

STATEMENT

OF

H. E. SHEAR  
MARITIME ADMINISTRATOR

ON

BEHALF OF

THE

MARITIME ADMINISTRATION  
DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON MERCHANT MARINE  
OF THE  
COMMITTEE ON MERCHANT MARINE AND FISHERIES  
U.S. HOUSE OF REPRESENTATIVES

IN SUPPORT OF

FISCAL YEAR 1984 AUTHORIZATIONS

MARCH 2, 1983

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Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you this morning to present the Maritime Administration (MARAD) request for appropriations authority for fiscal year 1984.

Before I address the particulars of the request, I would like to summarize briefly the Administration's activity in the maritime area since I last appeared before this subcommittee. Most recently, we have testified this year in support of new maritime regulatory reform legislation basically similar to that which you introduced in the 97th Congress, Mr. Chairman, and successfully guided through the House of Representatives. It is our hope that final passage of this legislation may be achieved this year.

In addition, during the past year the maritime policy review yielded major Administration statements by the Secretary of Transportation in May and in August. The contents of those statements are now familiar, but it bears repeating that the Administration reaffirmed the sanctity of the Jones Act and of existing cargo preference laws covering U.S.-flag carriage of

Government-impelled cargoes. Also stipulated was support for an increase in the Title XI commitment limit, a portion of which is to be reserved for use in the interest of national security. In addition, the statements call for extension of authority for subsidized operators to build or acquire ships abroad without loss of eligibility for operating differential subsidies (ODS). Another objective stated by the Secretary is the reduction of unnecessary regulation of the shipbuilding and ship operating industries. I won't try to cover here all of the initiatives that have been advanced.

In another development, consistent with the Secretary of Transportation's reaffirmation of Government cargo preference, an agreement of last November between the Departments of Transportation and Energy stipulates not only that the U.S. tanker fleet will receive its 50 percent ton-mile share of oil movements for the Strategic Petroleum Reserve, but that a shortfall in its 1981 share will be made up in future charters. Meanwhile the Navy construction program, and, more particularly, the T-ship program, has generated a number of significant orders for privately owned shipyards. Further, the 26 T-ships are scheduled for manning by private sector civilian crews as they are delivered to the Military Sealift Command.

It is against this backdrop of 1982 maritime progress by the Administration that we project our 1984 authorization request, which calls for the authorization of a total appropriation of \$483,807,000. This comprises \$401,294,000 for operating-differential subsidies, \$11,500,000 for Research and Development, and \$71,013,000 for Operations and Training activities. Some of the details behind these three elements of our request are as follows:

OPERATING-DIFFERENTIAL SUBSIDIES

The Merchant Marine Act of 1936 provides that operating subsidies equal the differential between certain U.S. and foreign ship operating costs. The Operating-differential Subsidy program covers wages, maintenance and repair, some insurance costs, and, for some vessels, subsistence.

The Administration continues to meet its obligations under existing Operating-differential Subsidy contracts. As noted, the appropriation request for Operating-differential Subsidies totals \$401,294,000, to which will be added a carryover estimated at \$38,416,000, yielding a total of \$439,710,000 to cover outlays, which will include \$15,000,000 in payments for prior year operations. As in 1983, the program will support 151 ships, 130 liners and 21 bulk ships.

The outlays for current year operations reflect an increase in the cost of operations (+\$21,244,000), minor adjustments in the subsidized fleets (+\$713,000), and a decrease in prior-year payments (-\$14,300,000).

#### RESEARCH AND DEVELOPMENT

The Maritime Administration's Research and Development program works to make the U.S. shipbuilding and ship operating industries more productive and competitive. Research activities address problems common to U.S. shipyards and operators - problems that individual companies could not undertake within their own limited resources.

The 1984 request for Research and Development is \$11,500,000, which involves a net decrease of \$3,800,000 from the FY 1983 budget of \$15,300,000. The change reflects two factors. First, the completion of the current phase of the Arctic shipping program yields a decrease of \$4,700,000. MARAD has sponsored cost shared Arctic trafficability tests from FY 1979 to FY 1983 in cooperation with the U.S. Coast Guard, the State of Alaska, the Canadian Government, and the Alaskan Oil and Gas Association (AOGA). Sufficient data will have been gathered during these tests to confirm the feasibility of Arctic operations. To the extent that funding may be required for implementation, we

believe that it is appropriate for industry to take the funding lead. The second change from 1983 involves an increase of \$900,000 for an enhanced program in the area of crew size reductions and improvement of ship control in shallow waters.

#### OPERATIONS AND TRAINING

The request for Operations and Training is \$71,013,00, a net decrease of \$7,100,000 from the full year amount provided in 1983.

\$32,655,000 is requested for Maritime Education and Training. Of this amount, \$20,266,000 is requested for the United States Merchant Marine Academy at Kings Point, New York. Increases over the 1983 total include \$633,000 to cover increases in Academy operating expenses, \$1,700,000 for the facilities modernization program and \$261,000 for operation and maintenance of the Academy's small training ship.

\$10,668,000 is requested for financial assistance to the six State marine schools, which are located in California, Texas, Michigan, New York, Massachusetts, and Maine. This involves a decrease of \$7,100,000 from the 1983 total, attributable to the non-recurrence of the 1983 add-on of funds for the repair or

replacement of the ship on loan to the Massachusetts Maritime Academy. The requested funds will provide \$600,000 for direct payments to the schools, \$2,600,000 for student incentive payments, and \$7,468,000 for the maintenance and repair of schoolships.

\$1,721,000 is requested for Additional Training activities, which includes an increase of \$9,000 attributable primarily to increased pay costs.

\$8,048,000 is sought for the National Security Support Capability program, which includes \$6,999,000 for the National Defense Reserve Fleet and \$1,049,000 for Emergency Planning/Operations. This account shows a net increase of \$619,000 for higher operating costs of the program.

Finally, \$30,310,000 is requested for other Operations and Training expenses. These funds provide for program costs, including most agency personnel and overhead costs, plus direction and administration of several agency activities. A net decrease of \$3,222,000 is attributable to a reduction in personnel and associated operating costs offset to a degree by operating cost increases.

This concludes my prepared statement, Mr. Chairman, and I will be glad to answer the Committee's questions.