

DEPARTMENT OF TRANSPORTATION
STATEMENT OF THE MARITIME ADMINISTRATOR

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BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE
OF THE COMMITTEE ON COMMERCE, SCIENCE, AND
TRANSPORTATION

UNITED STATES SENATE

IN SUPPORT OF FISCAL YEAR 1993 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 1993. 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.

REQUEST FOR APPROPRIATIONS

Operating-Differential Subsidies (ODS)

An authorization of \$225,000,000 is requested to liquidate contract authority for existing subsidy contracts. This amount will provide ongoing support of 56 liner and 31 bulk vessels. This program is designed to offset the higher total employment costs associated with operating U.S.-flag vessels versus the lower costs of operating foreign-flag vessels. The requested amount is a net decrease of \$47,210,000 from the FY 1992

Congressional appropriation of \$272,210,000. This decrease results from a projected \$19,010,000 surplus of liquidating cash in FY 1992 combined with a decrease of \$28,200,000 for the estimated cost of 1993 operations.

Mr. Chairman, I think you will be pleased to learn that 114 of the 132 U.S.-flag commercial vessels which are enrolled in the Military Sealift Command's Sealift Readiness Program (SRP) provided valuable contributions to the challenge of transporting cargo to support American forces in the Middle East. Roll-on/Roll-off (RO/RO) and other dry cargo ships, as well as militarily useful tankers, were employed during both the surge and sustainment phases of the Persian Gulf conflict. All U.S.-flag ships used during this conflict were crewed by American officers and seamen. These crews included 142 midshipmen from Kings Point and 34 cadets from the State maritime academies.

Operations and Training (O&T)

An authorization of \$78,419,000 is requested which is an increase of \$5,219,000 over the FY 1992 appropriation. The requested increase consists of \$3,219,000 for unavoidable cost increases, such as government-wide pay raises, and \$2,000,000 for continuing the upgrade of the heating plant at the U.S. Merchant Marine Academy.

This request will finance costs incurred by headquarters and region staffs in the administration and direction of MARAD

programs as well as the total cost of officer training at the U.S. Merchant Marine Academy, Federal financial support to the State marine schools, and maintenance of the National Defense Reserve Fleet (NDRF).

Ready Reserve Force (RRF)

An authorization of \$234,000,000 is requested for this account, which is approximately the same amount provided in the FY 1992 appropriation. This request finances the cost of acquiring and maintaining expanded surge shipping capability that is available on short notice to carry cargo to support the deployment of U.S. armed forces during a contingency.

The President's Budget supports maintenance of the ships currently in the RRF and continued progress toward achieving the long-term DOD objective of 140 ships. The amount requested in FY 1993 includes \$104,000,000 for Fleet Additions, \$126,000,000 for Maintenance and Operations, and \$4,000,000 for Facilities.

The importance of maintaining the RRF and an adequate supply of well trained personnel was dramatically emphasized by Operations DESERT SHIELD/STORM/SORTIE. Seventy-nine of the 96 RRF ships were used for those operations, and they carried over 28 percent of sealift dry cargo, including one-third of the unit equipment, that was transported by U.S.-flag ships, or 22% of total cargo.

The RRF ships returning from the Persian Gulf have been and

will continue to be repaired and laid-up using stringent procedures that address the common problems identified during the activations last year. MARAD is placing ship rider teams aboard RRF ships as they return so that comprehensive lay-up and deactivation work packages are developed, assuring future vessel readiness.

In the year ahead, we will continue to work closely with the Department of Defense (DOD) so that "lessons learned" from the Persian Gulf conflict are implemented. Two RRF RO/RO's will soon be placed in ROS condition to replace Navy Fast Sealift vessels that will be undergoing extensive overhaul. MARAD is also disposing of obsolete NDRF vessels on a systematic schedule, after thorough stripping of useable spare parts, consistent with world market scrap price fluctuations in order to assure maximum revenue is received.

MARAD will continue to seek solutions to the serious problems of crewing American sealift ships in an emergency in the coming year. The trained seafaring workforce has been gradually shrinking over the past two decades in response to changes in the fleet and rapidly increasing productivity. During Operations Desert Shield and Desert Storm, many potential mariners working in shoreside jobs were unable to take jobs aboard the RRF ships because there was no guarantee that their private sector employment would be available upon their return. Legislation to remedy this problem is currently pending in Congress, and I urge enactment as soon as possible.

Other Program Initiatives

On April 16, 1992, the Administration established a Working Group on Commercial Maritime Policy. The Secretary of Transportation, Andrew Card, Jr., has been designated to head this top level group comprised of 17 cabinet members, advisors, and agency officials. The mission of the Working Group is broad, covering a range of responsibilities from assessment of alternative policies for making the U.S. merchant marine more competitive to defining the relative role of the commercial and government-owned fleets to meet defense-related sealift requirements. The Working Group is charged with reporting its findings and recommendations to the Administration's Policy Coordinating Group by May 22, 1992. As you know, Mr. Chairman, Secretary Card is scheduled to present a maritime policy statement to this Committee in June 1992.

On the international side, MARAD successfully negotiated the language that will be used to adapt the 1990 agreement with the former Soviet Union to the realities of the relationship between the United States and the Russian Federation. The new accord enhances the development of trade and shipping relations by providing for facilitated port access in both countries and equitable treatment of U.S. carriers operating in Russia. A new equal access agreement with Brazil, containing Brazil's commitment to further reduce government control of bilateral liner cargo while ensuring equal access for U.S. carriers to

Brazilian government-mandated liner cargo in the United States-Brazil trade, was also negotiated and signed in 1991. MARAD will soon be involved in the negotiation of a new bilateral maritime agreement with China to replace present accords that will expire at the end of 1992. MARAD will also consult with Korea on shipping matters and related issues this summer, as part of ongoing efforts to liberalize the Korean maritime trades.

Cargo preference also remains vital to the U.S.-flag fleet. In that regard, I note that, for the first time in several years, the Israeli government submitted a side letter to their cash transfer agreement with the U.S. Government, agreeing to purchase U.S. grain and to ship one-half of the anticipated 1.6 million tons on U.S.-flag carriers. We fully anticipate that 800,000 tons of U.S. grain will move to Israel under this program this year. To date, during FY 1992, U.S.-flag operators have carried 622,000 metric tons of grain to Israel.

With respect to humanitarian assistance cargoes destined for the Former Soviet Union, thus far, out of a total of approximately \$5 billion in aid, \$165 million of cargoes have been designated for programs requiring preference for U.S.-flag carriers. The rest is to move under credit guarantee programs involving commercial market terms. These programs are not to be used for foreign assistance purposes. Former Secretary Skinner made clear the Department's position that should aid programs become concessional, they are subject to cargo preference.

Mr. Chairman, at this time, I would like to highlight several of MARAD's accomplishments. This year, we launched the Shallow Draft Initiative and are working cooperatively with the shallow draft segment of the industry on projects designed to enhance the utilization of our inland waterway system. Based on industry input, two initial projects have been selected for immediate action, the first focusing on shallow draft intermodal opportunities and the second highlighting the environmental advantages of domestic waterborne transportation.

We have also instituted a shipper recognition award to thank those companies which have been loyal supporters of the U.S. flag. On my trip to Asia in February of this year, we awarded 105 certificates. Our domestic program has just gotten underway, with 11 companies honored thus far.

Regarding the Title XI program, during FY 1991, MARAD approved a total of approximately \$81.7 million in Title XI loan guarantee commitments. The commitments are for vessel debt refinancing, barge reconditioning and new barge construction. MARAD also had sales of \$92.8 million with respect to the disposition of repossessed Title XI equipment. Regarding the Capital Construction Fund (CCF), MARAD approved and entered into five new CCF agreements.

Recently, MARAD completed a commercial ship design concept, including military enhancements, at the request of and for the consideration of the Department of the Navy, for further strategic sealift deployment.

Over the past two years, MARAD has taken a lead role in the cooperative effort between the Department and industry to assess the adequacy of landward intermodal transportation access to U.S. ports. MARAD has been joined in this effort by other DOT agencies, the American Association of Port Authorities (AAPA), the American Association of State Highway and Transportation Officials (AASHTO), the Inland Rivers, Ports and Terminals, Inc. (IRPT) and the Pacific Northwest Waterways Association. This nationwide assessment is being undertaken by the National Research Council's Transportation Research Board (TRB) at MARAD's request. The TRB has recently published its Phase I findings and recommendations, identifying appropriate strategies to reduce impediments to the efficient movement of general cargo on highways and railroads serving the Nation's ports. This report is very timely in light of the passage of the Intermodal Surface Transportation Efficiency Act of 1991, which provides States and localities with funding flexibility to use Federal dollars for multimodal activities including port access. Additionally, in late 1991, MARAD and the Federal Highway Administration (FHWA) signed a Memorandum of Understanding which provides for ongoing cooperation and coordination in pursuing the goal of a more efficient intermodal transportation system that provides improved access to the ports.

MARAD, in conjunction with the Secretary's Office of Intelligence and Security, Coast Guard, Customs Service, Federal Bureau of Investigation, Drug Enforcement Agency and State

Department, is also continuing a series of regional security seminars to inform the maritime community of the security threats facing the industry from illicit drug trafficking and from terrorism on the high seas.

Thank you for allowing me this opportunity to highlight the efforts MARAD has underway to improve and promote a stronger maritime industry. Mr. Chairman, I will be pleased to answer any questions that you may have.