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BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE OF THE COMMITTEE ON MERCHANT MARINE AND FISHERIES U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman, members of the Subcommittee, I appreciate your invitation to testify on behalf of the Department of Transportation concerning H.R. 2151, the Maritime Security and Competitiveness Act of 1993.

I would like to commend the members of the Subcommittee for meeting head-on the problems facing the U.S. maritime industry. The causes for the long-run decline of the U.S. merchant marine are many and complex, including higher capital and operating costs, more stringent regulatory requirements, and higher taxes in comparison to foreign carriers operating in the U.S. trade. These disparities result in advantages for foreign-flag operators, making

it more difficult for U.S. shipping companies to compete in international markets.

As this Subcommittee understands, most U.S. maritime policies and programs date from the mid-1930's. They were commercially responsive to that era and were critical to our military successes in World War II, and the Korean and Vietnam conflicts. Nevertheless, these programs were not designed to allow U.S. carriers and shipyards to respond rapidly to the dynamic situations found in today's international markets, nor were they conceived to foster the types of innovation and improvements in efficiency that are now needed to be competitive worldwide.

The Administration recognizes the important role that the U.S. merchant marine plays in both our national defense and the trade policies of the United States. As President Clinton recently stated, "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."

During times of national emergency or other crises, the commercial fleet is a critical source of strategic sealift, as was demonstrated yet again during Operations DESERT SHIELD and DESERT STORM. The active commercial fleet also provides a base of seagoing employment for American seafarers, who in turn are available to the Department of Defense and the Maritime Administration to crew sealift ships, including the Ready Reserve Force, during crises. The use of civilian merchant mariners on Government ships in times of emergency is one of the most cost-effective and efficient examples of "public-private partnerships", a new concept to many, but a well-tested one, for our national defense.

During peacetime, as General Colin Powell said in his commencement address to the 1992 Kings Point graduating class,

"the merchant marine has another vital role--contributing to our economic security by linking us to our trading partners around the world and providing the foundation for our ocean commerce. . . . Our strategy demands that we have access to foreign markets, to energy, to mineral resources and to the oceans. We must be able to project power across the seas. This means that not only do we need a strong navy, but a strong maritime industry as well."

The commercial fleet provides an important international presence for trade, safety and environmental purposes. In addition, the commercial U.S. maritime industry is an important source of employment. Over 20,000 seafarers are employed on privately owned, oceangoing U.S.-flag ships. The U.S. shipbuilding and repair industry employs substantially more people -- approximately 115,000 in the major shipyards in the United States and about twice that number in the supply industry.

The U.S. maritime industry is now at a crucial juncture. If the industry is to be internationally competitive, then U.S. companies must be able to face the same cost and regulatory structure, and have the same operating flexibility as their foreign competitors. I believe that unless this Nation takes some action to revitalize and reinvigorate our maritime industries, we potentially face losing our status as a major maritime nation. H.R. 2151 is one possible solution to this daunting problem.

Given the divergent views within the American maritime industry, formulating and implementing meaningful and acceptable changes in maritime policy is a difficult process and there are no easy solutions. For nearly six months, the Administration has worked arduously to develop an appropriate initiative that would help to improve the overall efficiency and economic competitiveness of the industry. Early in his tenure, Secretary Peña met with representatives from all sectors of the U.S. maritime industry -- carriers, shippers, maritime labor and shipbuilders -- to discuss

their concerns and to listen to their ideas on how to make the industry stronger.

Based on these discussions, and discussions with other Administration officials, Secretary Peña developed a set of maritime policy initiatives which were presented to the National Economic Council (NEC) in April. The NEC met regularly over the course of several weeks to discuss in detail each of the Secretary's initiatives, along with policy alternatives.

Maritime reform has received vigorous attention within the Administration and is still under active consideration. One of the crucial issues that has yet to be resolved is funding for a maritime program. Severe budgetary limitations have already been placed on attempts to increase Federal expenditures generally, and financing priorities for some of the Administration's initiatives have yet to be resolved. Let me assure you, however, that the

concerns of the Congress and the industry will be weighed in the decision-making process.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions that you or members of the Subcommittee may have.

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