

STATEMENT

OF

THE HONORABLE JOHN A. GAUGHAN
MARITIME ADMINISTRATOR

OF THE

DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON MERCHANT MARINE
OF THE HOUSE MERCHANT MARINE AND
FISHERIES COMMITTEE

ON

H.R. 3662, THE MARITIME
AGREEMENTS ACT OF 1985, AND H.R. 3655,
THE EQUITABLE AUTOMOBILE TRANSPORTATION ACT OF 1985.

MARCH 20, 1986

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON MERCHANT MARINE. 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 TO PRESENT THE VIEWS OF THE ADMINISTRATION WITH RESPECT TO H.R. 3662, THE MARITIME AGREEMENTS ACT OF 1985, AND H.R. 3655, THE EQUITABLE AUTOMOBILE TRANSPORTATION ACT OF 1985.

H.R. 3662, THE MARITIME AGREEMENTS ACT OF 1985, WOULD GENERALLY HAVE THE PRESIDENT NEGOTIATE BILATERAL MARITIME AGREEMENTS BETWEEN THE UNITED STATES AND OUR TRADING PARTNERS. PURSUANT TO THESE AGREEMENTS, THE OCEAN TRANSPORTATION OF TRADE BETWEEN THE TWO NATIONS WOULD BE ALLOCATED TO OCEAN COMMON CARRIERS AS FOLLOWS: ONE-THIRD TO U.S.-FLAG VESSELS, ONE-THIRD TO TRADING PARTNER VESSELS, AND THE BALANCE TO THIRD-FLAG VESSELS. THE FEDERAL MARITIME COMMISSION WOULD BE REQUIRED TO POLICE COMPLIANCE.

H.R. 3655, THE EQUITABLE AUTOMOBILE TRANSPORTATION ACT OF 1985, WOULD REQUIRE THAT AN EQUAL NUMBER OF JAPANESE MOTOR VEHICLES IMPORTED INTO THE UNITED STATES BE TRANSPORTED ON U.S.-FLAG VESSELS AND JAPANESE-FLAG VESSELS, AS DEFINED IN THE BILL. THERE WOULD APPEAR TO BE NO RESTRICTIONS ON THE OCEAN TRANSPORTATION OF SUCH VEHICLES BY THIRD-FLAG VESSELS. THE SECRETARY OF THE TREASURY, IN CONSULTATION WITH THE SECRETARY OF TRANSPORTATION, WOULD BE REQUIRED TO PRESCRIBE REGULATIONS NECESSARY FOR THE ENFORCEMENT OF THE PROPOSED LEGISLATION.

MR. CHAIRMAN, AS A GENERAL POLICY, THE UNITED STATES OPPOSES LEGITIMIZING CARGO-SHARING ARRANGEMENTS IN OCEAN TRANSPORTATION, BECAUSE FREE AND OPEN COMPETITION IS THE GREATEST STIMULUS TO OUR ECONOMY. IN THOSE FEW INSTANCES WHERE THE UNITED STATES MAY FIND THAT IT IS ABSOLUTELY NECESSARY TO NEGOTIATE BILATERAL ARRANGEMENTS, THE SINE QUA NON OF SUCH NEGOTIATIONS IS PRESERVATION OF MAXIMUM MARKETPLACE COMPETITION. IN THE PAST, WE HAVE ENTERED INTO CARGO SHARING ARRANGEMENTS WITH STATE-CONTROLLED ECONOMIES BECAUSE THOSE AGREEMENTS PROVIDED THE ONLY MEANS TO ENSURE FAIR ACCESS FOR OUR CARRIERS IN OUR TRADES WITH THOSE COUNTRIES. THE BILLS THAT ARE THE SUBJECT OF TODAY'S HEARING REPRESENT A DEPARTURE FROM ESTABLISHED POLICY AND PRACTICE, AND THE ADMINISTRATION CANNOT SUPPORT THEM.

AS YOU KNOW, THE ADMINISTRATION SUPPORTS OUR EXISTING CARGO PREFERENCE LAWS AS THEY WERE APPLIED PRIOR TO THE BLENDED CREDIT DECISION (TRANSPORTATION INSTITUTE V. DOLE), AND WE ARE OPPOSED TO ANY EXPANSION OR CONTRACTION OF THE APPLICATION OF THESE LAWS. BOTH THESE BILLS REPRESENT A SIGNIFICANT EXPANSION OF CARGO PREFERENCE INTO THE COMMERCIAL CARGO SECTOR. THEREFORE, THE ADMINISTRATION OPPOSES H.R. 3655 AND H.R. 3662.

MR. CHAIRMAN. THE ADMINISTRATION SUPPORTS THE PARTICIPATION OF U.S.-FLAG MERCHANT VESSELS IN OUR FOREIGN COMMERCE AS ACHIEVED BY CURRENT PROMOTIONAL PROGRAMS AND FREE COMPETITION. IN THIS REGARD, WE ARE PLEASED TO NOTE THE RECENT SUCCESS OF MARINE TRANSPORT LINES, INC. IN NEGOTIATING AN AGREEMENT WITH NISSAN LTD. FOR THE OCEAN TRANSPORTATION OF NISSAN VEHICLES FROM JAPAN TO THE UNITED STATES.

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.