

Statement of Deputy Secretary of Transportation Darrell M. Trent before the House of Representatives, Merchant Marine and Fisheries Committee, Subcommittee on Coast Guard and Navigation, with respect to User Fee Legislation, May 19, 1980

Mr. Chairman and Members of the Subcommittee.

I am pleased to appear before you today to discuss the establishment and collection of user fees to recover a portion of the operating costs incurred by the Coast Guard in providing benefits and services on the navigable waters of the United States.

The policy of this Administration is that, wherever possible, Federal transportation outlays should be financed through charges levied directly on the user or immediate beneficiary of the applicable Federal transportation service or facility, as opposed to general taxes levied on the population as a whole. The reasons for this policy are two-fold: equity and efficiency. Those who obtain valuable services from the government or use government funded facilities should pay for them; those who do not, should not be asked to share the cost. For the market to operate as an effective allocator of resources, the prices of goods and services must reflect their costs.

Consistent with this policy, the purpose of our proposed legislation is to establish and collect fees from those specific segments of the general public who are the primary beneficiaries of Coast Guard services. These fees are to be paid into the Treasury of the United States as miscellaneous receipts and will be treated as proprietary receipts of the Department of Transportation. The national defense and law enforcement responsibilities carried out by the Coast Guard benefit the general public, and have therefore been excluded from consideration of user charges.

Let me briefly summarize some of the services provided by the Coast Guard from operating funds:

-- The Recreational Boating Safety Program has as one of its primary objectives assuring the availability of safe boats. To do this, the Coast Guard develops minimum boat safety standards, monitors manufacturer compliance and administers a safety recall or defect notification program under which boat manufacturers could be required to notify owners and correct defects. To assure safety of associated equipment, the Coast Guard administers an approval program for certain types of life saving and safety equipment such as life rafts, personal flotation devices, visual distress signals and fire extinguishing systems. Boaters operating in our navigable waters utilize the thousands of short range aids to navigation established or maintained by the Coast Guard. In addition, a smaller number of boaters utilize the electronic aids to navigation in domestic and international waters which provide an all-weather position-fixing capability.

-- The Search and Rescue system operated by the Coast Guard involves a nationwide organization that receives notice of distress; determines the most appropriate and available type of assistance needed; dispatches ready boats, ships and/or aircraft to render assistance; and, once on scene, provides skilled, trained personnel who can help those in distress. This system is comprised of a communications system, a series of Rescue Coordination Centers, and ready rescue forces on 24 hour alert.

-- The Commercial Vessel Safety Program provides services that increase the safety of commercial vessels. Vessel plans are examined prior to construction to insure that the vessel is built to specified standards. After plan approval, the Coast Guard monitors the construction of the vessel

to see that it is constructed as planned and in accordance with good marine practice. In addition, the Coast Guard determines the minimum level of manning necessary to insure that the vessel is operated in a safe manner, and examines merchant marine personnel acting in these capacities to insure they are professionally qualified. Once the vessel enters service, it is periodically reinspected to ascertain that it is being maintained at a level which will permit its continued safe operation. Marine accidents are investigated to determine the causes and the information gathered is used to help prevent similar occurrences.

-- The Port Safety and Security Program enforces standards and operating practices which help protect the nation's ports, waterways, port facilities and vessels, and persons and property in the vicinity of the ports, from accidental or intentional destruction, damage, loss or injury. It also protects the adjacent resources from environmental harm.

-- The Marine Environmental Protection Program maintains, and where possible improves, the quality of the marine environment by enforcing regulations designed to prevent pollution of the marine environment from accidental or intentional discharges of oil or hazardous substances, ocean dumping, and sewage and waste from vessels. Where pollutants have actually been discharged, the Coast Guard ensures the prompt removal of the pollutant and/or mitigation of its effects.

-- The Coast Guard is the major entity within the Federal government performing icebreaking services. Coast Guard icebreaking services are furnished in the Arctic, Antarctic, Alaska, the Great Lakes, along the nation's rivers, in harbors and along the seacoasts supporting military operations, scientific research and facilitating commerce.

We believe that it is appropriate to recover a portion of the costs incurred in providing these Coast Guard services. As you are aware, Congress, in the 1981 DOT Appropriations Act, required that the expenses of yacht documentation were to be recovered through the collection of fees. In drafting this legislation, and in the rulemaking process which will follow enactment, our aim will be to strike a reasonable balance between equity and administrative simplicity.

Our proposed legislation divides the recipients of Coast Guard services that benefit all users into two basic groups. The first user group includes recreational boats, commercial fishing vessels, and a variety of other commercial vessels, all of which are excluded from U.S. inspection law. Under Section 3 of the Bill, these vessels would display a decal as evidence that they had paid the applicable user fee. The decals will be available for purchase at any U.S. post office. Renewal of the decal would be on an annual basis. Violators would be subject to a civil penalty. The decal would be required only on vessels that use waters over which the Coast Guard has jurisdiction, that is, navigable waters of the United States or waters subject to the exclusive jurisdiction of the United States. Boats used exclusively on waters that are not under Federal jurisdiction and therefore are not recipients of Coast Guard services, would not be required to purchase the decal.

The second user group includes all U.S. commercial vessels subject to inspection laws and foreign vessels. Under Section 5 of the Bill, this group would pay a fee for each entry or arrival into a port of the United States. The fee would be based upon the net registered tonnage of the vessel. The tonnage fee would be paid to the district director of Customs upon entry or

arrival at a U.S. port or place, and would be in addition to any tonnage fees currently collected. The same rate of tonnage fee would apply to U.S. and foreign vessels. Failure to pay the tonnage fee when required would subject the violator to a civil penalty. Customs clearance may be withheld until the penalties are paid or a bond is posted.

Vessels operating on the Great Lakes during the ice season would pay a surcharge on the regular tonnage fee because of the additional icebreaking services. Lower powered vessels would pay a higher surcharge than higher powered vessels. Excluded from the tonnage fee are those commercial vessels engaged in inland waterway transportation which are currently paying the fuel tax imposed by the Inland Waterway Revenue Act of 1978. We are currently developing procedures to collect Coast Guard costs from these vessels which will be consistent with the Administration's inland waterway user fee proposal.

Section 4 of the Bill mandates a direct charge for certain Coast Guard services that benefit specific individuals or businesses, and are in addition to the services that benefit all user groups. These special services consist of vessel inspections, documentation and admeasurement, licensing of officers and certificating of seamen, and the inspection of waterfront facilities and offshore structures. We propose a direct fee based upon the actual cost of the service each time it is provided.

As I am sure you are aware, the Administration did not object to the Gramm/Latta bill which anticipates the recovery in FY 1982 of \$200 million in Coast Guard user fees. From our cost allocation to the various users of Coast Guard services, we have constructed a fee schedule which is designed to recover at least \$100 million in FY 1982. Since this schedule is only a

sample, it is quite possible that the rulemaking process will result in a different fee schedule. In addition, we are beginning this effort using assumptions which will require a period of experience before we have strong confidence in them. All these uncertainties could result in the recovery of amounts approaching the \$200 million anticipated by the Gramm/Latta bill.

As you can see in Section 2 of our proposed bill, our goal by FY 1986 is to recover at least \$500 million which will represent approximately 50% of the Coast Guard's operating costs allocable to users, beginning with at least \$100 million in FY 1982, increasing by at least \$100 million annually to FY 1986.

You have been provided with an illustrative fee schedule. We believe this sample schedule is reasonable and equitable. Use of existing fee collection mechanisms will facilitate administration, and will prevent the fees from engendering an undue administrative burden to the user. We believe that no one will be damaged in business or deterred from use of the national waterways as a result of these fees. The rulemaking process will afford all prospective users an opportunity to comment and communicate their views.

Finally, I would like to explain the sample fee derivation and allocation breakdown. We have historically estimated that there is a 45% - 55% split between the costs of providing services to the first and second user groups. At least \$100 million in fees would accrue in fiscal year 1982, of which approximately \$47 million would be recovered from recreational boats, fishing vessels, and uninspected commercial vessels through the purchase of a decal. Fifty-nine million dollars would be recovered from foreign vessels, U.S. inspected vessels, and maritime industry and inspected offshore and waterfront facilities. Of that \$59 million, about \$18 million

is attributable to direct fees for inspection and issuing licenses and documents, leaving \$41 million to be recovered through the net registered tonnage fee per port entry.

For the first user group, we estimated the number of vessels in each of the several size categories, and the fees were established to recover \$47 million. For the second user group, we estimated the number of port entries and arrivals and the net registered tonnage, and established the fee per net ton to recover \$41 million. A surcharge net tonnage fee for Great Lakes vessels during the ice season was included because of icebreaking costs. The surcharge for lower powered vessels (6 to 1 horsepower to length ratio or less) is more than the charge for higher powered vessels because lower powered vessels generally require a greater level of icebreaking service. The direct fees of \$18 million are based on the cost of providing the various services.

This concludes my prepared statement, Mr. Chairman. I will be pleased to answer any questions you may have.