

STATEMENT

OF

THE HONORABLE JOHN A. GAUGHAN  
MARITIME ADMINISTRATOR

OF THE

DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON SEAPOWER AND  
STRATEGIC AND CRITICAL MATERIALS OF THE  
HOUSE COMMITTEE ON ARMED SERVICES

ON H.R. 3798, H.R. 4136 AND H.R. 4146,  
BUILD AND CHARTER BILLS

MARCH 4, 1986

STATEMENT OF THE HONORABLE JOHN A. GAUGHAN, MARITIME  
ADMINISTRATOR OF THE DEPARTMENT OF TRANSPORTATION, BEFORE  
THE SUBCOMMITTEE ON SEAPOWER AND STRATEGIC AND CRITICAL  
MATERIALS OF THE HOUSE COMMITTEE ON ARMED SERVICES ON  
H.R. 3798, H.R. 4136, AND H.R. 4146, BUILD/CHARTER BILLS.

MARCH 4, 1986

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. MY NAME IS JOHN A. GAUGHAN, AND I AM THE MARITIME ADMINISTRATOR OF THE DEPARTMENT OF TRANSPORTATION.

IT IS A PLEASURE FOR ME TO APPEAR THIS MORNING AND PRESENT THE VIEWS OF THE ADMINISTRATION WITH RESPECT TO H.R. 3798, H.R. 4136 AND H.R. 4146. THESE BILLS WOULD AMEND THE MERCHANT MARINE ACT, 1936, BY THE ADDITION OF A NEW TITLE XIV PROVIDING FOR A BUILD AND CHARTER PROGRAM.

SUBJECT TO THE CONDITIONS AND RESTRICTIONS IN THE THREE BILLS, THE BUILD AND CHARTER PROGRAM WOULD GENERALLY AUTHORIZE THE SECRETARY OF THE NAVY (SECRETARY) TO CONSTRUCT IN PRIVATE U.S. SHIPYARDS MERCHANT VESSELS CAPABLE OF SERVING AS NAVAL AND MILITARY AUXILIARIES IN TIME OF WAR OR NATIONAL EMERGENCY. UPON DELIVERY, THE SECRETARY WOULD SELL OR CHARTER THESE VESSELS TO U.S. CITIZENS FOR OPERATION UNDER THE U.S. FLAG IN THE FOREIGN COMMERCE OF THE UNITED STATES.

FUNDS FOR THE CONSTRUCTION OF THESE VESSELS WOULD BE PROVIDED FROM A REVOLVING FUND IN THE U.S. TREASURY (FUND). THE BILLS PROVIDE THAT MONEY FOR THE FUND WOULD COME FROM APPROPRIATIONS, MONEYS RECEIVED FOR THE CHARTER OR SALE OF THESE MERCHANT VESSELS, AND ANY OTHER MONEY AS MAY BE MADE AVAILABLE FOR THE PURPOSES OF THE FUND. H.R. 4136 AND H.R. 4146 FURTHER PROVIDE FOR MONEYS RECEIVED FROM THE REPAYMENT OF CONSTRUCTION-DIFFERENTIAL SUBSIDY. AS YOU KNOW, SECTION 8103(B) OF THE CONTINUING RESOLUTION FOR FISCAL YEAR 1986 (PUBLIC LAW 99-190, APPROVED DECEMBER 19, 1985) PROVIDES \$852,100,000 FOR THE FUND.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. THE ADMINISTRATION DEEPLY APPRECIATES YOUR EFFORTS TO SUPPORT THE U.S.-FLAG MERCHANT MARINE. HOWEVER, WE CAN NOT AGREE THAT BUILD AND CHARTER IS THE CORRECT APPROACH, AND OPPOSE H.R. 3798, H.R. 4136, AND H.R. 4146. INSTEAD, WE VIEW AS AN APPROPRIATE APPROACH THE TWO LEGISLATIVE PROPOSALS SUBMITTED BY THE ADMINISTRATION TO THE CONGRESS THAT WOULD

1) AUTHORIZE THE FOREIGN CONSTRUCTION OF SUBSIDIZED U.S.-FLAG VESSELS; AND 2) MAKE SUCH VESSELS IMMEDIATELY ELIGIBLE TO TRANSPORT CARGOES RESERVED TO U.S.-FLAG VESSELS UNDER THE CARGO PREFERENCE ACT OF 1954. AS YOU KNOW, THE ADMINISTRATION'S BUILD FOREIGN LEGISLATIVE PROPOSAL HAS BEEN INTRODUCED AS H.R. 3141.

THE ADMINISTRATION FAVORS THE APPROACH TAKEN IN THESE TWO LEGISLATIVE PROPOSALS, BECAUSE IT IS CONSISTENT WITH ADMINISTRATION POLICY THAT THE EXPENSE OF A MODERN COMMERCIAL FLEET SHOULD BE BORNE BY THE PRIVATE SECTOR AND

NOT THE TAXPAYER. IN CONTRAST, WE BELIEVE THAT UNDER THE BUILD AND CHARTER PROGRAM, THE PURCHASE PRICE OR CHARTER HIRE WOULD HAVE TO BE SO LOW, IN ORDER TO BE COMMERCIALY VIABLE, THAT IT WOULD REQUIRE ANNUAL APPROPRIATIONS, IN ADDITION TO THE \$852,100,000 MILLION ALREADY APPROPRIATED FOR THIS PURPOSE.

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. THANK YOU.