

STATEMENT
OF
ALBERT J. HERBERGER
MARITIME ADMINISTRATOR
ON
BEHALF OF
THE
MARITIME ADMINISTRATION
BEFORE THE
OVERSIGHT PANEL ON THE MERCHANT MARINE
OF THE
NATIONAL SECURITY COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
IN SUPPORT OF
FISCAL YEAR 1997 AUTHORIZATION
FOR THE
MARITIME ADMINISTRATION
MARCH 5, 1996

DEPARTMENT OF TRANSPORTATION
STATEMENT OF MARITIME ADMINISTRATOR
ALBERT J. HERBERGER
BEFORE THE OVERSIGHT PANEL ON THE MERCHANT MARINE
OF THE
COMMITTEE ON NATIONAL SECURITY
U.S. HOUSE OF REPRESENTATIVES
IN SUPPORT OF FISCAL YEAR 1997 AUTHORIZATION
FOR THE MARITIME ADMINISTRATION

Mr. Chairman and Members of the Panel:

I welcome the opportunity to be with you today, to discuss the Maritime Administration's (MARAD) programs for Fiscal Year 1997. As you know, the specific figures comprising the budget request will be transmitted to Congress when the President's budget is submitted on March 18, 1996.

First, I would like to thank the members of the Merchant Marine Panel, and the Committee on National Security, for all their support and hard

work in passing H.R. 1350, the Maritime Security Act. I would especially like to thank you, Chairman Bateman, Vice Chairman Cunningham, and Congressman Taylor, for your bipartisan leadership -- so critical to passage in the House. Senate action on this legislation is pending, and we are confident of final passage. We are also preparing to implement the Maritime Security Program.

At this time, I will highlight some of MARAD's and the Administration's significant accomplishments in FY 1995 and the beginning of FY 1996. These include the Title XI shipbuilding loan guarantee program, the Maritime Security Program, the Voluntary Intermodal Sealift Agreement (VISA) Program, the Ready Reserve Force, maritime training and the importance of intermodal transportation to national security. I would also like to bring your attention to the attached objectives of our agency that relate to our national security role.

Title XI Loan Guarantee Program

Let's begin with Title XI. Since enactment of the National Shipbuilding Initiative (NSI) in 1993, MARAD has approved over \$1.5 billion of Title XI financing for 144 vessels and three shipyard modernization projects as of February 23, 1996. Included among these approvals were 13 double-hull tankers that will meet all environmental requirements of the Oil Pollution Act of 1990 and the International Maritime Organization (IMO) standards; numerous vessels to be operated under Military Sealift Command charter; and almost 100 liquid and dry cargo barges.

We continue to see the tangible results of our commitment to a vigorous shipbuilding industry and the thousands of skilled workers who are a part of that industry. Recent approvals include the \$247 million Hvide Van Ommeren Tanker project involving five double hull tankers to be built by Newport News Shipbuilding and operated in the domestic trade, and the Dannebrog project for two double hull chemical tankers to be built by Alabama Shipyard. The chemical tankers will be

owned and operated by Danish controlled companies in the international trades. These projects represent a major breakthrough by U.S. shipyards into the commercial shipbuilding market -- all facilitated by a small contribution of appropriated funds that are leveraged to finance large projects.

A word about OPA '90 and shipbuilding. The combination of OPA '90 and Title XI has given us the opportunity to stimulate shipbuilding while we further protect the environment. "A two-for" that creates jobs and preserves our vital national resources. Those of you here who had a hand in crafting OPA legislation are to be commended for your foresight. We in the Administration have worked hard to forge a successful public and private partnership that utilizes these Government programs to stimulate the U.S. shipbuilding industry. And, if I may say so, we have been very successful.

MARAD's three approvals for shipyard modernization included financing National Steel and Shipbuilding Company's (NASSCO) capital improvement project. The \$22.7 million Title XI loan guarantee will

assist NASSCO in modernizing the yard with heavy crane capacity, a fiber-optic network and 3-D computer-aided design terminals. This modernization, along with the Avondale Title XI modernization project, will enable improved productivity on existing Navy work, resulting in savings to the Government estimated to be \$37.5 million.

As of February 23, 1996, MARAD is reviewing 27 applications for approximately \$1.9 billion in ship construction loan guarantees. For the benefit of the members of the Panel, I have attached the most recent breakdown of our approved and pending Title XI loan applications.

As you can see, since the enactment of the National Shipbuilding Initiative (NSI), and the President's 5-part shipbuilding plan, Title XI funds have been utilized for shipbuilding projects for both domestic and foreign markets, as well as shipyard modernization projects. All of these projects ultimately revitalize an important national resource and further protect our security interests.

Maritime Security Program

Mr. Chairman, I will now discuss the Maritime Administration's proposed new Maritime Security Program (MSP).

As you know, H.R. 1350 will establish a new Maritime Security Program (MSP) under Title VI of the 1936 Merchant Marine Act. This ten-year program will provide support for up to 47 U.S.-flag vessels in the foreign commercial trade of the United States. The MSP will be subject to an annual appropriation and requires payments to participants of \$2.3 million per ship per year during fiscal year 1996, decreasing to \$2.1 million per ship per year for the remaining nine years of the program. These payments are up to 50 percent less, per vessel, than payments made under the existing operating-differential subsidy (ODS) program. In return for this operating assistance, MSP operators will make their commercial transportation systems available to DOD during a national emergency.

It should be noted that of critical importance to future sealift contingencies is the availability of trained mariners to crew the government-controlled fleet. Without a U.S.-flag merchant marine or a merchant mariner reserve program, the majority of the current pool of U.S. mariners will disappear. The crews that work on our Nation's commercial fleet ultimately man the Ready Reserve Force (RRF) and other Government-owned ships. It follows that the future of the MSP could affect the future of the RRF and the Government fleet.

We have already made significant progress in our plans for the future implementation of the MSP. MARAD has obtained Office of Management and Budget (OMB) approval for an MSP Application Form, and is preparing implementing regulations. After enactment of H.R. 1350, MARAD plans to immediately solicit applications and publish the regulations. We could expect to review applications and make tentative determinations concerning participant and vessel selection about five weeks after enactment. Final selection of participants and vessels, and the offering of MSP Agreements to selected carriers could take place within 45 days of enactment. The MSP could actually

commence once carriers execute agreements. Assuming a May 1, 1996 start date, the MSP can support the full program complement of 47 ships for the five months remaining in FY 1996.

A major element of the MSP is its requirement for a participant's enrollment in an Emergency Preparedness Program. MARAD, together with the U.S. Transportation Command and interested U.S. carriers, is currently engaged in a one-year prototype program called the Voluntary Intermodal Sealift Agreement (VISA) which will be used to fulfill the requirements of the Emergency Preparedness Program for the MSP. VISA has been developed using lessons learned from the Persian Gulf conflict. The objective of VISA is to promote and facilitate Department of Defense (DOD) use of existing commercial intermodal transportation systems -- from ships to containers to management systems -- while minimizing disruption to commercial operations. The VISA program takes advantage of the U.S. commercial fleet's multi-billion dollar capital base and its door-to-door transportation capabilities. VISA incorporates joint planning by the industry and government to provide a mechanism for carriers to pool assets to meet both DOD and

commercial commitments. VISA also provides for a seamless, time-phased transition from peacetime to wartime operations for the deployment and sustainment of U.S. forces. Currently, the U.S. Transportation Command, together with MARAD and industry, is developing concepts of operation, which for the first time in peacetime, include commercial carriers in the dissemination of classified military contingency plans.

Ready Reserve Force

As you know, MARAD's National Defense Reserve Fleet (NDRF) will now be funded by the Department of Defense National Defense Sealift Fund. There are 220 ships in the NDRF, of which 92 are Ready Reserve Force (RRF) ships. The RRF is geared to support the rapid worldwide deployment of U.S. military forces. The RRF has proven to be a key element of strategic sealift, transporting military equipment and initial resupply for forces deployed anywhere in the world, during the critical period before adequate numbers of commercially available ships can be marshalled.

RRF ships are ready in 4, 5, 10 or 20 days, depending on their location and state of readiness. Forty-six RRF ships are outported at locations around the United States. Most of the remaining ships are moored at the three reserve fleet sites at James River, Virginia; Beaumont, Texas; and Suisun Bay, California, and three small tankers in Japan.

By the end of fiscal year 1996, the RRF will total 94 ships consisting of 35 breakbulk ships, 31 roll-on/roll-off (RO/RO) vessels, 7 heavy lift ships, 9 auxiliary crane ships, 10 tankers and 2 troopships.

RRF operations have been outstanding. At the request of the Department of Defense, we have recently deployed two ships in the Ready Reserve Force (RRF) for Operations Joint Endeavor and Quicklift to assist the Bosnian peacekeeping effort. Our response time averaged only two days. Fourteen RRF vessels assisted in Operation Uphold Democracy for Haiti peacekeeping during the first quarter of FY 1995, and all were activated without problems in an exceptional average of 3.1 days time.

By the end of the year, approximately one-half of the RRF will be manned by "cadre crews" (of 9 or 10 crew members). Cadre crews are required to sail with their assigned ships and are on 96-hour readiness status. The introduction of the cadre crew has greatly improved the readiness of the RRF since DESERT STORM.

Other Programs

MARAD's Operations and Training activities include Maritime Education and Training and operating program expenses.

The maritime education and training program includes the cost of officer training at the U.S. Merchant Marine Academy at Kings Point, New York and support for six State academies. The Academy graduates receive commissions in the Naval Reserve or one of the other Armed Forces. Kings Point is the largest single source of naval reserve officers. Over 26 percent of the Class of 1995 went on active duty in the Navy.

I should point out why the Merchant Marine Academy at Kings Point is so important. The U.S. Merchant Marine Academy was established to educate leaders for the merchant marine and maritime industry. The need for this Federal institution has not changed, but the maritime industry has evolved and changed.

America's economic and national security interests depend more and more on a modern, integrated, efficient intermodal transportation system. As it has in the past, the U.S. depends on new and well-educated leaders to operate and manage its increasingly complex intermodal transportation system.

The modern mission and purpose of the U.S. Merchant Marine Academy is clearly defined: "To provide America's Armed Forces, Merchant Marine and intermodal transportation systems with professional officers and leaders of honor and integrity." Kings Point's curriculum, regimental system and the entire Academy experience are focused on providing leaders to serve the economic and military transportation needs of the Nation, with particular emphasis on the

mode of sealift. The special emphasis on marine transportation and sealift is essential because over 95 percent of America's imports and exports move by ship. This is why the Federal investment in Kings Point is necessary.

Federal financial support is also provided to the six State maritime schools operated by California, Maine, Massachusetts, Michigan, New York and Texas. As in the case of the Merchant Marine Academy, the State schools educate professional maritime officers who ultimately become leaders in our maritime community. Assistance to the State academies is in the form of direct payments, incentive payments to cadets, and maintenance and repair of five ships on loan for use as training ships. Supplemental training courses in shipboard fire fighting, marine diesel engineering and national defense-related courses for licensed and unlicensed merchant mariners are also funded from this account.

All of you already know that waterborne cargo and our port facilities are extremely important to our economy and security interests. I

would like to spend a few minutes discussing some of our programs that relate to the question of emergency port readiness, the movement of cargo, and port access.

Under the Federal Port controller program, MARAD coordinates port activities at the local level during national emergencies, or upon the deployment of U.S. forces. MARAD coordinates its port emergency planning activities with other agencies such as the U.S. Coast Guard, the Military Sealift Command, and the Military Traffic Management Command, on an interagency basis. MARAD currently chairs the National Port Readiness Steering Group for a one-year term.

MARAD also plays an active role in ensuring the smooth flow of commercial cargo through our Nation's ports. In 1995, MARAD chaired the Clinton Administration's Interagency Working Group on the Dredging Process, which prepared an Action Plan for improving the way we approach that essential function.

Waterborne transportation is inherently intermodal in the movement of passengers and freight from origin to final destination. Ports must be effectively linked with the land-based modes of rail, road and air to form a truly productive intermodal transportation system and to serve our military needs.

As a result, MARAD will be actively involved in the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). We will be working to improve port waterside access and landside access to our ports and the intermodal connectors vital to our Nation's freight movements, our economic growth and national security.

Summary

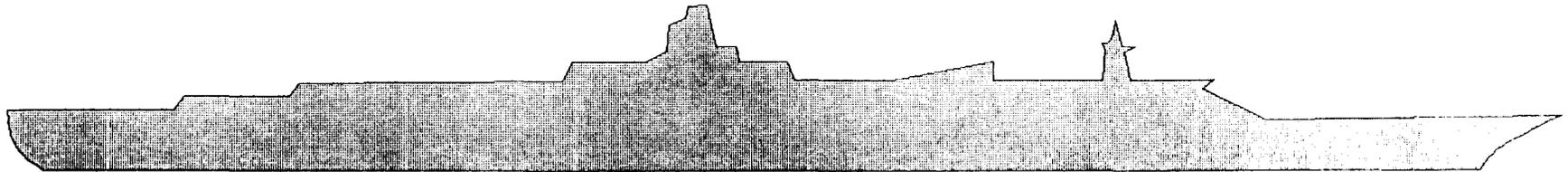
The Maritime Administration's FY 1997 budget request will reflect the President's commitment to our Nation's maritime industry. The budget will seek to maintain support for sealift readiness, the continuation of a U.S.-flag fleet, strong commercial shipbuilding, maritime education and training, and other maritime support programs.

16

This concludes my prepared statement. I will be pleased to answer any questions you may have.

##

MARAD OBJECTIVES



- ENSURE AN ACTIVE FLEET OF U.S. PRIVATELY-OWNED AND OPERATED COMMERCIAL VESSELS
- PRESERVE A U.S. INDUSTRIAL SHIPBUILDING/SUPPLIER BASE
- ENSURE A POOL OF TRAINED U.S. CITIZEN MARINERS
- ENHANCE EFFICIENT PORT AND INTERMODAL SYSTEMS
- MAINTAIN A READY RESERVE FLEET OF CARGO VESSELS