

**SUMMARY STATEMENT OF JOAN B. YIM
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BEFORE THE SUBCOMMITTEE ON FOREIGN AGRICULTURE AND
HUNGER OF THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES**

JUNE 17, 1993

Mr. Chairman, members of the Subcommittee, my name is Joan Yim and I am the Acting Maritime Administrator for the Department of Transportation. I am pleased to be here today to discuss cargo preference issues pertaining to government-supported agricultural exports.

The Maritime Administration (MARAD) supports the nation's agricultural foreign aid export programs, as well as the nation's cargo preference programs. We are committed to making these programs work to the benefit of all.

The Clinton Administration intends to abide by longstanding maritime policy in the movement of aid financed by the American taxpayer to the Russian people. This Administration also is committed to resolving long-term policy disputes among some Federal agencies over the use of U.S.-flag vessels.

I will now comment on the cargo preference programs as they

relate to your specific questions.

BENEFITS

In response to your concern that USDA and the American farmer subsidize the U.S. merchant marine fleet but receive no tangible benefit, let me clarify that Congress appropriates funds to cover the cost of meeting cargo preference requirements. By paying for both agricultural foreign aid and the costs related to shipping it to the recipient nation, the American taxpayer supports the export of agricultural commodities, the readiness of our U.S.-flag merchant fleet for national emergencies, and our nation's role in today's global economy. These are very important benefits accruing to the taxpayer which mutually benefit both agricultural and maritime interests.

A secondary, but critical, benefit is the modernization and improved efficiency of a core segment of the U.S.-flag fleet. This benefit was documented by the Government Accounting Office in its 1990 study, CARGO PREFERENCE REQUIREMENTS-THEIR IMPACT ON U.S. FOOD AID PROGRAMS AND THE U.S. MERCHANT MARINE. The study concluded that the average freight differential on bulk vessels had declined by 50 percent since 1981 due to vessel efficiencies.

Congressional support made possible the more modern ships that have reduced costs.

A third benefit is the availability of American civilian seafarers to crew vessels in the Ready Reserve Force (RRF). MARAD owns and maintains the RRF in readiness to carry goods and supplies to areas of conflict throughout the world. As needed, U.S. merchant mariners must be available to activate and crew the RRF and other military support vessels for wartime service or during national emergencies.

Peacetime jobs aboard U.S.-flag commercial ships, including those operated largely in preference trades, provide a pool of trained American seafarers who can be called upon for emergency service. As President Clinton has said, "America's merchant ships continue to provide jobs and economic benefits for America. The men and women who sail those ships and who serve in supporting industries are prepared to support the Nation in times of crisis."

FAIR AND REASONABLE GUIDELINE RATES

MARAD's procedures for determining fair and reasonable guideline rates for cargo preference shipments are contained in regulations, which I would like to submit for the record of this hearing.

The fair and reasonable guideline rate is based on the fair and reasonable cost of U.S.-flag operation, plus a reasonable profit. It is a ceiling rate above which shipping charges by a carrier would be considered excessive. However, there is no mechanism to provide a floor rate to minimize an operator's potential losses on a voyage.

MARAD provides these guideline rates for U.S.-flag vessels when requested by the USDA or AID for their use in the award process.

Sponsoring agencies arrange or oversee the transportation contracting. MARAD determines whether the rates are fair and reasonable and monitors compliance with the cargo preference requirements. A fuller explanation of the process is contained in my written statement.

CARGO PREFERENCE ASSISTANCE

Like the Government's current donation and concessional programs, cargo preference requirements were established by Congress.

Cargo preference is one aspect of current maritime policy that clearly has helped maintain an important component of the American merchant fleet and American seafaring jobs during difficult times.

Reform of our maritime promotional programs is under review at the highest levels of the Clinton Administration. Our on-going efforts to improve the overall efficiency and economic competitiveness of the U.S.-flag merchant marine are directed at reducing costs for shipping.

THE USDA/AID/MARAD COOPERATIVE WORKING GROUP

Mr. Chairman, along with my colleague, Mr. Goldthwait, I am pleased to emphasize the USDA/AID/MARAD Working Group whose goal is to improve the efficiency and effectiveness of cargo preference shipments.

We have worked on a number of problems involving shipments to Russia. As a result, Russia has agreed to establish a joint U.S./Russian working group to monitor Russian port conditions on an ongoing basis. U.S. vessel owners will be given a clearer picture of their true risks when they bid to carry these food-aid cargoes.

The Russians will have the incentive to discharge cargoes quickly, because by doing so they will reduce freight costs and these savings may result in more commodities of their choosing being available.

I would also like to note that in May, MARAD and USDA sent a team to Russia to scrutinize port conditions there. They have reported

congestion problems in Novorossiysk and St. Petersburg, and a potential shortage of rail cars when the Russian harvest begins in July. If there are not enough rail cars and no storage facilities, ships will have difficulty unloading their cargoes. This is¹an area we will be monitoring very carefully.

Our inter-agency efforts to solve problems in our preference programs are not a one-shot thing. MARAD, USDA and AID are working toward a preference program that serves the national interest as well as the agriculture industry and the maritime industry.

CONCLUSION

Finally, and most significantly, Secretary Peña and Secretary Espy have set the cooperative direction for their efforts to address cargo preference issues. Our agencies are taking steps to deal with cargo preference issues for the benefit of agricultural producers, shippers, and carriers. We at MARAD plan to move forward and not lose momentum as we begin discussions on longer term issues. The Administration intends to comply fully with the letter and spirit of the law. That concludes my prepared statement, Mr. Chairman. I will be happy to respond to any questions you or Subcommittee members may have.