

DEPARTMENT OF TRANSPORTATION
STATEMENT OF THE MARITIME ADMINISTRATOR

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

U.S. HOUSE OF REPRESENTATIVES

IN SUPPORT OF FISCAL YEAR 1992 AUTHORIZATION

Mr. Chairman and members of the subcommittee:

It is my pleasure to appear before you today to present the Maritime Administration's (MARAD) budget authorization request for fiscal year 1992. This request will provide for payment of existing long-term contracts for operating-differential subsidies, maintain MARAD's operations and training needs, and provide support for the Ready Reserve Force (RRF) to meet Department of Defense (DOD) requirements.

OVERVIEW

Mr. Chairman, I understand that you intend to schedule separate hearings on the sealift effort during the Persian Gulf conflict. The importance of maintaining the RRF and an adequate supply of well trained personnel was dramatically emphasized by Operations DESERT SHIELD and DESERT STORM and deserves to be the focus of a separate hearing.

MARAD began activating RRF ships on August 10, 1990, at the request of the Secretary of the Navy. At the end of the conflict, almost 80 of the 96 RRF ships had been activated and had carried to the Middle East approximately 1.7 million measurement tons of cargo, which was approximately one-third of sealift dry cargo transported by U.S.-flag ships. Together, all U.S.-flag ships engaged in this crisis carried over 75 percent of total sealift dry cargo. We are now facing the issue of transporting this equipment back to the United States and northern Europe, a process that will continue for some time. I am very proud of our domestic shipyards, seagoing unions, ship operators, port terminal operators and the hardworking MARAD employees at the reserve sites and at headquarters for this accomplishment.

These operations clearly confirmed that adequate and reliable sealift capacity is indispensable to national security. Many in the maritime industry have questioned the need for a reserve fleet in recent years. Operation DESERT STORM has clearly and unequivocally validated the role of the RRF. The United States simply cannot project its interests overseas without sealift, and our sealift capability rests in part on the RRF and the private citizen mariners who crew these ships.

U.S.-flag liner ships carry only about 19.1 percent of the 91.6 million long tons in the Nation's international liner cargo trade. Ten years ago, the liner fleet transported approximately 27 percent of 60 million long tons of U.S. liner cargo. Although

we are carrying more tons of liner cargo today, total liner trade has increased appreciably, and we are losing market share. More importantly, the number of ships in our rapidly aging merchant fleet continues to decline. The Departments of Transportation and Defense are concerned about our declining sealift capability to meet national security requirements. DOD is currently conducting a comprehensive assessment of strategic mobility, the Mobility Requirements Study, which will take into account the lessons learned from Operation DESERT STORM.

Over the past 18 months, we have looked at a range of initiatives designed to bring the 1936 Act up to date with regard to today's liner operating environment. Unfortunately, we were unable to get the agreements necessary among the carriers, shipyards, and organized labor to advance a realistic program. The lack of any substantial agreement within the industry coupled with the necessary fiscal constraints requires us to reassess what can be done to ease the present operating difficulties caused by unnecessary regulations and to provide carriers with the ability to acquire cost competitive vessels. The April 1990, Report of the National Security Sealift Strategy Task Force states that, based on DOD analysis, by 2005 there will be insufficient ships remaining in the active merchant marine to move the containerized resupply and ammunition necessary to provide sustainment support in national emergencies. In addition to the need for containerships for sustainment purposes, we also

require an active merchant marine fleet to provide a labor base and shipyard capacity to supplement surge shipping requirements.

A related issue which concerns both MARAD and this committee, Mr. Chairman, is the availability of adequate numbers of trained personnel to man RRF ships in a crisis. We have testified many times about the negative effects on emergency vessel manning resulting from the long-term downward spiral of shipboard employment opportunities. Over a year ago, we contracted with a private firm to determine what measures might be taken in an emergency to augment our maritime labor force quickly. We are reviewing the results of that study and will be working with DOD to evaluate future requirements for emergency personnel.

Mr. Chairman, the Administration has included in its "Uniformed Services Employment Rights Act" (USERA), recently transmitted to Congress, a proposal to provide reemployment rights for merchant seamen who respond to a request to activate RRF ships in a national emergency. Over 3,000 civilian mariner jobs were created by Operations DESERT SHIELD and DESERT STORM. Many potential mariners were unable to fill these jobs due to their inability to leave private sector employment for temporary work on sealift vessels. We hope Congress will act favorably on the Administration's proposal which will enhance our ability to obtain sufficient civilian manpower for the merchant marine to meet national requirements and, particularly, to assist in transporting the military equipment back from the Persian Gulf.

REQUEST FOR APPROPRIATIONSOperating-Differential Subsidies (ODS)

An authorization of \$272,210,000 is requested to liquidate contract authority for existing subsidy contracts. This will provide for an estimated subsidy program of 61 liner and 33 bulk ships. This program is designed to offset the higher total employment costs associated with operating U.S.-flag vessels versus lower costs of operating foreign-flag vessels. The requested amount is an increase of \$11,010,000 for FY 1992 funding, primarily for financing the shortfall in the budget estimate for FY 1991.

Operations and Training (O&T)

An authorization of \$73,000,000 is requested which is an increase of \$4,000,000 over the FY 1991 appropriation. The requested increase consists of \$1,900,000 for unavoidable cost increases, such as pay raises; \$1,000,000 for an expanded Research, Technology and Analysis program related to marine safety, national security and environmental programs; and \$1,100,000 to annualize the amount transferred from the Ship Construction account in 1991.

Research, Technology and Analysis is a new activity which replaces Technical Studies and implements the National Transportation Policy by funding the development and

administration of new initiatives and research and technology projects in coordination with the efforts of private industry, the academic community, and State and local governments. Some of the research funds will be used for projects related to the recently enacted Oil Pollution Act of 1990.

MARAD's authorization proposal also includes a technical amendment to Section 308(c) of Title 49, United States Code, on reports to Congress from agencies in the Department of Transportation. This amendment would authorize MARAD to submit its report to Congress on the condition of public ports every two years, instead of every year. Changes in the report's three specified areas -- port development, the extent to which ports contribute to national welfare and security, and factors impeding port development -- occur more gradually than was believed when the provisions were enacted. MARAD believes that the responses of the port industry to these changes can be more comprehensively presented in a biannual report.

Ready Reserve Force (RRF)

An authorization of \$225,000,000 is requested for this account, which is the same amount provided in the 1991 appropriation. The level of funding requested has been developed in conjunction with the Navy and is fully supported by the Department of Defense (DOD). The President's Budget supports maintenance of the ships currently in the RRF and continued

progress toward achieving the long-term DOD objective of 142 ships in 1994. The amount requested in 1992 includes \$104,000,000 for Fleet Additions, \$117,000,000 for Maintenance and Operations, and \$4,000,000 for Facilities.

Other Activities

MARAD is chairing a collaborative effort between the public and private sectors on landside port access. Currently, four DOT agencies, the American Association of Port Authorities (AAPA) and the American Association of State Highway and Transportation Officials (AASHTO) are working together on this important intermodal issue. A National Research Council study committee is evaluating information gathered on over 40 ports and will recommend alternate strategies to ameliorate port, rail and highway access deficiencies. The goal of this study is to determine the roles of the Federal, State, regional and local governments and the private sector in improving access to ports.

MARAD, in conjunction with the Secretary's Office of Intelligence and Security, the Coast Guard, Customs Service, FBI and State Department, recently completed a series of regional security seminars, the purpose of which was to inform the maritime community of the security threats facing the industry from illicit drug trafficking and from terrorism on the high seas.

As part of the promotion of cargo for U.S.-flag vessels, MARAD is continuing to urge commercial exporters and importers to adopt a policy favoring U.S.-flag vessels on competitive terms. This effort includes highly effective cooperation with many Federal agencies, their contractors, and foreign recipient governments, to assure full compliance with the requirements of our laws requiring transportation of certain U.S. government generated cargoes on U.S.-flag vessels.

Mr. Chairman, this concludes my prepared statement, and I will be pleased to answer any questions that you may have.