

Final 6/19/90

STATEMENT OF CAPTAIN WARREN G. LEBACK, MARITIME ADMINISTRATOR OF
THE DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON
MERCHANT MARINE OF THE SENATE COMMITTEE ON COMMERCE, SCIENCE, AND
TRANSPORTATION ON THE AUTHORIZATION REQUEST OF THE MARITIME
ADMINISTRATION FOR FISCAL YEAR 1991.

JUNE 20, 1990

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON MERCHANT MARINE. MY NAME IS CAPTAIN WARREN G. LEBACK, AND I AM MARITIME ADMINISTRATOR OF THE DEPARTMENT OF TRANSPORTATION. IT IS MY PLEASURE TO APPEAR BEFORE YOU THIS MORNING TO OUTLINE THE MARITIME ADMINISTRATION'S FISCAL YEAR 1991 BUDGET AUTHORIZATION REQUEST. THE SECRETARY OF TRANSPORTATION HAS TRANSMITTED TO CONGRESS THE ADMINISTRATION'S AUTHORIZATION BILL.

THE MARITIME ADMINISTRATION IS RESPONSIBLE FOR DEVELOPING AND MAINTAINING A STRONG U.S. MERCHANT MARINE CAPABLE OF MEETING OUR COUNTRY'S REQUIREMENTS FOR BOTH COMMERCIAL TRADE AND NATIONAL DEFENSE.

THE AUTHORIZATION REQUEST THAT IS BEFORE YOU TODAY CONTINUES OUR EFFORTS TO IMPLEMENT THE NATIONAL SEALIFT POLICY SIGNED BY THE PRESIDENT IN OCTOBER 1989, AS THE REQUIREMENTS FOR SHIPS, MANPOWER, AND RESOURCES ARE PRESENTLY DEFINED.

BUDGET OVERVIEW

THE MARITIME ADMINISTRATION'S TOTAL BUDGET REQUEST OF \$557,887,000 HAS THREE DISTINCT ELEMENTS: OPERATING-DIFFERENTIAL

SUBSIDIES, THE READY RESERVE FORCE, AND OPERATIONS AND TRAINING.

OPERATING-DIFFERENTIAL SUBSIDIES (ODS)

AS AUTHORIZED BY CURRENT LAW, WE ARE REQUESTING AN APPROPRIATION TO LIQUIDATE CONTRACT AUTHORITY FOR EXISTING SUBSIDY CONTRACTS AMOUNTING TO \$261,200,000. THIS WILL PROVIDE FOR AN ESTIMATED SUBSIDY PROGRAM OF 99 VESSELS, 61 LINER AND 38 BULK SHIPS. THE AMOUNT REQUESTED INCLUDES FUNDS TO MAKE UP FOR 1990 COSTS WHICH WERE NOT INCLUDED IN THE APPROPRIATION LAST YEAR AND TO COVER ESTIMATED INCREASED COSTS FOR FY 1991.

OPERATIONS AND TRAINING (O&T)

WE ARE REQUESTING \$71,687,000 FOR THE OPERATIONS AND TRAINING ACTIVITY OF THE MARITIME ADMINISTRATION, AN INCREASE OF \$6,637,000 OVER THE 1990 APPROPRIATION. THE INCREASE IS ATTRIBUTABLE TO THE FACT THAT THE 1990 PROGRAM WAS PARTIALLY FUNDED BY A TRANSFER OF \$2,250,000 FROM THE SHIP CONSTRUCTION ACCOUNT; PAYROLL AND OTHER TECHNICAL ADJUSTMENTS HAVE BEEN MADE AMOUNTING TO \$2,387,000, AND A PROGRAM INCREASE OF \$2,000,000 IS REQUESTED.

THE PROGRAM INCREASE OF \$2,000,000 IS TO REPLACE THE RADAR SIMULATOR AT THE U.S. MERCHANT MARINE ACADEMY. REPLACEMENT OF THIS OBSOLETE EQUIPMENT IS NECESSARY, BECAUSE IT CANNOT BE UPGRADED OR EVEN MAINTAINED SINCE SPARE PARTS ARE NOT AVAILABLE. THIS SIMULATOR TRAINING IS REQUIRED BY THE U.S. COAST GUARD AS A

CONDITION FOR LICENSING OF DECK OFFICER STUDENTS.

THE STUDY REGARDING THE USE OF VESSELS TO PROVIDE TRAINING OPPORTUNITIES FOR ALL ACADEMY STUDENTS, WHICH WAS REQUIRED BY OUR FY 1990 AUTHORIZATION ACT, IS UNDERWAY. WE WILL SUBMIT THIS STUDY TO CONGRESS ON OR ABOUT AUGUST 1, 1990.

PENDING COMPLETION OF THIS STUDY, THE MARITIME ADMINISTRATION PLANS TO IMPLEMENT SHARING OF TWO TRAINING SHIPS BY FIVE STATE MARITIME ACADEMIES. NO ADDITIONAL FUNDS ARE REQUIRED FOR SHIP-SHARING. FUNDS SAVED BY THIS PLAN WILL OFFSET THE ESTIMATED COSTS COVERING POSITIONING, CADET TRANSPORTATION, AND MAINTENANCE CREWS.

UNLIKE PREVIOUS BUDGET REQUESTS, WE ARE NOT PROPOSING AT THIS TIME ANY CHANGES IN THE STUDENT INCENTIVE PAYMENT (SIP) PROGRAM FOR STATE MARITIME ACADEMIES. DURING FISCAL YEAR 1990, WE WILL DETERMINE WHETHER THE EXISTING SIP PROGRAM IS THE BEST WAY TO MEET THE FEDERAL OBJECTIVE TO PROVIDE AN ADEQUATE SUPPLY OF LICENSED MERCHANT MARINE OFFICERS TO SERVE ON U.S.-FLAG MERCHANT VESSELS IN PEACETIME AND DURING NATIONAL EMERGENCIES. A BASIC TENET OF THIS REVIEW IS THAT, COMMENSURATE WITH THE LEVEL OF FEDERAL SUPPORT TO THE STATE ACADEMIES, THE GRADUATES OF THOSE ACADEMIES SHOULD BE OBLIGATED TO SERVE THIS COUNTRY'S NEEDS IN AN EMERGENCY. AFTER CONSULTATION WITH COGNIZANT AGENCIES, THE ADMINISTRATION WILL PROPOSE ANY NECESSARY LEGISLATIVE CHANGES TO THE SIP PROGRAM IN ITS SUBMISSION OF THE FY 1992 AUTHORIZATION REQUEST.

READY RESERVE FORCE (RRF)

A FUNDING REQUEST OF \$225,000,000 HAS BEEN DEVELOPED IN CONJUNCTION WITH THE U.S. NAVY AND IS FULLY SUPPORTED BY DOD. THE DEPARTMENT OF DEFENSE HAS RECENTLY RE-EXAMINED THIS ISSUE AND REITERATES ITS SUPPORT OF THIS RRF FUNDING REQUEST. THIS AMOUNT SUPPORTS PROGRESS TOWARD THE LONG-TERM DOD GOAL OF 142 SHIPS IN 1994.

OUR FUNDING PROPOSAL INCLUDES THREE ITEMS: FIRST, \$49,400,000 IS REQUESTED FOR THE ADDITION OF UP TO FIVE VESSELS TO THE FLEET, BRINGING THE RRF TO A TOTAL OF 105 VESSELS BY THE END OF FY 1991.

SECOND, \$171,600,000 IS REQUESTED FOR SHIP MAINTENANCE AND OPERATIONS. THIS AMOUNT WILL PROVIDE SUFFICIENT FUNDS FOR MAINTENANCE OF THE RRF FLEET; PERMIT RESUMPTION OF EIGHT SHIP ACTIVATIONS TO ASSESS PROGRAMMED MAINTENANCE, ACTIVATION CAPABILITIES AND PROCEDURES; AND INCREASE AND IMPROVE THE SPARE PARTS PROGRAM.

THIRD, \$4,000,000 IS REQUESTED FOR FACILITIES TO PROVIDE FOR THE MAINTENANCE AND IMPROVEMENT OF OUR RESERVE FLEET SITES WHERE 50 OF THE 96 RRF SHIPS ARE PRESENTLY LAID UP IN VARIOUS STAGES OF READINESS.

THE RRF PROGRAM IS A KEY PART OF THE NATION'S OVERALL DEFENSE STRATEGY OF SEALIFT READINESS AND RAPID REINFORCEMENT. IT SUPPLIES ABOUT ONE-THIRD OF ALL U.S. STRATEGIC SEALIFT

CAPACITY AND OVER HALF OF OUR CAPABILITY TO MOVE SPECIALIZED MILITARY EQUIPMENT BY SEA. THE ABILITY TO DEPLOY FORCES AND EQUIPMENT RAPIDLY TO REINFORCE FORWARD-DEPLOYED TROOPS BECOMES EVEN MORE IMPORTANT IN LIGHT OF THE PROPOSED REDUCTIONS IN CONVENTIONAL FORCES ABROAD. LACK OF FINANCIAL SUPPORT FOR THE READINESS AND ADEQUACY OF THE RRF WOULD JEOPARDIZE OUR ABILITY TO DEPLOY U.S. FORCES AND UNIT EQUIPMENT IN A "GO IT ALONE" CONTINGENCY WITHOUT ALLIED ASSISTANCE. IN THE FY 1990 BUDGET, THE RRF FUNDING REQUEST IN MARAD'S BUDGET WAS CLASSIFIED AS A TRANSPORTATION FUNCTION AND COMPETED WITH OTHER HIGH PRIORITY NON-DEFENSE DEMANDS FOR FY 1990, RESULTING IN AN APPROPRIATION WELL BELOW THE REQUEST. THE PROGRAM IS NOW CLASSIFIED AS A NATIONAL DEFENSE FUNCTION, AND, AS IN THE PAST, FUNDING IS REQUESTED AT LEVELS COMMENSURATE WITH NATIONAL SECURITY REQUIREMENTS.

OTHER REQUEST

THE ADMINISTRATION PROPOSAL WOULD ALSO AMEND SECTION 510(i) OF THE MERCHANT MARINE ACT, 1936, AS AMENDED (46 APP. U.S.C. 1160(i)). THIS SECTION AUTHORIZES THE SECRETARY OF TRANSPORTATION TO ACQUIRE FOR THE NATIONAL DEFENSE RESERVE FLEET (NDRF) SUITABLE U.S. CONSTRUCTED VESSELS IN EXCHANGE FOR OBSOLETE VESSELS IN THE NDRF. THE PRESENT LAW REQUIRES A CONTEMPORARY EXCHANGE OF TITLES BETWEEN THE "TRADE-OUT" AND "TRADE-IN" VESSELS, AND THE MARKET SCRAP VALUE AT THAT TIME DETERMINES THE

VALUE OF THESE VESSELS. AS THE MARKET SCRAP VALUE FLUCTUATES, THE SECRETARY IS NOT ALWAYS ABLE TO MAKE THE MOST ADVANTAGEOUS ARRANGEMENTS.

THE PROPOSED AMENDMENT WOULD AUTHORIZE THE SECRETARY TO SELL NDRF VESSELS FOR SCRAP WHEN SCRAP PRICES ARE FAVORABLE, AND USE FUNDS AT THE MOST OPPORTUNE TIME TO ACQUIRE SUITABLE VESSELS FOR THE NDRF. THIS AUTHORITY WOULD GIVE THE SECRETARY THE NEEDED FLEXIBILITY TO RENEW THE NDRF AT THE LEAST POSSIBLE COST TO THE GOVERNMENT.

THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN, AND I WILL BE GLAD TO ANSWER YOUR QUESTIONS AND THOSE OF OTHER MEMBERS OF THE SUBCOMMITTEE.