade. Domestic water carriers move more than 24 percent of the cargo in America annually on a ton-mile basis, at less than 2 percent of the entire domestic freight bill (\$422 billion in 1995). U.S. domestic waterborne shipping generates \$8 billion in annual freight revenue. Domestic shipping serves over 90 percent of the U.S. population and carries approximately 65 million passengers each year on domestic vessel cruises and passenger ferries. Approximately 124,000 people are engaged in a variety of domestic shipping-related activities, including an estimated 80,000 employed in seafaring and non-seafaring positions on board U.S.-flag vessels operating in the coastwise and inland waterway trades.

Ports

There are 355 ports in the United States that handle cargoes at some 4,000 marine terminals. Of these ports, 150 (42 percent of the total) account for 99 percent of the cargo tonnage. Ports and marine terminals are the interchange points between the various transportation modes. While the surface modes generally provide efficient service, much effort is being directed to the

improvement of interchange points. The importance of these intermodal interchange points has been recognized in the National Highway System Designation Act of 1995, which identified 240 connectors between the 150 port and marine terminals that handle nearly all U.S. waterborne freight and the Nation's highway system. The predicted growth in international waterborne commerce will place increasing demands on U.S. ports which tie America to the rest of the globe. The U.S. port infrastructure is critical for our access to overseas markets and our engagement in world affairs, including the protection of U.S. national security interests.

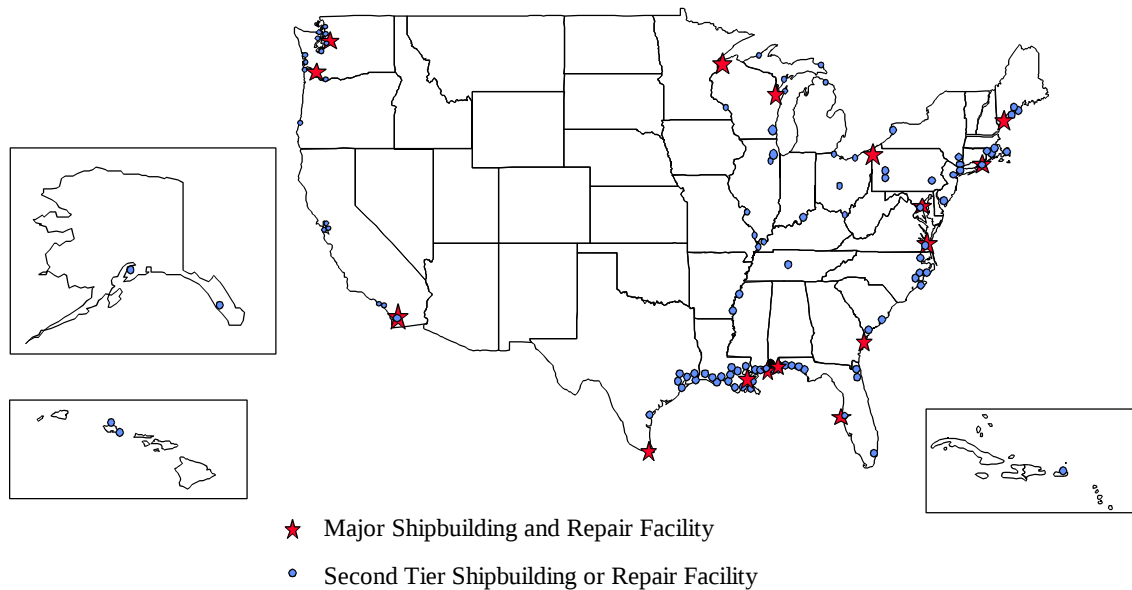
Shipbuilding and Repair

The United States shipbuilding and repair industry is an aggregate of more than 280 privately owned facilities that range from small yards to some of the largest, most modern shipyards in the Western world. These facilities are located in more than 150 cities, in 30 states and Puerto Rico (see Figure 1). Eighteen of the U.S. facilities comprise the Major Shipbuilding Base (MSB). The MSB includes shipyards having at least one shipbuilding position consisting of an inclined way, a launching platform, or a building basin capable of accommodating a vessel of at least 122 meters in length. With few exceptions, these shipbuilding facilities are also major repair facilities with drydocking capability. As of January 1, 1997, the total production workforce in commercial shipyards in the MSB was 34,591 -- of which 3,974 were engaged in constructing vessels for commercial operations. Second-tier shipyards, comprising small or medium-size facilities, engage primarily in the construction of vessels for use on the inland and coastal waterways as well as for foreign markets.

Figure 1

SHIPBUILDING AND REPAIR FACILITIES IN THE UNITED STATES

October 1997



State	Number of Facilities	State	Number of Facilities
Alaska	2	Mississippi	25
Alabama	14	North Carolina	4
California	24	New Jersey	4
Connecticut	3	New York	9
Florida	18	Ohio	6
Georgia	1	Oregon	8
Hawaii	5	Pennsylvania	3
Illinois	3	Puerto Rico	1
Indiana	1	Rhode Island	4
Kentucky	2	South Carolina	3
Louisiana	45	Tennessee	1
Massachusetts	6	Texas	28
Maryland	2	Virginia	14
Maine	9	Washington	22
Michigan	6	Wisconsin	8
Missouri	3		

Historically, U.S. shipyards have built some of the finest commercial and Naval ships in the world. With the end of the construction-differential subsidy (CDS) program in 1981, construction of large commercial ships in the United States virtually vanished, especially for ships 1,000 gross

tons (GT) and over. An ambitious Navy building program in the 1980s, larger than any other since World War II, provided a temporary offset to the loss of commercial shipbuilding opportunities for U.S. shipyards.

There are strong indications that the U.S. shipbuilding industry is moving into a new era where it is reemerging as an active participant in the international commercial shipbuilding market. This improvement is due in part to the National Shipbuilding Initiative (NSI), a comprehensive plan developed by the Clinton Administration and Congress to enable domestic shipyards to compete more effectively in the international shipbuilding market.

Under the NSI, the Maritime Guaranteed Loan program was extended to include qualified vessels being constructed in the United States for export and to U.S. shipyards for modernization and improvement projects. In the four fiscal years since the passage of the NSI, \$2.1 billion in guarantees have been approved for 44, mostly multi-vessel, construction projects and \$0.6 billion for six shipyard modernization programs with a combined contract value of \$2.7 billion.

The U.S. shipyard orderbook for commercial self-propelled vessels (excluding naval and fishing vessels) has shown significant improvement since the NSI was launched in 1993. At the end of FY 1993, the orderbook of vessels over 100 GT stood at 48 ships (72,528 GT). By October 1, 1997, the U.S. shipyard commercial orderbook stood at 182 ships (639,217 GT); 108 of these were 1,000 GT or greater. In addition, numerous smaller vessels not captured in the orderbook data (e.g., barges, inland equipment and offshore service vessels) were on order in U.S. shipyards.

III. THE MARITIME ADMINISTRATION

It is the mission of the Maritime Administration (MARAD) to build on our maritime heritage and strengthen the maritime industry for the continued security and prosperity of the Nation.

MARAD, an agency of the U.S. Department of Transportation (DOT), has primary federal responsibility for ensuring the availability of efficient water transportation service to shippers and consumers. MARAD also seeks to ensure that the United States enjoys adequate shipbuilding and repair service, efficient ports, effective intermodal water and land transportation connections, and sufficient intermodal shipping capacity for use by the Department of Defense in time of national emergency. MARAD's strategic goals guide the Agency in carrying out its mission in four ways:

- C advancing the capabilities of the maritime industry to provide total logistic support to the military services during war or national emergencies, and maintaining a standby National Defense Reserve Fleet including a surge component, the Ready Reserve Force, to support emergency and national security sealift needs;
- C assisting U.S. shipyards to become more competitive in world shipbuilding markets;
- C improving the effectiveness and efficiency of ports and all other marine segments of the U.S. intermodal transportation system; and,
- C providing support to the U.S. merchant marine to help it achieve competitiveness in international trade.

IV. LEGISLATIVE MANDATES

The legislative mandates described below provide direction and authority for MARAD to support and maintain a maritime transportation system that serves America with American ships and American labor in domestic and foreign commerce. These laws embody policy objectives identified by Congress, and guide the Agency in formulating its strategic goals.

The primary legislative authority governing MARAD's role in maritime transportation is the **Merchant Marine Act of 1936** mentioned previously. While the following list of additional laws is not all-inclusive, the authorities included clearly provide the basis for defining MARAD's mission and strategic goals.

Maritime Security Act of 1996 (P.L. 104-239) -- On September 24, 1996, Congress passed the Maritime Security Act of 1996, and on October 8, 1996, the President signed this Act into law (Public Law 104-239). The Maritime Security Act establishes the Maritime Security Program (MSP) under Title VI of the Merchant Marine Act of 1936. The Maritime Security Program is intended to ensure that an active U.S. merchant fleet, and the trained personnel needed to operate both active and reserve vessels, will be available to meet U.S. military requirements for sealift capacity during conflict or in humanitarian and peacekeeping missions. The MSP will also ensure America's continued presence in the movement of U.S. import and export commerce.

National Shipbuilding and Shipyard Conversion Act of 1993 (P.L. 103-160) -- This Act, enacted as part of the Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), established the National Shipbuilding Initiative to support the shipbuilding industrial base for national security objectives and to reestablish the United States shipbuilding industry as a self-sufficient, internationally competitive industry. The program is administered by MARAD. Additionally, the Secretary of Defense, acting through the Director of the Defense Advanced Research Projects Agency (DARPA), consults with MARAD and other affected parties on the development and transfer to the private sector of dual-use shipbuilding technologies; ship repair and shipbuilding management technologies; assessments of potential markets for maritime products; and recommendations of industrial entities, partnerships, joint ventures, or consortia for short- and long-term manufacturing technology investment strategies. The NSI also gives MARAD the authority to enter into shipbuilding loan guarantee obligations for eligible export vessels and for shipyard modernization.¹

¹ The Coast Guard Authorization Act of 1996 permits MARAD to issue a guarantee or commitment to guarantee obligations under the Maritime Guaranteed Loan (Title XI) program to assist in the reactivation and modernization of any shipyard in the United States that was closed on the date of enactment. Additionally, the Act provides MARAD with new authority to recover more efficiently and completely upon the default of a loan backed with a Title XI guarantee.

The Merchant Marine Act of 1920 requires that cargo moving between U.S. ports be transported in vessels built and documented in the United States and owned by U.S. citizens (Section 27, the "Jones Act"). This Act also requires MARAD to promote, encourage and develop ports and transportation facilities in connection with water commerce; investigate the causes of congestion of commerce at ports and identify possible remedies; examine marine terminal operating practices; and, advise local communities as to the type and location of port facilities (Section 8).

The Merchant Ship Sales Act of 1946 authorizes MARAD to maintain a National Defense Reserve Fleet, of which the Ready Reserve Force is a component, to support military sealift requirements.

The Cargo Preference Act of 1904 requires that all items procured for or owned by U.S. military departments and defense agencies be carried exclusively on U.S.-flag vessels available at the same rates as commercial shippers and not otherwise unreasonable.

The Cargo Preference Act of 1954 requires that at least 50 percent (by weight) of all Government-generated cargoes be shipped on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates. (These cargoes are generally agricultural commodities moving under P.L. 83-480, and Agency for International Development relief cargoes.) The **Food Security Act of 1985** increased the U.S.-flag requirement from 50 to 75 percent for shipments of certain agricultural foreign assistance cargoes: Titles I, II and III of P.L. 83-480; Section 416 of the Agricultural Act of 1949; and, the Food for Progress Act of 1985.

Public Resolution 17 (73rd Congress) requires that all cargoes generated by agencies which provide loans to promote exports, such as the Export-Import Bank, be shipped on U.S.-flag vessels, unless a waiver is granted.

The Shipping Act of 1916 authorizes MARAD to regulate the sale of U.S. vessels to non-U.S. citizens, and the transfer to foreign registry of ships owned in whole or part by U.S. citizens.

Intermodal Surface Transportation Efficiency Act (ISTEA) was enacted by Congress in 1991 to develop a National Intermodal Transportation System that is economically efficient, environmentally sound, provides the foundation for the Nation to compete in the global economy, and will move people and goods in an energy efficient manner. ISTEA establishes criteria for developing the National Highway system and calls for improved access to ports and airports, the link to international commerce.

National Defense Authorization Act (P.L. 106-160, Section 2927) provides for the conveyance of surplus federal property to public entities for use in the development or operation of port facilities.

The Defense Production Act of 1950 (DPA) and related Executive Orders provide authority to plan for defense mobilization and emergency preparedness of merchant shipping, including the establishment of priorities, allocations, and voluntary agreements. Under the DPA, MARAD identifies staging areas and berths in specific strategic defense ports, and ensures that a defense agency may use these facilities in a deployment of military forces. Under the DPA and **Executive Order 12919**, MARAD has entered into a Voluntary Intermodal Sealift Agreement and a Voluntary Tanker Agreement that allow the pooling of essential shipping-related resources for defense purposes. **Executive Order 12656** assigns emergency planning and preparedness functions to the Secretary, and MARAD is delegated the authority to develop national emergency plans and preparedness programs for ocean shipping, ports and facilities.

MARAD also ensures that its facilities and programs comply with various environmental statutes, including, among others, the **National Environmental Policy Act (NEPA)**, the **Clean Air Act**, the **Clean Water Act**, the **Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)**, the **Toxic Substances Control Act**, the **Act to Prevent Pollution from Ships**, the **Ports and Waterways Safety Act**, and the **Pollution Prevention Act**.

V. GOVERNMENT REINVENTION

MARAD's Strategic Plan, as well as that of the Department of Transportation, follows the principles established for Federal Government agencies by the 1993 Government Performance and Results Act (GPRA) and the Administration's National Performance Review (NPR). Together, these mandates will lead to a Federal Government that works better, costs less, and is accountable to U.S. taxpayers much as businesses are to their shareholders.

Government Performance and Results Act

Strategic planning and performance measurement are key management strategies in successful businesses. Under the provisions of GPRA, the Federal government will become more like private-sector businesses by striving to achieve meaningful, realistic and achievable programmatic outcomes. Federal agencies are required by GPRA to prepare a five-year Strategic Plan every three years, and to set annual performance targets to measure progress in achieving strategic goals. The Annual Performance Plan links the strategic goals with specific agency programs that have been established to accomplish those goals. Beginning in Fiscal Year 2000, agencies will also provide Congress with assessments of program performance during prior years, providing feedback to managers, policymakers, and taxpayers as to what was accomplished with public funds. Through GPRA, agencies are being forced to focus more intently on their missions and goals, to align programs and funding to fulfill their mission, and to use performance data to compare expected program effectiveness with actual results.

National Performance Review

The Administration's approach to making federal organizations more performance based and customer oriented focuses on how organizations should work, rather than their specific missions and organization. The NPR combines several theories and practices, including total quality management, privatization, and benchmarking the "best practices" of high-performance private-sector organizations, and state, local and foreign governments. These concepts were selected by Vice President Gore's NPR Task Force to create fundamental change in Federal Government organizations and to improve performance. While the outward reason for reinvention is budget based, in a larger sense it is a response to changes in corporate cultures, technologies, global competition, and public trust. Cost reduction, common sense, competition, performance, partnership and customer service are the core elements of the reform. The result will be a Federal government that delivers great service, fosters partnerships and community solutions, and aligns resources to get the job done with less.

MARAD is committed to both the spirit and the letter of the GPRA and NPR. The Agency's goals, contained in this document, focus on the outcomes that we intend to achieve over the next five years and the actions that we will take to achieve those goals.

VI. THE CHALLENGES AHEAD FOR THE INDUSTRY AND FOR MARAD

In the years ahead, the maritime industry will experience many changes and challenges. Changing demographics and trading patterns, and advances in economic growth, technology development and consumer demand in the United States and throughout the world will create new opportunities for the transportation industry. At the same time, these changes will strain the transportation infrastructure, intensify congestion, and potentially increase transportation-related pollutants and greenhouse gases. As U.S. businesses respond to increasing global competition, there will need to be greater integration of commercial and defense transportation systems, and improved long-range planning among shippers, carriers, consignees and other partners to achieve system reliability, reduce costs and maintain a competitive edge. The transportation infrastructure must be capable of meeting increased demand, including adequate water depths to accommodate deeper-draft ships. Moreover, intermodal freight transportation will also have to be consistently on-time, damage-free, incorporate value-added services for customers, and provide seamless and uninterrupted door-to-door service.

During the time frame of this strategic plan, we anticipate that there will be further consolidations among ship operators to reap efficiencies of scale, scope, and network.² American carriers will continue to own and/or operate both U.S.-and foreign-flag ships in international trade. Those carriers who retain ships under the U.S.-flag will continue to face foreign-based competitors with significantly lower costs due to simple registration procedures, low or nonexistent taxes, and the ability to crew vessels with citizens from lower cost, lesser developed countries. For this reason, the U.S. Coast Guard (USCG), MARAD, and industry are working cooperatively to amend, without diminishing safety, regulations that impose unnecessary burdens on U.S.-based carriers, and adversely affect the cost of capital for the U.S. shipbuilding and repair industry. Ships, particularly containerships serving major liner trades, are expected to increase in size, moving toward a capacity of 10,000 TEUs. New domestic markets will develop for U.S. water transportation services, particularly in the carriage of leisure and commuter passengers, and the movement of freight along our seaboard. The predicted increase in domestic waterborne commerce, with the growing need for construction and repair of coastwise vessels, will also benefit U.S. shipyards.

Shippers, whether commercial or military, will expect more value for their money at the same time that carriers will need to make significant capital investments in new technology and equipment. In addition, transportation service will need to become more integrated across all modes.

The evolution of maritime transportation will also bring change and challenge to the management of Federal maritime programs. More than ever before, MARAD must be able to work in partnership with industry and all levels of government if we are to achieve our vision of a maritime system that serves America with American ships and American labor. MARAD must be

² A carrier can obtain economies of scale by moving more cargo on larger ships to spread fixed operating costs and reduce the shipping cost per unit of cargo. By serving a wider market, the carrier can obtain economies of scope. The carrier can obtain economies of network by offering a wider range of services to its customers.

able to respond to the challenges of a dynamic global economy where trade patterns are shifting, transportation demand is on the rise, congestion is increasing at key ports, and the newest, most efficient ships in the world fleet are unable to enter some U.S. ports because of draft restrictions. We will be better able to meet these challenges, as well as move toward the achievement of our strategic goals, in an environment of stable funding that provides the flexibility to redirect our resources and programs to meet emerging intermodal transportation requirements, and if we work with other transportation modes and stakeholders to achieve a more robust and flexible transportation system.

VII. SUMMARY OF MARAD'S VISION, MISSION, AND STRATEGIC GOALS

The vision statement, mission statement, strategic goals and associated performance goals outlined below were formulated by a team of senior executives and staff throughout the Agency; MARAD stakeholders and employees are now being consulted on the vision, mission and goals. The goals that MARAD has established for itself, along with the strategies that we will employ to meet the goals, carry out the policy priorities identified by President Clinton in his 1997 State of the Union address. Furthermore, the strategies that will be used to achieve MARAD's goals embrace all three management themes articulated in the January 1997 National Performance Review *Blair House Papers*: building effective partnerships with businesses and communities to solve problems, improving customer service to restore America's confidence in government, and reinventing government to get the job done with fewer resources.

Vision Statement

A maritime system that serves America with American ships and American labor.

Mission Statement

Foster a safe and environmentally sound maritime transportation system that promotes national security and economic growth.

Strategic Goals

National Security: Assure an intermodal sealift capability to support vital national security interests.

Shipbuilding: Enhance the competitiveness of the U.S. shipyard industry (including repair and related industries).

Intermodalism: Improve intermodal transportation system performance by applying advanced technology and innovation.

Trade: Increase the U.S. maritime industry's participation in foreign trade, and cargo and passenger movement in domestic trades.

Taken together, MARAD's strategic goals, legislative mandates, and program activities -- coupled with performance planning -- constitute a blueprint for joining the public and private sectors into a partnership to fulfill MARAD's mission. However, the blueprint is not "carved in stone." MARAD's strategic goals and priorities will evolve as current goals are met, new domestic and international policy objectives emerge, and the needs of our customers change in response to competitive market conditions. The Agency's performance planning process provides for the

periodic review of its strategic goals to respond to the mandates of Congress, the Administration, the maritime industry, its customers and suppliers.

VIII. MARAD'S CORE VALUES AND CORPORATE MANAGEMENT GOALS

Underlying the strategic plan are MARAD's core values and corporate management goals. These values and management goals are the most fundamental principles by which we conduct our business. Over time, the strategic plan may change as we adapt to the evolving needs of our economic and national security, and the role the U.S. maritime industry plays in meeting those needs. However, our fundamental principles -- our ideals -- are sincere and enduring. Taken together, our core values and corporate management goals -- who we are -- and our strategic plan -- what we will try to achieve -- form our vision.

MARAD's Core Values

Public Service

- < Our decisions and actions must respond to customer needs.

Honesty and Integrity

- < Public service is a public trust. Loyalty to the Constitution, U.S. laws, and ethical principles transcends personal gain.
- < We act impartially.
- < We adhere to all laws and regulations to ensure equal opportunity for all Americans regardless of race, color, religion, gender, national origin, age, or disability.

Individual Productivity

- < We contribute a sincere effort in fulfilling our duties.
- < Our resourcefulness and efficiency will help us compensate for diminishing financial resources.
- < Frank communication, open debate, and a willingness to listen will help to empower our workforce.

Managed Change

- < Like industry, we must adapt to a rapidly changing domestic and global economy, and to the technological advances that fuel economic growth.
- < We must prepare ourselves for the future and be able to respond to the change that it brings, rather than fear or minimize change.

Teamwork

- < Creativity comes from the diverse knowledge, skills, and abilities of our workforce.
- < Cooperation with industry and outside agencies expands that creativity and will help to ensure more effective, timely and responsible solutions.

MARAD's Corporate Management Goals

With these core values, the men and women who *are* MARAD can meet the challenges ahead. Each individual has a role and a responsibility in accomplishing MARAD's mission. Working together, our diversity of individual skills and experience will foster the creativity and resourcefulness reflecting MARAD's corporate management goals:

Leadership

- < MARAD's senior managers will develop and maintain effective methods to create excellence in organizational performance, and will communicate values, directions and expectations.
- < We will continually learn in order to adapt to changing opportunities and requirements for MARAD as well as our stakeholders.

Restore Public Trust in Government

- < We will continually evaluate the internal management and quality of our programs; where there are problems, we will identify solutions.
- < Whenever feasible, we will identify and adopt the best business practices used in government and private industry.

Deliver Quality Service to Our Customers

- < We will maintain open lines of communication with our customers and develop more effective working relationships with them to better meet their changing needs.

Expand Our Partnerships

- < We will expand our partnerships with the industry and other government agencies to improve the quality of our service and effectiveness of our programs.
- < We will bring together the diverse interests within the U.S. maritime industry to achieve common goals.
- < We will seek intermodal solutions to modal transportation problems and in the process become ONE DOT.

Value our Employees

- < We will provide our employees with a work environment that energizes and allows them to fulfill our mission and achieve our goals, in balance with personal priorities.

Harness Information Technology

- < The Information Age is changing the way we conduct our business. We will harness information technology to improve workforce productivity, maintain communication with our customers, reduce the burdens of paperwork, and improve the effectiveness of our programs.

IX. THE RELATIONSHIP BETWEEN DOT'S AND MARAD'S STRATEGIC GOALS

MARAD's strategic goals are an outgrowth of those of DOT, and as such, success in achieving MARAD's strategic and performance goals will have a direct bearing on the achievement of the Department's goals, as shown below:

<u>DOT</u>		<u>MARAD</u>
National Security: Advance the nation's vital security interests...by ensuring that the transportation system is secure and available for defense mobility....	+ μ	National Security: Assure an intermodal sealift capability to support vital national security interests.
Mobility: Shape America's future by ensuring a transportation system that is accessible, integrated and efficient, and offers flexibility of choices.	+ μ	Intermodalism: Improve intermodal transportation system performance by applying advanced technology and innovation.
Economic Growth and Trade: Advance America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.	+ μ + μ	Shipbuilding: Enhance the competitiveness of the U.S. shipyard industry (including repair and related industries). Trade: Increase the U.S. maritime industry's participation in foreign trade, and cargo and passenger movement in domestic trades.

Both the DOT and MARAD national security goals recognize the importance of the transportation system in achieving the Nation's security interests. Nearly all military cargo that is sent overseas in support of defense or peacekeeping operations moves by water on government-owned or commercial vessels. Integrated transportation service, which includes ports, is vital to the smooth and efficient movement of commercial as well as military cargo. Further, economic growth cannot occur without safe, efficient and cost-effective transportation. All households and businesses, from family-owned farms to multi-national corporations, depend on transportation for their success. Water transportation, in particular, will play an ever greater role in our economy as global and waterborne trade continues to expand.

X. MARAD'S PERFORMANCE GOALS

Strategic Goal: National Security

Assure an intermodal sealift capability to support vital national security interests.

MARAD success in achieving its national security strategic goal will be measured by the following performance goals:

- < *Meet the Department of Defense's (DOD) intermodal sealift requirement of approximately 165,000 TEUs or 15 million square feet of capacity.*
- < *Provide reserve strategic sealift resources to meet DOD surge and other national security requirements by:*
 - 1) *Delivering ships within DOD-assigned readiness timelines 100 percent of the time; and,*
 - 2) *Ensuring that once operational, ships are mission-capable greater than 95 percent of the time.*
- < *Ensure that American mariners with appropriate skills are available to crew commercial and government-owned cargo ships in times of national emergency.*
- < *Maintain strategic U.S. port readiness by ensuring that 90 percent of DOD-designated commercial port facilities and appropriate trained personnel are available to meet national security requirements when requested by DOD.*

How MARAD Will Achieve the Goals:

Increased use of commercial intermodal transportation by DOD, during peacetime as well as during mobilizations, is consistent with U.S. national security sealift policy and reduces the need for the military to support its own more costly, dedicated military transportation system. MARAD's national security goals support DOT's goals to: ensure the readiness and capability of the commercial transportation system to meet national security needs; and to maintain the readiness of DOT's transportation resources to support the President's National Security Strategy and other security-related plans. The actions that MARAD will take to achieve its national security goals are also consistent with those that will be taken to achieve the broader DOT national security goals: formulating cooperative partnerships with other Federal agencies, particularly DOD and the maritime transportation industry, to ensure that the infrastructure is in place to support national security transportation requirements; and, developing the analytical capability to assess national security transportation issues, such as mobility planning and operations, with other security stakeholders. Specifically, MARAD will:

1. **Enter into sealift agreements with DOD and the industry to enhance the delivery of equipment and intermodal transportation services to DOD by utilizing the best commercial practices to meet DOD's needs in a cost-effective manner.** These agreements include the Maritime Security Program (MSP), which provides support for 47 of the most modern U.S.-flag liner vessels (approximately 137,000 TEUs of capacity) and the Voluntary Intermodal Sealift Agreement (VISA), which includes all the capacity enrolled in the MSP, as well as an additional 28,000 TEUs. The MSP assures that an active U.S. merchant fleet, and the trained personnel needed to operate both active and reserve vessels, will be available to meet national security requirements for intermodal sealift capacity to sustain overseas U.S. military forces and allied operations. Further, the MSP helps to maintain America's presence in international commerce in support of MARAD's trade strategic goal.
2. **Undertake joint initiatives with DOD, carriers and maritime labor to ensure rapid crewing of Ready Reserve Force (RRF) vessels during emergencies, increase the efficiency of the fleet sites, and improve evaluations of ship repair contracts to reward the most capable and efficient firms.** The RRF fleet is sized and configured to meet DOD requirements for specific ship types and provides immediate surge capacity, as well as meeting other sealift needs in the event of crisis or war. A consistently high level of operational reliability, which requires extensive coordination among participants through no-notice activations and sea trials, is essential for the RRF to effectively support DOD. MARAD is able to activate the RRF rapidly by maintaining accurate fleet-wide data on RRF vessels and characteristics, requiring the use of commercial contracting practices by RRF ship managers, upgrading the operating status of RRF ships, and conducting more full-power sea trials than in prior years.
3. **Provide leadership in implementing training standards and ensuring the continual renewal of the maritime industry workforce to meet the nation's economic and national security needs.** An adequate workforce of highly skilled and experienced merchant mariners trained to operate today's modern, technologically advanced vessels is critical to our Nation's military as well as commercial transportation needs. MARAD's ongoing efforts in RRF ship activation/crewing exercises with DOD, carriers and maritime labor prepare seafarers for contingencies. In addition, efforts will continue to complete a database of mariners available to crew RRF vessels in an emergency.
4. **Work cooperatively with ports, carriers and DOD to improve the critical interface between the water and surface modes of transportation in the movement of essential cargoes during national emergencies and after natural disasters, while minimizing adverse impacts on the flow of commercial cargo.** MARAD is responsible for the prioritized use of ports and related intermodal facilities during DOD mobilizations, when the smooth flow of military cargo through commercial ports is critical. Following on current initiatives, MARAD, in partnership with the Military Traffic Management Command and the strategic commercial ports, will develop agreements between the

military and the port authority for contingency operations. MARAD and the other partner agencies in the National Port Readiness Network will continue to test deployment plans through strategic port planning exercises.

5. **Participate in joint mobilization exercises, strengthen cooperative partnerships and ensure effective emergency planning and coordination with NATO, DOD, FEMA, and other Federal agencies.** Through the NATO Planning Board for Ocean Shipping, MARAD will continue its leading role in planning for the use of merchant ships to provide strategic sealift support in NATO deployments.

Key External Factors That May Affect Performance:

DOD's post-Cold War mobilization planning is driven by the need to project U.S.-based forces overseas rapidly during military crises. Changes in threat scenarios, including the number and location of the theaters of operation and the amount and type of equipment that would have to be transported, could affect DOD's future sealift requirements. There are also uncertainties in the amount of U.S. commercial sealift capacity that would be available to DOD in the future since the MSP requires annual funding approval. MARAD's ability to achieve its national security goals will also be affected by the level of future Federal and state funding for maritime education and by changes to current laws that support the employment of U.S.-flag vessels and American seafarers in domestic trade. Without a sufficient pool of active merchant mariners, MARAD would be unable to crew the RRF.

Strategic Goal: Shipbuilding

Enhance the competitiveness of the U.S. shipyard industry (including repair and related industries).

MARAD success in achieving its shipbuilding strategic goal will be measured through the following performance goals:

- < ***Attain a stable U.S. commercial shipbuilding orderbook of 540,000 gross tons (GT) by 2002 to sustain the shipbuilding industrial base.***
- < ***Assist U.S. commercial shipyards to construct vessels in ten niche markets (i.e., markets where U.S. shipyards are able to obtain repeat business for a specific vessel type).***
- < ***Increase shipyard industry productivity by reducing the time from the start of fabrication to ship delivery by at least 40 percent between 1998 and 2002.***

How MARAD Will Achieve the Goals:

U.S. shipbuilders, repairers, and marine equipment suppliers need to achieve global competitiveness and increase output so that they remain effective partners in supporting national security. Further, global competitiveness in the U.S. shipbuilding and ship repair industry will help to expand U.S. economic growth and trade, one of DOT's strategic goals. The actions that MARAD will take in support of its shipbuilding strategic goal are also consistent with those that will be taken to achieve the broader DOT economic growth and trade goals: apply advanced design, technology and manufacturing techniques to cut costs and improve marketability; and, work with our partners to reduce trade barriers and open foreign markets to U.S. exports. MARAD's targeted activities are to:

- 1. Continue to implement the National Shipbuilding Initiative (NSI), emphasizing effective management and use of the Maritime Guaranteed Loan Program to leverage private investment in the modernization of U.S. shipbuilding facilities and the construction of vessels in U.S. shipyards.** Currently, a significant portion of the U.S. shipbuilding orderbook of commercial ships over 100 gross tons is financed with the backing of the Maritime Guaranteed Loan Program. Further, MARAD will encourage private investment in the modernization of U.S. shipbuilding facilities, either independently or through the use of the Maritime Guaranteed Loan Program, to enable U.S. shipyards to increase productivity, reduce costs and attract commercial shipbuilding orders.
- 2. Participate in the development of domestic, foreign and international consensus shipbuilding standards to eliminate competitive advantages from foreign national standards and safety rules.**

3. **Partner with industry and other government agencies in the development and deployment of advanced shipbuilding techniques to reduce costs and improve competitiveness.** MARAD will continue to support government-industry partnerships in ship construction research to advance the development and application of modern processes, procedures and technology in order to improve the industry's international competitiveness and to preserve the industrial base.
4. **Working with industry, plan industry-wide conferences in support of NSI objectives.** In cooperation with industry, MARAD will work to expand U.S. shipbuilding markets through international expositions and trade shows and exchanges and meetings with representatives of foreign governments and foreign shipowners.
5. **Maintain the National Maritime Resource and Education Center to provide the industry with a central source of information, promotional support, and reference materials addressing commercial shipbuilding, including shipbuilding standards and guideline specifications.**
6. **Assist in negotiating or expanding membership in international agreements to reduce subsidies and other market barriers to U.S. shipbuilding and repair.**

Key External Factors That May Affect Performance:

The continued subsidization of foreign shipyards by their governments contributes to excess capacity and below-market pricing for ships. These conditions inhibit the ability of U.S. shipyards to compete in the world market. The pending OECD Shipbuilding Agreement would end trade-distorting practices in the world shipbuilding market; however, the agreement has not been ratified by Congress. Unless the agreement is ratified, it is unlikely that rational international commercial shipbuilding policy will be achieved. Other potential factors that could affect the attainment of MARAD's shipbuilding goals include the attempts to permit foreign-built vessels to operate in the domestic waterborne trades, a significant increase in military construction that could hinder the ability of U.S. shipyards to meet commercial shipbuilding schedules, and Government funding of the Maritime Guaranteed Loan (Title XI) program. Anticipated demand for new construction of vessels such as offshore oil rigs and power barges, which are not included in the performance measures, could preclude attainment of the above goals even though shipyards would experience high levels of activity.

Strategic Goal: Intermodalism

Improve intermodal transportation system performance by applying advanced technology and innovation.

MARAD success in achieving its intermodal strategic goal will be measured by the following performance goals:

- < *Increase productivity through technological and manpower efficiencies by 5 percent by the year 2002 by:***
 - 1) Reducing land and waterside access impediments to the flow of cargo through U.S. ports and terminals by 5 percent by the year 2002; and,***
 - 2) Improving cargo handling efficiency in major U.S. ports by 5 percent by 2002.***

How MARAD Will Achieve the Goals:

Constraints to water and landside access represent a major impediment to the integrated and efficient movement of passengers and commerce. The actions that MARAD will take in support of its intermodalism strategic goal are also consistent with those that will be taken to achieve the broader DOT mobility goals: promote partnerships with industry and other government agencies to enhance intermodal cooperation and efficiency; improve technical assistance; harmonize standards to increase interoperability within the transportation system; and, improve the quality and efficiency of the nation's transportation system. Specifically, MARAD will:

- 1. Foster public-private partnerships to improve landside and waterside access to ports and marine terminals, as well as transportation infrastructure, to move freight more efficiently, particularly through the upcoming reauthorization of the Intermodal Transportation Efficiency Act (ISTEA).** MARAD will work with the Intermodal Association of North America, the American Association of Port Authorities, the American Waterways Operators, the U.S. Coast Guard, and the U.S. Army Corps of Engineers to identify inadequate road access to ports, and to streamline the dredging process to reduce constraints to water and landside access. Through these efforts, metropolitan planning organizations can coordinate the needed improvements and funding priorities.
- 2. Develop public-private partnerships to expand intermodal education and training initiatives to meet future intermodal workforce requirements both for national security and peacetime commerce.** These partnerships will seek to improve the efficiency, competitiveness, productivity, safety, and environmental sensitivity of maritime transportation and shipbuilding systems.
- 3. Partner with industry and other government organizations to reduce barriers to intermodal transportation through the adoption of national/international standards.**

MARAD actively supports the U.S. Coast Guard's efforts to shape national and international standards in maritime safety. In 1983, MARAD initiated the Cargo Handling Cooperative Program (CHCP) which was directly responsible for the development of the international standard for automatic identification of freight containers (ISO 10374); MARAD will continue with this and similar efforts to reduce further impediments to intermodal commerce.

4. **Increase the identification, adoption, and implementation of advanced port and intermodal technologies for dual commercial/military use.** MARAD will continue ongoing efforts to advance freight cargo handling, maritime systems and shipbuilding technologies for dual commercial/military use, such as intermodal management and inventory control systems, through the CHCP, the Center for the Commercial Deployment of Transportation Technologies (CCDOTT), and the Intelligent Transportation System (ITS).
5. **Facilitate the conveyance of surplus government properties to the commercial port sector.** MARAD will work with non-Federal public entities, including the commercial ports, to identify and acquire surplus Federal property for use in the development or operation of a port facility. Conveyances create jobs, revitalize local economies and increase maritime port capacity to meet the nation's commerce and defense needs.

Key External Factors That May Affect Performance:

Many factors out of the Government's control affect port performance and efforts to improve the evolving intermodal transportation network. Labor practices could affect cargo throughput. Worse, the benefits that could be reaped through improvements to terminal facilities and road and rail connections are often negated by physical barriers such as inadequate dredging on a timely basis. Environmental compliance requirements pertaining to surface and water transportation, in particular, have slowed efforts to dredge ship channels and berths, for decades in some cases. Reduced funding for improvements to the intermodal transportation infrastructure, as well as the reduction or elimination of funding for research and technology development and implementation, have hindered efforts to improve port performance. Other factors that will affect MARAD's ability to achieve its intermodal goals include: changes in national and international standards for containerized freight transport; changes in trading partners, patterns, and cargo flow (including the volume of international trade); and natural disasters, such as floods, that impede access to ports and terminals.

Strategic Goal: Trade

Increase the U.S. maritime industry's participation in foreign trade, and cargo and passenger movement in domestic trades.

MARAD success in achieving its trade strategic goal will be measured by the following performance goals:

- < ***Increase by 8 percent the volume of cargo moved by water transportation in domestic and international trade.***
- < ***Increase by 5 percent the productivity of U.S. domestic and international waterborne transportation services provided by the U.S. maritime industry.***

How MARAD Will Achieve the Goals:

MARAD will continue to work with trade partners to expand access to foreign markets, as well as to assist the industry in identifying new business opportunities in domestic markets. These efforts are aligned with the strategies to achieve the Department's economic growth and trade strategic goal, particularly the elements directed to working with partners in opening foreign markets and facilitating exports of U.S. products, encouraging transportation industries to use advanced, environmentally friendly technology, and improving the performance of the transportation system as a whole. MARAD will also continue to work with its partners in Federal Government, State transportation departments, the education community and the private sector to strengthen learning and education initiatives, such as through the Garrett A. Morgan Technology and Transportation Futures Program, so that our maritime transportation workforce has the skills to meet the transportation challenges of the 21st Century. MARAD's strategies include:

1. **Negotiate agreements, understandings and arrangements to reduce barriers that restrict access to foreign transportation markets, add to costs, limit revenues, and impede efficient operations of the U.S. maritime industry in international trade; and negotiate reciprocal foreign market access treatment for U.S. carriers in international trade, including landside access to port facilities, the ability to establish connecting truck and rail services, and access to foreign trade cargoes.** U.S. carriers are barred from establishing branch offices in some countries, making it impossible for them to solicit, book and collect payment for cargo. Other countries prohibit foreign companies from owning and operating container terminals and equipment or from providing intermodal services such as trucking and rail transportation. In addition, many foreign governments give substantial direct and indirect subsidies to their national shipyards as a means to foster economic growth and security. MARAD will continue to work with the State Department, U.S. Trade Representative, and Federal Maritime Commission to ensure that international agreements and practices do not place the U.S. maritime industry at an unfair competitive disadvantage in world markets.

2. **Support the U.S. Coast Guard and other regulatory agencies with efforts to harmonize U.S. regulatory standards with international standards.** MARAD is working with the Coast Guard to amend, without diminishing safety, certain ship operating standards and restrictions, for example, crew size and required training and experience. In general, MARAD is increasing its participation in the development of harmonized national and international marine regulatory, institutional, and technological standards, through organizations such as the International Standards Organization (ISO), International Maritime Organization (IMO), American National Standards Institute (ANSI), and American Society for Testing and Materials (ASTM).
3. **Encourage and achieve compliance with Federal maritime trade laws.** MARAD works with Federal shipper agencies to ensure compliance with U.S. cargo preference laws and regulations, encourages such Federal agencies to maximize their use of U.S.-flag vessels or service, and identifies discriminatory, or potentially discriminatory, trade practices against U.S.-flag vessels in the shipment of reserved cargoes.
4. **Form partnerships with industry, state and local governments, and other Federal agencies to assess the potential social, economic, and environmental advantages of increased maritime trade and to identify new business opportunities for U.S. inland, domestic and international waterborne carriers.** MARAD, in cooperation with other transportation agencies, will assess the feasibility of increasing the market share of waterborne commerce, particularly opportunities for reducing rail and highway congestion, increasing fuel savings, and finding environmentally advantageous solutions to transportation problems.
5. **Enter into cooperative agreements with the U.S. maritime industry to improve cargo delivery capability through the application of leading-edge technology to shipboard and shoreside operations.** The Agency will continue to form public/private partnerships through the Ship Operations Cooperative Program (SOCP) and the Cargo Handling Cooperative Program (CHCP) to improve all links in our intermodal transportation system, on land as well as at sea.

Key External Factors That May Affect Performance:

Numerous external factors affect U.S. international and domestic waterborne trade. For example, currency fluctuations arising from global economic forces can cause rapid and large shifts in the volume of U.S. oceanborne foreign trade. Foreign trade practices may restrict the access of U.S. carriers to markets abroad, while in the United States overriding national political and economic considerations may delay actions to reduce foreign trade restrictions and/or to implement retaliatory sanctions, as provided by maritime statutes.

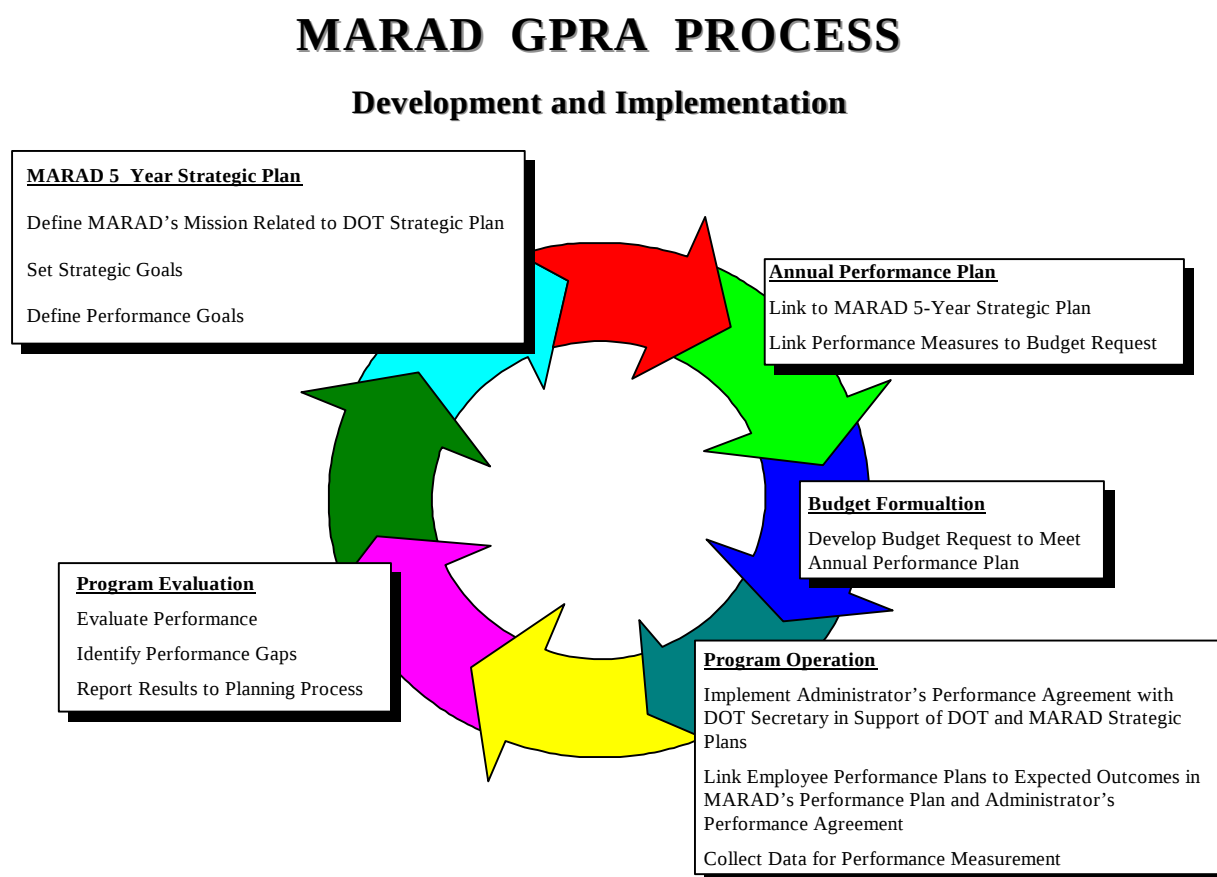
More recently, changes in the ownership of liner shipping companies and the composition of global alliances have led to industry consolidation and a reduction in the number of major liner

carriers, though boosting the size and geographic reach of surviving carriers. At the same time, changes in world trade policies have opened up formerly closed economies to increased foreign trade and allowed a greater portion of that trade to be carried by non-national carriers. Future mergers across modes and across borders could result in major revisions in how transportation business is conducted and regulated. These changes in business practices will affect growth in U.S. waterborne trade. Other factors that may affect the volume of U.S. waterborne trade include: the inability of some U.S. ports to provide adequate waterside access to accommodate the increasingly larger vessels employed by carriers to attain ever greater economies of scale; declining requirements for domestic waterborne crude oil shipments; and, legislation to amend existing reservation laws that support U.S.-flag shipping carriage in international trade and in domestic trade.

XI. IMPLEMENTATION OF THE MARAD STRATEGIC PLAN

To fulfill the long-term goals established in this Strategic Plan, MARAD will become more visionary in its planning and more vigilant in implementing its programs and evaluating the results. The key steps in the process are shown in Figure 2. The process is continual; each phase depends on the flow of information from one step to the next, which improves effectiveness with each fiscal cycle. This approach aims to build a high performance, outcome-oriented organization and is consistent with GPRA requirements.

Figure 2



Planning

The planning phase includes the development of the MARAD Five Year Strategic Plan; the Annual Performance Plan; and the President's annual budget request.

Strategic Plan

The MARAD five-year strategic plan is the starting point, and establishes a set of outcome-oriented strategic and performance goals. The goals are developed based on MARAD's mission and legislative mandates, and align with the strategic goals established in the Department of Transportation's Strategic Plan. MARAD's strategic goals also reflect the views of key stakeholders, including Congress and the Administration, State and local governments, the private sector, Agency employees, and the American public, obtained through reviews and outreach efforts. Stakeholder involvement is important to ensure that our efforts and resources are directed to achieving key results. The Strategic Plan also takes account of the realities of the internal and external conditions that may impact the attainment of our strategic and performance goals.

Annual Performance Plan

The next step involves development of the Annual Performance Plan. The Plan links the long-term goals in the Strategic Plan to more detailed, year-specific performance targets. The Annual Performance Plan also explains in more detail the processes, technologies, resources and data that will be needed to achieve the performance goals and measure the outcomes. The first of these Annual Performance Plans will be submitted to Congress in February 1998, along with MARAD's FY 1999 budget request. In developing the performance measures, MARAD sought to tie the indicators to its strategic goals, respond to competing demands, and propose activities that can demonstrate results within budget constraints.

Performance indicators should accurately measure program results. Some include quantitative indicators -- such as utilization rates, frequency rates and transaction or production rates; others include qualitative indicators -- such as timeliness, reliability, etc.; financial measures; percentage coverage; as well as others. The important factor is that the performance indicators provide a basis for comparing actual program results with the established program goals, and that the measures are outcome, rather than output-oriented.

Annual Budget

The fiscal year budget request seeks sufficient resources for program operation and to enable the agency to meet the targets identified in the Annual Performance Plan. Annual performance goals will be adjusted at the beginning of the fiscal year to reflect the appropriations received from Congress to fund the Agency's program activities during the year.

Program Implementation

This is the phase where both Agency and employee accountability is most evident.

Administrator's Performance Agreement

Each fiscal year, the Maritime Administrator enters into an Annual Performance Agreement with the Secretary of Transportation, which establishes a consensus between the Secretary of Transportation and the Maritime Administrator on the goals that MARAD intends to achieve during the fiscal year in fulfillment of both the DOT and the MARAD Strategic Plans.

Employee Performance Plans

Each employee, in consultation with his/her supervisor, develops an individual annual performance plan, including targets and standards related to Agency programs and the attainment of the strategic goals identified in the five-year Strategic Plan.

Data Collection

Qualitative and quantitative data identified in the Annual Performance Plan and the Administrator's Performance Agreement will be collected as part of ongoing program implementation. Through this information, Congress, the Administration and the American people will know whether MARAD's programs are meeting intended goals. This information will be valuable for the Agency, as well as for the Office of Management and Budget and Congress, in evaluating performance and determining future resource allocation.

Program Evaluation

Although the Agency's programs are informally evaluated on a continuing basis to identify performance gaps, GPRA also requires MARAD to conduct in-depth evaluations of its programs according to recognized research principles. Unlike the past, program evaluation will now focus on the contribution of individual programs to the attainment of the Agency's goals. MARAD will be able to assess what, if any, gaps exist between expected and actual outcomes, identify processes that are in most need of improvement, set attainable improvement goals, and allocate resources to correct problems by feeding back to the planning phase.

During the time frame covered by this Strategic Plan, MARAD has committed to complete an evaluation of its Student Incentive Payment (SIP) program during FY 1998, and to initiate two additional evaluations in FY 1999: Maritime Security Program (MSP)/Voluntary Intermodal Sealift Agreement (VISA) and federally funded maritime education and training. The process will include study design, collection of empirical data, development and analysis of extraneous factors that may have contributed to achievement of the outcome goals, and assessment of the contribution of the programs to the attainment of DOT's and MARAD's strategic goals. These results will then be used to determine whether actions are necessary to improve the performance of the programs.

APPENDIX A PERFORMANCE MEASURES AND DATA SOURCES

National Security: *Assure an intermodal sealift capability to support vital national security interests.*

Performance Goals	Performance Indicators	Data Sources
Meet DOD's intermodal sealift requirement of approximately 165,000 TEUs or 15 million square feet of capacity.	Capacity of ships in MSP Capacity of non-MSP vessels in the Voluntary Intermodal Sealift Agreement (VISA) program	Maritime Administration (capacity of ships and related intermodal/commercial resources enrolled in MSP and VISA)
Provide reserve strategic sealift resources to meet DOD surge and other national security requirements by: 1) Delivering ships within DOD-assigned readiness timelines 100 percent of the time; and, 2) Ensuring that once operational, ships are mission-capable greater than 95 percent of the time.	Number of no-notice activations which met assigned readiness activation compared to number of no-notice activations Number of days each ship meets DOD operational requirements compared to number of days ship is under DOD control	Maritime Administration (Number of days to activate RRF ships and operational reliability data)
Ensure that American mariners with appropriate skills are available to crew commercial and government-owned cargo ships in times of national emergency.	Number of mariners available compared to mariners needed to crew combined sealift and commercial fleets during national emergencies	Maritime Administration (crew requirements for the commercial fleet -- MSP, VISA -- and government-owned organic sealift -- RRF-ROS crews, LMSR, FSS, etc. - -) Coast Guard (mariners who have sailed on other commercial vessels)
Maintain strategic U.S. port readiness by ensuring that 90 percent of DOD-designated commercial port facilities and appropriate trained personnel are available to meet national security requirements when requested by DOD.	Percentage of DOD-designated primary or alternate port facilities that are available to the military Percentage of DOD-designated strategic commercial ports with available longshore labor gangs and skills to simultaneously handle commercial and military requirements Percentage of strategic U.S. commercial ports with two or more certified port readiness managers	MARAD data based on monthly strategic port reports filed by primary port facilities only Other data to be developed

Shipbuilding: *Enhance the competitiveness of the U.S. shipyard industry (including repair and related industries).*

Performance Goals	Performance Indicators	Data Sources
Attain a stable U.S. commercial shipbuilding orderbook of 540,000 gross tons (GT) by 2002 to sustain the shipbuilding industrial base.	Commercial orderbook: Gross tons (GT) of commercial vessels under construction in U.S. shipyards	Lloyd's Ship Particular File
Assist U.S. commercial shipyards to construct vessels in ten niche markets (i.e., markets where U.S. shipyards are able to obtain repeat business for a specific vessel type).	Niche Markets: Number of niches for the U.S. shipbuilding industry	MARAD Shipyard Activity Report
Increase shipyard industry productivity by reducing the time from the start of fabrication to ship delivery by at least 40 percent between 1998 and 2002.	Construction time: Time in months (from start of fabrication to ship delivery) to build vessels in U.S. shipyards	MARAD Shipyard Activity Report

Intermodalism: *Improve intermodal transportation system performance by applying advanced technology and innovation.*

Performance Goals	Performance Indicators	Data Sources
Increase productivity through technological and manpower efficiencies by 5 percent by the year 2002 by: 1) Reducing land and waterside access impediments to the flow of cargo through U.S. ports and terminals by 5 percent by the year 2002; and, 2) Improving cargo handling efficiency in major U.S. ports by 5 percent by 2002.	Average container moves per hour per crane and twenty-foot equivalent units (TEUs) per acre Average tons of cargo moved per worker Container loading times, ship turn-around times, and truck gate delays. Percentage increase in port/terminal throughput Average total cargo handling cost per TEU Number of land (highway and rail) port access improvement projects completed Number of waterside access improvements adopted and implemented	Data to be developed in cooperation with port authorities Negotiated ILA and ILWU contracts Container loading time and cargo handling cost data to be developed Data to be developed from DOT <i>Compendium of Intermodal Freight Projects</i> and U.S. Army Corps of Engineers "Dredging Disposal Actions"

Trade: *Increase the U.S. maritime industry's participation in foreign trade, and cargo and passenger movement in domestic trades.*

Performance Goals	Performance Indicators	Data Sources
Increase by 8 percent the volume of cargo moved by water transportation in domestic and international trade.	Tons of cargo moved by water in U.S. domestic and international trade (million metric tons)	U.S. Army Corps of Engineers Bureau of Census (historical data)
Increase by 5 percent the productivity of U.S. domestic and international waterborne transportation services provided by the U.S. maritime industry.	Average tons of cargo carried per U.S.-flag vessel DWT employed in U.S. international trade Tons of domestic and international cargo carried per employee Tons of cargo carried per net registered tonnage of U.S.-flag vessels employed in domestic trade.	Cargo -- DRI/McGraw-Hill Employment -- MARAD projection based on Department of Commerce historical data U.S. Army Corps of Engineers