

STATEMENT
OF
GARY S. MISCH
ASSOCIATE ADMINISTRATOR FOR MARKETING
AND DOMESTIC ENTERPRISE

ON
BEHALF OF
THE

MARITIME ADMINISTRATION
DEPARTMENT OF TRANSPORTATION

AT THE OVERSIGHT HEARING OF THE SUBCOMMITTEE
ON MERCHANT MARINE, HOUSE MERCHANT MARINE
AND FISHERIES COMMITTEE
ON THE MARITIME/AGRICULTURE CARGO PREFERENCE COMPROMISE

DECEMBER 5, 1985

STATEMENT FOR THE RECORD OF GARY S. MISCH, ASSOCIATE
ADMINISTRATOR FOR MARKETING AND DOMESTIC ENTERPRISE, MARITIME
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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON MERCHANT MARINE. MY NAME IS GARY S. MISCH, AND I AM THE ASSOCIATE ADMINISTRATOR FOR MARKETING AND DOMESTIC ENTERPRISE OF THE MARITIME ADMINISTRATION, DEPARTMENT OF TRANSPORTATION. I AM PLEASED TO APPEAR AT THIS OVERSIGHT HEARING ON THE SO-CALLED MARITIME/AGRICULTURE CARGO PREFERENCE COMPROMISE (COMPROMISE) WHICH WAS PASSED BY THE SENATE ON NOVEMBER 23, 1985, AS PART OF THE SENATE FARM BILL.

IN ACCORDANCE WITH YOUR REQUEST, MY TESTIMONY WILL ADDRESS TWO SEPARATE ISSUES PERTAINING TO OUR CARGO PREFERENCE LAWS. THE FIRST IS THE COMPROMISE, AND THE SECOND IS THE ADMINISTRATION OF EXISTING CARGO PREFERENCE LAWS AS THEY AFFECT THE GREAT LAKES. AT THE OUTSET, I WISH TO REITERATE THE PRESIDENT'S COMMITMENT TO THE CARGO PREFERENCE LAWS AS INTERPRETED PRIOR TO THE DISTRICT COURT'S DECISION OF FEBRUARY 21, 1985, IN TRANSPORTATION INSTITUTE V. DOLE. (BLENDED CREDIT CASE). THE TWO MAJOR POLICY ANNOUNCEMENTS MADE BY FORMER SECRETARY OF TRANSPORTATION DREW LEWIS IN MAY OF

1982, WHICH OUTLINED THE ADMINISTRATION'S POSITION ON VARIOUS ASPECTS OF MARITIME PROMOTIONAL POLICY, REAFFIRMED SUPPORT FOR THE CARGO PREFERENCE LAWS. THE ADMINISTRATION CONTINUES TO SUPPORT THOSE LAWS. HOWEVER, AS THE ADMINISTRATION HAS OFTEN STATED, WE DO NOT SUPPORT EITHER AN EXPANSION OR A CONTRACTION OF THE SCOPE OF THESE LAWS AS INTERPRETED PRIOR TO THE BLENDED CREDIT DECISION.

COMPROMISE ON CARGO PREFERENCE

WE UNDERSTAND THAT THE BASIC COMPROMISE WAS WORKED OUT BY REPRESENTATIVES OF THE AGRICULTURE AND MARITIME INDUSTRIES.

AS PASSED BY THE SENATE, THE COMPROMISE WOULD SET FORTH A NEW SUBTITLE C TO TITLE I OF THE SENATE FARM BILL, ENTITLED "EXPORT TRANSPORTATION OF AGRICULTURAL COMMODITIES." THE SUBTITLE ESSENTIALLY PROVIDES THAT THE CARGO PREFERENCE LAWS DO NOT APPLY TO THE COMMERCIAL EXPORT ACTIVITIES OF THE SECRETARY OF AGRICULTURE AND THE COMMODITY CREDIT CORPORATION (CCC) THAT ARE ENUMERATED IN THE LEGISLATION. ON THE OTHER HAND, THE COMPROMISE ALSO PROVIDES FOR THE INCLUSION WITHIN THE PREFERENCE REQUIREMENTS OF THE CARGO PREFERENCE ACT OF 1954 (PUBLIC LAW 664) CERTAIN SPECIFIED NON-COMMERCIAL EXPORT ACTIVITIES OF THE SECRETARY OF AGRICULTURE AND THE CCC.

AS YOU KNOW, PUBLIC LAW 664 GENERALLY REQUIRES THAT 50 PERCENT OF THE GROSS TONNAGE OF THESE CARGOES SHALL BE TRANSPORTED IN U.S.-FLAG COMMERCIAL VESSELS TO THE EXTENT SUCH

VESSELS ARE AVAILABLE AT FAIR AND REASONABLE RATES. FOR THE ENUMERATED ACTIVITIES THAT ARE INCLUDED WITHIN THE CARGO PREFERENCE REQUIREMENTS OF PUBLIC LAW 664, THE COMPROMISE PROVIDES THAT THE PERCENTAGE AMOUNT REQUIRED TO BE TRANSPORTED IN U.S.-FLAG VESSELS SHALL BE INCREASED FROM 50 PERCENT TO 75 PERCENT AS FOLLOWS: INCREASING TO 60 PERCENT IN 1986, 70 PERCENT IN 1987, AND 75 PERCENT IN 1988 AND THEREAFTER. THE OTHER PROVISIONS OF PUBLIC LAW 664 WOULD CONTINUE TO APPLY TO THESE CARGOES.

MR. CHAIRMAN, THE ADMINISTRATION FAVORS NEITHER AN EXPANSION NOR CONTRACTION OF OUR CARGO PREFERENCE LAWS AND IS THEREFORE OPPOSED TO THE COMPROMISE BECAUSE IT IS A COSTLY EXPANSION OF CARGO PREFERENCE AND WOULD CREATE A SUBSTANTIAL ADMINISTRATIVE BURDEN. THE COMPROMISE ESTABLISHES A FUNDING MECHANISM THAT WOULD RESULT IN INCREASED TRANSPORTATION COSTS TO THIS DEPARTMENT AND IS FRAUGHT WITH PAPERWORK AND ADMINISTRATIVE COMPLICATIONS. SECTION 135(A) OF THE COMPROMISE PROPOSAL REQUIRES THAT DUT PAY INCREASED OCEAN FREIGHT CHARGES ON THE ADDITIONAL 25 PERCENT U.S.-FLAG SHARE OF PREFERENCE CARRIAGE. IN ADDITION, SECTION 135(B) REQUIRES DUT TO MAKE A REIMBURSEMENT--A KIND OF PENALTY--TO USDA AND THE CCC IF IN ANY FISCAL YEAR THE TOTAL COST OF OCEAN FREIGHT (INCLUDING FOREIGN-FLAG VESSEL COSTS) AND OCEAN FREIGHT DIFFERENTIAL OBLIGATED BY USDA/CCC EXCEEDS 20 PERCENT OF PROGRAM COSTS.

ALSO, WE DO NOT UNDERSTAND THE RATIONALE FOR SECTION 135(B). THE DEPARTMENT DOES NOT ANTICIPATE THAT WE WILL REACH THE CUT-OFF LEVEL DUE TO THE INTRODUCTION OF NEW COMPETITIVE TONNAGE WHICH SHOULD SLOW THE RATE OF INCREASE FOR THE DIFFERENTIAL. FINALLY, THIS PENALTY PAYMENT MAY NOT EVEN RELATE TO SUPPOSED CARRIER RATE INCREASES. THE COST OF THE PENALTY WOULD RISE IF AGRICULTURE PRICES DROPPED AND FREIGHT RATES REMAINED CONSTANT.

THE METHOD DEFINED IN SECTION 135 FOR PAYMENT OF THE RATE DIFFERENTIAL RESULTING IN THE PAYMENT OF A PORTION OF THE OCEAN FREIGHT DIFFERENTIAL BY ONE AGENCY AND A PORTION BY ANOTHER IS AWKWARD AND WOULD IMPOSE A COMPLICATED AND HEAVY ADMINISTRATIVE BURDEN ON USDA AND DOT, PARTICULARLY SINCE DOT MUST BORROW FROM THE TREASURY TO PAY THE ADDED COSTS. MOREOVER, THE INDIRECT PASS-THROUGH OF CARRIER RATE INCREASES TO DOT IS A DISINCENTIVE TO CARRIER EFFICIENCY.

WE ARE ALSO OPPOSED TO THE COMPROMISE'S GUARANTEE OF A MINIMUM CARGO AMOUNT FOR PREFERENCE CARRIAGE. WHILE THE ADMINISTRATION CONTINUES TO SUPPORT EXISTING CARGO PREFERENCE REQUIREMENTS AS AN IMPORTANT PART OF OUR MARITIME POLICY, WE DO NOT BELIEVE THE LAW SHOULD GUARANTEE A MINIMUM TONNAGE OF AGRICULTURAL EXPORTS FOR THE U.S. FLEET. WE SEE NO NEED FOR THIS PROVISION.

MR. CHAIRMAN, YOUR STAFF HAS ALSO REQUESTED THAT I DISCUSS THE EFFECTS OF THE COMPROMISE ON RESERVED CARGOES MOVING THROUGH THE GREAT LAKES.

AS CURRENTLY WORDED, IT IS DOUBTFUL THAT THE COMPROMISE WOULD HAVE ANY SUBSTANTIAL EFFECT, AT LEAST IN THE SHORT RUN, ON CARGOES SUBJECT TO THE CARGO PREFERENCE LAWS THAT TRADITIONALLY MOVE THROUGH GREAT LAKES PORTS. THIS IS CERTAINLY THE INTENT OF SECTION 133(C)(2)(B) OF THE COMPROMISE WHICH PROVIDES THAT, FOR THE CALENDAR YEARS 1986 THROUGH 1989, INsofar AS IS PRACTICABLE, THE PORTS WITHIN THE GREAT LAKES PORT RANGE WILL RECEIVE THE SAME PERCENTAGE SHARE OR METRIC TONNAGE, WHICHEVER IS LOWER, OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 (PUBLIC LAW 480), TITLE II CARGO AS THEY RECEIVED IN CALENDAR YEAR 1984.

WE ARE OPPOSED TO THIS PROVISION IN THE COMPROMISE. WE BELIEVE THAT THE ADMINISTRATION'S EFFORTS TO CONTROL FEDERAL DEFICITS WARRANT THE CONTINUED FLEXIBLE ADMINISTRATION OF THESE CARGO PREFERENCE PROGRAMS TO ENSURE LOWEST FAIR AND REASONABLE COST U.S.-FLAG SERVICE. PROPOSED SECTION 133(C)(2)(B) WOULD IMPOSE ARBITRARY CONSTRAINTS ON THE IMPLEMENTATION OF EXPORT ACTIVITIES UNDER TITLE II OF PUBLIC LAW 480 AND WOULD RESULT IN INCREASED COST TO THE FEDERAL GOVERNMENT.

ONCE THE PERIOD COVERED BY SECTION 133(C)(2)(B) HAS RUN, THAT IS, AFTER 1989, IT IS VERY DIFFICULT TO PROJECT THE EFFECT OF THE COMPROMISE ON GREAT LAKES PORTS. MINDFUL THAT GREAT LAKES PARTICIPATION IN TITLE II, PUBLIC LAW 480 PROCESSED

COMMODITIES HAS HISTORICALLY BEEN LESS THAN 20 PERCENT, IT HAS CONSISTENTLY BEEN THE POSITION OF THE MARITIME ADMINISTRATION THAT WITH CAREFUL PLANNING THE 50 PERCENT CARGO PREFERENCE REQUIREMENT COULD BE MET WITHOUT THE NECESSITY TO DIVERT CARGO FROM THE GREAT LAKES. THIS COULD BE ACCOMPLISHED IF BOOKINGS OF CARGO AVAILABLE AT OTHER COASTS WERE MAXIMIZED ON U.S.-FLAG VESSELS. HOWEVER, SHOULD THE REQUIRED U.S.-FLAG SHARE INCREASE BEYOND 50 PERCENT UNDER THE COMPROMISE, IT COULD BECOME INCREASINGLY DIFFICULT FOR THE USDA AND THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) TO MEET THE HIGHER REQUIREMENT WITHOUT DIVERTING RESERVED CARGOES FROM GREAT LAKES PORTS.

CARGO PREFERENCE AND THE GREAT LAKES

THE SECOND ISSUE I HAVE BEEN ASKED TO ADDRESS AS PART OF MY TESTIMONY IS THE ADMINISTRATION OF THE EXISTING CARGO PREFERENCE LAWS AS THEY AFFECT THE GREAT LAKES. I WOULD LIKE TO MAKE CLEAR THAT THE ADMINISTRATION IS COMMITTED TO FAIR ADMINISTRATION OF THE CARGO PREFERENCE LAWS AS THEY AFFECT ALL CONCERNED, INCLUDING THE GREAT LAKES COMMUNITY.

THE MARITIME ADMINISTRATION HAS ISSUED REGULATIONS SINCE 1970 GOVERNING FAIR ADMINISTRATION OF PUBLIC LAW 664 BY OTHER FEDERAL AGENCIES. SINCE EACH GOVERNMENT AGENCY IS RESPONSIBLE FOR ADMINISTERING THE CARGO PREFERENCE LAWS WITH RESPECT TO ITS OWN CARGOES, THESE REGULATIONS REFLECT THE AGENCY'S GENERAL

PHILOSOPHY ALLOWING THE MAXIMUM PROGRAM FLEXIBILITY POSSIBLE WITHIN THE LAW SO AS NOT TO INTRUDE ANY MORE THAN NECESSARY IN PROGRAM DECISIONS. THIS POLICY IS ALSO CONSISTENT WITH THE ADMINISTRATION'S EFFORTS TO ELIMINATE UNNECESSARY REGULATIONS AFFECTING THE PUBLIC, INCLUDING THE SHIPPING INDUSTRY.

THE MAJOR CARGO PREFERENCE PROGRAMS AFFECTING THE GREAT LAKES COASTAL RANGE ARE MILITARY CARGOES, CARGOES UNDER PUBLIC LAW 480, AND CARGOES UNDER USDA'S SECTION 416 FOREIGN DONATION PROGRAM AND AID'S LOANS AND GRANTS PROGRAM.

MILITARY CARGOES ARE SHIPPED UNDER THE CARGO PREFERENCE ACT OF 1904, WHICH REQUIRES THAT THOSE CARGOES BE SHIPPED ON VESSELS OF THE UNITED STATES OR BELONGING TO THE UNITED STATES. THE ACT IS ADMINISTERED BY THE DEPARTMENT OF DEFENSE. PUBLIC LAW 664 REQUIRES THAT 50 PERCENT OF SUCH MILITARY CARGOES BE SHIPPED ON PRIVATELY OWNED UNITED STATES-FLAG COMMERCIAL VESSELS. IT IS ESTIMATED THAT IN 1984, ONLY 1300 MEASUREMENT TONS OF MILITARY CARGOES WERE SHIPPED FROM U.S. GREAT LAKES PORTS.

PUBLIC LAW 480 PROVIDES FOR THE DISPOSAL OF SURPLUS AGRICULTURAL COMMODITIES THROUGH DOMESTIC AND EXPORT SALES, TRANSFERS TO OTHER GOVERNMENT AGENCIES, AND DONATIONS FOR DOMESTIC AND FOREIGN WELFARE USE. THE PROGRAMS UNDER PUBLIC LAW 480 ARE SUBJECT TO THE PROVISIONS OF PUBLIC LAW 664. IN THIS REGARD, THE MARITIME ADMINISTRATION WORKS WITH USDA AND AID TO ENSURE THAT CARGO PREFERENCE REQUIREMENTS ARE EFFICIENTLY IMPLEMENTED.

TITLE I OF PUBLIC LAW 480 PROVIDES FOR U.S. GOVERNMENT FINANCING OF SALES OF U.S. AGRICULTURE COMMODITIES TO FRIENDLY COUNTRIES. DURING CALENDAR YEAR 1984, THE LATEST YEAR FOR WHICH PRELIMINARY FIGURES ARE AVAILABLE, 4.5 MILLION METRIC TONS WERE SHIPPED UNDER THE TITLE I PROGRAM. OF THIS AMOUNT, 145,000 TONS OF BULK WHEAT AND 17,000 TONS OF BAGGED FLOUR MOVED VIA THE GREAT LAKES. ALL OF THE FLOUR WAS LOADED ON U.S.-FLAG LINER VESSELS. OF THE TOTAL SHIPPED, U.S.-FLAG MERCHANT VESSELS TRANSPORTED ABOUT 2.3 MILLION METRIC TONS.

TITLE II OF PUBLIC LAW 480 AUTHORIZES THE DONATION OF AGRICULTURAL COMMODITIES TO FOREIGN GOVERNMENTS, VOLUNTARY RELIEF AGENCIES OR INTERGOVERNMENTAL ORGANIZATIONS. IT IS ADMINISTERED BY AID. DURING CALENDAR YEAR 1984, THE LAST YEAR FOR WHICH PRELIMINARY FIGURES ARE AVAILABLE, 2.0 MILLION METRIC TONS WERE SHIPPED UNDER THE TITLE II PROGRAM. OF THIS AMOUNT, ABOUT 224,000 METRIC TONS OF PROCESSED COMMODITIES MOVED VIA THE GREAT LAKES. OF THE TOTAL SHIPPED FROM ALL COASTS, U.S.-FLAG MERCHANT VESSELS TRANSPORTED ABOUT 1.2 MILLION METRIC TONS.

UNDER THE SECTION 416 FOREIGN DONATION PROGRAM, SURPLUS DAIRY PRODUCTS, WHEAT AND RICE OWNED BY THE CCC ARE DONATED TO ELIGIBLE NON-PROFIT ORGANIZATIONS AND FOREIGN GOVERNMENTS FOR HUMANITARIAN PURPOSES. IN CALENDAR YEAR 1984, 117,000 METRIC TONS WERE DONATED UNDER THIS PROGRAM, OF WHICH 28,000 METRIC TONS WERE SHIPPED FROM GREAT LAKES PORTS.

THE OTHER MAJOR CARGO PREFERENCE PROGRAM OF SIGNIFICANCE TO THE GREAT LAKES IS AID'S LOANS AND GRANTS PROGRAM, AUTHORIZED BY THE FOREIGN ASSISTANCE ACT OF 1961. PURSUANT TO THIS PROGRAM, LOANS AND GRANTS OF FEDERAL FUNDS ARE MADE TO FRIENDLY FOREIGN GOVERNMENTS FOR THE PROCUREMENT OF AGRICULTURAL AND OTHER PRODUCTS. BOTH THE PROCUREMENT AND SHIPPING RESPONSIBILITY FOR THESE CARGOES ARE VESTED IN THE RECIPIENT COUNTRY. DURING CALENDAR YEAR 1984, ACCORDING TO PRELIMINARY FIGURES, 1.6 MILLION METRIC TONS WERE SHIPPED. WHILE FIGURES WERE NOT AVAILABLE AS TO THE AMOUNT MOVED VIA THE GREAT LAKES, IN CALENDAR YEAR 1985 TO DATE, 44,000 TONS OF BULK WHEAT AND 275 TONS OF BAGGED CARGO HAS BEEN SHIPPED. THIS LINER CARGO WAS LOADED ON U.S.-FLAG SHIPS. OF THE TOTAL SHIPPED IN 1984, U.S.-FLAG VESSELS CARRIED ABOUT 917,000 METRIC TONS.

THE MARITIME ADMINISTRATION RECOGNIZES THAT THE GREAT LAKES/SAINT LAWRENCE SEAWAY SYSTEM HAS CERTAIN INHERENT PHYSICAL LIMITATIONS IN COMPETING AGAINST OTHER U.S. COASTS FOR CARGO. NONETHELESS, WE HAVE CONSISTENTLY SOUGHT TO INCREASE THE MOVEMENT OF PREFERENCE CARGOES THROUGH GREAT LAKES PORTS. AS ADMIRAL SHEAR, THE IMMEDIATE PAST MARITIME ADMINISTRATOR, INDICATED BEFORE THIS SUBCOMMITTEE IN JUNE 1983, THE MARITIME ADMINISTRATION HAS PLEDGED ITS ASSISTANCE IN HELPING THE GREAT LAKES OVERCOME INSTITUTIONAL BARRIERS RESTRICTING THE FLOW OF GOVERNMENT-IMPELLED CARGOES THROUGH THEIR PORTS.

SINCE 1981, THE MARITIME ADMINISTRATION HAS ENCOURAGED AND ASSISTED FEDERAL AGENCIES AND THEIR PROGRAM PARTICIPANTS TO UTILIZE GREAT LAKES' PORTS AND THE U.S.-FLAG SERVICES WHICH EXIST THERE. WE MET WITH THE MAJOR FEDERAL AGENCIES WHICH GENERATE OCEANBORNE SHIPMENTS FOR THE PURPOSE OF ENCOURAGING MORE MOVEMENT THROUGH THE GREAT LAKES REGION. IN THIS REGARD, IN ADDITION TO PUBLIC LAW 480 CARGO, SINCE JUNE 1981, THE AVAILABILITY OF U.S.-FLAG SERVICE HAS ATTRACTED TO GREAT LAKES PORTS MORE THAN 100,000 REVENUE TONS OF PREFERENCE CARGO, INCLUDING SUBSTANTIAL CARGOES GENERATED BY FOREIGN MILITARY CREDIT SALES.

FURTHER, THE MARITIME ADMINISTRATION UNDERTOOK AN INTENSIVE EFFORT TO EXAMINE THE VARIOUS CARGO SHIPMENTS SUBJECT TO CARGO PREFERENCE, AND TO IDENTIFY OTHER POTENTIAL CARGOES WHICH COULD BE MOVED THROUGH THE GREAT LAKES. WE WERE SUCCESSFUL, AND OUR COOPERATION WITH THE GREAT LAKES PORT INTERESTS ASSISTED THEM IN ACHIEVING PROGRESS IN THEIR MARKETING EFFORTS.

IN MARCH, 1985, A SECOND U.S.-FLAG LINER SERVICE WAS INITIATED FROM THE GREAT LAKES TO NORTH EUROPE, UNDER THE NAME FEDNAV. PREVIOUSLY, THE MARITIME ADMINISTRATION HAD WORKED CLOSELY WITH THIS OPERATOR TO ENCOURAGE AND FACILITATE ITS TRANSFER OF A VESSEL FROM CANADIAN TO U.S.-FLAG FOR THIS SERVICE, WHICH HAS PRIMARILY ATTRACTED DEPARTMENT OF DEFENSE CARGO. FEDNAV HAS RECENTLY ANNOUNCED THE INTRODUCTION OF A SECOND VESSEL IN THE GREAT LAKES SERVICE FOR THE NEXT SEASON.

WE ARE CONTINUING OUR EFFORTS TO ENSURE, CONSISTENT WITH THE CARGO PREFERENCE LAWS, THAT FEDERAL AGENCIES AND THEIR PROGRAM PARTICIPANTS ARE AFFORDED BOTH U.S.-FLAG AND FOREIGN-FLAG OPPORTUNITIES TO UTILIZE THE GREAT LAKES PORTS.

MR. CHAIRMAN, I AM VERY MUCH AWARE THAT IT IS OF PARTICULAR CONCERN TO YOUR SUBCOMMITTEE THAT GREAT LAKES PORTS AND CARRIERS HAVE ACCESS TO PREFERENCE CARGOES. I BELIEVE THAT THE CARGO PREFERENCE LAWS DO NOT HAVE TO CONFLICT WITH THE GREAT LAKES' INTERESTS. AS ALREADY NOTED, THE ADMINISTRATION OF THESE STATUTES BY THE MARITIME ADMINISTRATION HAS HAD A POSITIVE EFFECT ON GENERATING CARGO FOR THE GREAT LAKES PORTS.

ALSO, THE MARITIME ADMINISTRATION MET EXTENSIVELY WITH THE USDA THIS YEAR TO FACILITATE THEIR EFFORTS TO ASSURE THAT THE 50 PERCENT REQUIREMENT WAS MET UNDER THE TITLE II PROGRAM WHILE AVOIDING DISRUPTION OF THE GREAT LAKES PORTS. WE BELIEVE THAT THIS CONTINUING DIALOGUE HAS CONTRIBUTED TO A SUBSTANTIAL INCREASE IN THE EFFICIENCY OF THE TRANSPORTATION PROCEDURES. IT REMAINS OUR OPINION THAT WITH ADVANCED PLANNING THIS PROGRAM CAN BE CARRIED OUT IN A MANNER EQUITABLE TO THE NATION'S FOURTH SEACOAST. WE BELIEVE THAT PROPER ADMINISTRATION OF THE TITLE II PROGRAM CAN OBTAIN THE NEED FOR DIVERSION AND STILL PROVIDE FOR ACHIEVEMENT OF THE 50 PERCENT GOAL.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED STATEMENT. I
WILL BE PLEASED TO ANSWER ANY QUESTIONS THAT YOU OR THE MEMBERS
OF THE SUBCOMMITTEE MAY HAVE.