

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 COMMERCE, SCIENCE AND TRANSPORTATION  
UNITED STATES SENATE  
IN SUPPORT OF  
FISCAL YEAR 1985 AUTHORIZATIONS

APRIL 5, 1984

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Mr. Chairman and Members of the Committee:

The Maritime Administration (MARAD) is charged with promoting the development of the American maritime industry. In the context of the worst slump in shipping and shipbuilding in over 50 years, MARAD has vigorously pursued this goal through efforts at reforming outmoded practices and programs.

Our 1985 request balances the need to meet responsibilities for promotion of the American maritime industry with allowance for overall budget realities. It calls for the authorization of a total appropriation of \$453,480,000. This comprises \$377,750,000 for Operating-differential Subsidies, \$10,000,000 for Research and Development including a deferral and transfer of \$7,000,000 in unused Construction-differential Subsidy appropriation, and \$72,730,000 for Operations and Training. 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

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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. The appropriation request for Operating-differential Subsidies totals \$377,750,000. This will support the operation of 124 liner and 18 bulk vessels. The total is \$25,250,000 greater than the 1984 total of \$352,500,000 for the same account.

#### 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. Our research activities address problems that individual companies could not undertake within their own limited resources and which are beneficial to the maritime industry as a whole, and focus on longer term problems rather than those of an operational nature.

The 1985 request for Research and Development is \$10,000,000 which involves authorization of \$3,000,000 in new appropriations. The \$7,000,000 difference would be an appropriation transfer from unused Ship Construction funds. The requested \$10,000,000

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reflects a reduction of \$1,385,000 from the level of the 1984 appropriation, reflecting a reduction in emphasis on applied research.

#### OPERATIONS AND TRAINING

The request for Operations and Training is \$72,730,000, \$553,000 below the 1984 appropriation.

We are requesting \$34,473,000 for Maritime Education and Training. Of this amount, \$21,940,000 is for the United States Maritime Academy at King's Point, New York. Increases over the amount appropriated in 1984 include \$640,000 for the modernization program, and \$1,034,000 to cover increases in pay and in other operating expenses. Including this requested increase, the modernization appropriation will total \$2,340,000 and will cover the first of two phases of a program to renovate student barracks service areas.

We are requesting \$11,123,000 for assistance to the six state marine schools (California, Maine, Massachusetts, Michigan, New York, and Texas). This total includes \$600,000 for direct payments to the schools; \$2,523,000 for student incentive payments; and \$8,000,000 for scholarship maintenance and repair. The request for student incentive payments reflects a reduction

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of \$77,000 below the 1984 level as the first step in a four-year program to reduce the total number of such payments by 50 percent. The number of U.S.-flag ships and the associated demand for officers has declined since the current quota system was established in the early 1970's. The request for schoolship maintenance and repair includes an increase of \$532,000 for cost increases. No funds are requested for fuel, as we consider it to be a function of the individual States to fund ship operating costs.

I am pleased to tell you that the Maritime Administration has recently purchased the SANTA MERCEDES from Prudential Lines to replace the Massachusetts Academy Schoolship, TS BAY STATE. \$10,000,000 had been carried over from 1983 to acquire and convert a replacement vessel. While no precise estimate is yet available as to what the overhaul and conversion would cost, \$5.8 million remains available for towing, overhaul and conversion of the ship to schoolship configuration. The work will be kept as austere but safe as possible and reasonable for a capable training ship.

Finally, we are seeking \$1,410,000 for the Additional Training Program. This activity encompasses training in shipboard firefighting and diesel engine operation and maintenance as well as the administration of the Merchant Marine Academy and state

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maritime school programs at the headquarters level. The requested funds include an increase of \$38,000, primarily to cover pay increases.

For the National Security Support Capability account we are requesting \$9,111,000. This includes \$7,506,000 for the National Defense Reserve Fleet (NDRF) and \$1,605,000 for Emergency Planning/Operations. An increase of \$635,000 over the 1984 amount is sought for the initiation of a two-year program to construct 11 general purpose workboats for the reserve fleets. An additional increase of \$428,000 is requested to cover pay increases and the escalation of operating expenses in the National Security activities. Each of the two National Security Support Capability programs is directly supportive of the Maritime Administration's national security responsibilities. Finally, \$29,146,000 is requested to cover Other Operating Expenses, that is, expenses incurred for the pay and allowances of our headquarters and region staffs not covered under any of the accounts thus far mentioned, plus headquarters and regional overhead costs. The requested \$29,146,000 is \$783,000 below the 1984 appropriation level for this account as a result of management savings, which will more than offset expected increases in pay and other costs.

Thank you very much, Mr. Chairman.