

Calendar No. 556

105th Congress }
2d Session }

SENATE

{ REPORT
{ 105-317

**FY 1999 MARITIME ADMINISTRATION
AUTHORIZATION**

R E P O R T

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND
TRANSPORTATION

ON

S. 2124



SEPTEMBER 9, 1998.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

59-010

WASHINGTON : 1998

SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

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FY 1999 MARITIME ADMINISTRATION AUTHORIZATION

SEPTEMBER 9, 1998.—Ordered to be printed

Mr. MCCAIN, from the Committee on Commerce, Science, and
Transportation, submitted the following

REPORT

[To accompany S. 2124]

The Committee on Commerce, Science, and Transportation, to which was referred the bill (S. 2124) “A Bill to authorize appropriations for fiscal year 1999 for the Maritime Administration and for other purposes”, having considered the same, reports favorably thereon with amendments and recommends the bill do pass.

PURPOSE OF THE BILL

S. 2124, as reported, would authorize appropriations for fiscal year 1999 for the Maritime Administration covering two appropriations accounts: (1) operations and training and (2) the loan guarantee program authorized by title XI of the Merchant Marine Act, 1936; and one project to establish a clearinghouse for maritime information at a State Maritime Academy. Also, the bill would authorize the conveyance of four National Defense Reserve Fleet vessels and amend the Merchant Marine Act, 1936, to authorize the President to delegate his authority to approve war risk insurance for vessels.

BACKGROUND AND NEEDS

The Maritime Administration administers various U.S. merchant marine support programs within the Department of Transportation. The Maritime Administration is composed of approximately 980 employees (including Ready Reserve Force management and U.S. Merchant Marine Academy staff). These programs include Operating-Differential Subsidy, Maritime Security Fleet Program, title XI maritime guaranteed loan program, various cargo preference programs, maintenance of the Ready Reserve Force and National Defense Reserve Fleet, operation of the U.S. Merchant Marine Academy at Kings Point, NY, and State maritime academy assistance.

The Maritime Administration's annual discretionary appropriation does not include Operating Differential Subsidy contract authority costs; permanent, indefinite appropriations for cargo preference costs; or Ready Reserve Force and National Defense Reserve Fleet maintenance funding. Ready Reserve Force and National Defense Reserve Fleet maintenance is funded by the Department of Defense and administered by the Maritime Administration under permanent authority. Annual authorization of Ready Reserve Force and National Defense Reserve Fleet maintenance appropriations is included in Department of Defense authorization legislation. The Maritime Security Fleet Program commenced in fiscal year 1997 and was authorized at \$100 million annually, which would fund a fleet of 47 ships, through fiscal year 2005 by the Maritime Security Act of 1986 (Public Law 104-239). Maritime Security Fleet Program funding must be appropriated annually.

The Maritime Administration's operations and training account funds the administration and staffing of Maritime Administration programs (other than the title XI maritime guaranteed loan program and Ready Reserve Force costs), the U.S. Merchant Marine Academy at Kings Point, NY, federal support for State maritime schools, training courses for merchant mariners, various operating programs, and research and development.

The Maritime Administration's title XI loan guarantee account funds the Federal Ship Financing Guarantee Program, which supports commercial shipbuilding in the United States. For each loan guaranteed by the Maritime Administration, the agency sets aside a portion of the appropriated funds based on the dollar amount of the portion of the loan being guaranteed and the risk of default of the loan.

LEGISLATIVE HISTORY

S. 2124 was introduced in the Senate on May 22, 1998, by Senators Hutchison and Inouye. In open executive session on July 9, 1998, the Committee considered S. 2124, and ordered the legislation reported favorably without objection and with an amendment by Senator Hutchison. The House of Representatives Department of Defense Authorization bill (H.R. 3616) includes provisions similar or identical to the five sections of S. 2124, as reported, which are within the jurisdiction of the Committee. The Committee anticipates the Senate Armed Services Committee will endorse the provisions of S. 2124, as reported, as the Senate position on the corresponding provisions in the House version of the Department of Defense Authorization legislation during the conference with the House of Representatives on that legislation.

ESTIMATED COSTS

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 20, 1998.

Hon. JOHN MCCAIN,
*Chairman, Committee on Commerce, Science and Transportation,
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 2124, a bill to authorize appropriations for fiscal year 1999 for the Maritime Administration and for other purposes.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Deborah Reis.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

S. 2124—A bill to authorize appropriations for fiscal year 1999 for the Maritime Administration and for other purposes

Summary: S. 2124 would authorize the appropriation of \$71 million for operation and training activities of the Maritime Administration (MARAD) during fiscal year 1999. The bill also would authorize \$20 million for 1999 loan guarantees and related administrative expenses, as already authorized under the Merchant Marine Act of 1936. Other provisions of the bill, which would authorize the sale or donation of federally owned vessels and make technical changes to the 1936 Act, would have no effect on the federal budget.

S. 2124 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would have no impact on the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By fiscal years, in millions of dollars—					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
MARAD Spending Under Current Law:						
Budget Authority ¹	68	0	0	0	0	0
Estimated Outlays	67	8	3	0	0	0
Proposed Changes:						
Authorization Level ²	0	71	0	0	0	0
Estimated Outlays	0	60	7	4	0	0
MARAD Spending Under S. 2124:						
Authorization Level ¹	68	71	0	0	0	0
Estimated Outlays	67	68	10	4	0	0

¹The 1998 level is the amount appropriated for that year.

²No amounts are included as proposed changes for loan guarantee subsidies or administrative costs because those amounts are already authorized under current law.

Basis of estimate: For the purposes of this estimate, CBO assumes that S. 2124 will be enacted by or near the start of fiscal year 1999 and that the authorized amount of \$71 million for MARAD operation and training activities will be appropriated for that year. The estimate of outlays is based on historical spending patterns for MARAD. Because appropriations for maritime loan guarantees and related administrative costs are already authorized under existing law, the budgetary effects of S. 2124 would be limited to the \$71 million of authorized expenditures for MARAD operations and training programs.

Pay-as-you-go-considerations: None.

Intergovernmental and private-sector impact: the bill contains no intergovernmental or private-sector mandates as defined in UMRA and would have no impact on the budgets of state, local, or tribal governments.

Estimate prepared by: Deborah Reis.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

REGULATORY IMPACT STATEMENT

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of the legislation, as reported:

S. 2124, as reported, would authorize appropriations to continue existing Maritime Administration programs and would make one change in current law. While most sections of the bill would have minimal regulatory impact, the provisions of section 5 of the bill would affect the Maritime Administration's war risk insurance program by expediting the approval of war risk insurance applications. This change will improve the responsiveness of the United States commercial shipping system to military requirements for ocean shipping into areas of armed conflict.

Because S. 2124 does not create any new programs, the legislation will have no additional regulatory impact, and will result in no additional reporting requirements. The legislation will have no further effect on the number or types of individuals and businesses regulated, the economic impact of such regulation, the personal privacy of affected individuals, or the paperwork required from such individuals and businesses.

SECTION-BY-SECTION ANALYSIS

Section 1. Authorization of appropriations for fiscal year 1999

Section 1 would authorize appropriations for fiscal year 1999 for the Maritime Administration's operations and training and title XI loan guarantee accounts. For expenses necessary for operations and training activities, the bill would authorize \$70,978,000 for fiscal year 1999. For expenses under the loan guarantee program authorized by title XI of the Merchant Marine Act, 1936 (46 U.S.C. App. 1271 et seq.), the bill would authorize \$20,000,000. Of this amount, \$16,000,000 is for the cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a(5)) of loan guarantees under the program, and \$4,000,000 is for administrative expenses related to loan guarantee commitments under the program.

The Administration's fiscal year 1999 budget request for the Maritime Administration included a similar provision that requested \$70,553,000 for the operations and training account and \$20,000,000 for the title XI loan guarantee account. The Administration budget request for fiscal year 1999 would phase out the Student Incentive Program (a Maritime Administration training program assisting students at State maritime academies) over a four-year period by stopping aid for new students. The Administration estimated this would result in a \$350,000 savings in fiscal year 1999. The Administration indicated it wanted to continue the program under Department of Defense funding in the future, but alternate sources of funding had not been determined at the time of the Administration's proposal. The bill, as reported, would authorize an additional \$425,000 above the Administration request to provide full funding for the Student Incentive Payment program (an additional \$350,000) and funding for the clearinghouse for maritime information authorized by section 4 of the bill (\$75,000).

The Committee understands that to educate and commission a maritime school graduate with a military reserve obligation costs the Federal government approximately half as much using the Student Incentive Program compared to using the U.S. Merchant Marine Academy, yet the Administration's budget request included a significant increase in funding for the U.S. Merchant Marine Academy and a significant decrease in State maritime academy funding. The Committee believes the Maritime Administration should continue funding the Student Incentive Payment program until an alternative source of funding is identified and place a greater emphasis on minimizing the Federal government cost of educating and commissioning maritime school graduates with a military reserve obligation.

Section 2. Authority to convey National Defense Reserve Fleet vessel

Section 2 would authorize the Secretary of Transportation to convey the National Defense Reserve Fleet vessel M/V BAYAMON to a purchaser for use as a floating trade exposition to showcase United States technology, industrial products, and services. The provision would require that competitive procedures be used to sell the vessel and that the purchaser be selected on the basis of sealed bids solicited and evaluated in accordance with those procedures. Also, the provision would require the vessel be sold for not less than the fair market value of the vessel in the United States, as determined by the Secretary of Transportation. The amounts received by the United States as proceeds of the sale would be required to be deposited in the Maritime Administration's Vessel Operating Revolving Fund and be available and expended in accordance with section 6(a) of the National Maritime Heritage Act (16 U.S.C. App. 5405(a)). This provision also specifies certain terms of conveyance and required conditions typically required in Government vessel conveyance authorizations. As introduced, this section would have directed the vessel be conveyed to a specific company. In the interest of ensuring the Government receives the best value for the vessel, the reported bill replaces this directed sale procedure with a competitive sale procedure.

Section 3. Authority to convey certain National Defense Reserve Fleet vessels

Section 3 would authorize the Secretary of Transportation to convey the National Defense Reserve Fleet vessels BENJAMIN ISHERWOOD (TAO-191) and HENRY ECKFORD (TAO-192) to a purchaser for the purpose of reconstruction of those vessels for sale or charter. The provision would require competitive procedures to be used to sell the vessel and the purchaser to be selected on the basis of sealed bids solicited and evaluated in accordance with those procedures. Also, this provision specifies the same terms of conveyance and required conditions as are required in section 2 of the bill. The reported bill makes a few technical corrections to this section.

Section 4. Clearinghouse for maritime information

Section 4 would authorize \$75,000 of the amount authorized to be appropriated pursuant to section 1(1) of the bill for operations of the Maritime Administration to be available for the establishment at a State maritime academy of a clearinghouse for maritime information that makes that information publicly available, including by use of the Internet.

Section 5. Act constituting presidential approval of vessel war risk insurance requested by the Secretary of Defense

Section 5 would amend section 1205(b) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1285(b)), by adding at the end the following: "The signature of the President (or of an official designated by the President) on the agreement shall be treated as an expression of the approval required under section 1202(a) to provide the insurance." This amendment would allow the President to delegate the approval authority for vessel war risk insurance to another Government official and is necessary to ensure vessel war risk insurance is available on a timely basis in the event commercial shippers providing sealift to the Department of Defense are unable to obtain commercial insurance on reasonable terms.

The current authority appears to require consultation with the President by the Secretary of Transportation prior to each issuance of vessel war risk insurance. This amendment would ensure the availability of vessel war risk insurance can be predetermined and immediately available in the event of a national emergency or contingency. Recent approvals of vessel war risk insurance required approximately 3 weeks from request to approval. Such time may not be available in a national emergency. A similar amendment for aircraft war risk insurance is being considered by the Congress this session.

This provision was included in the Administration's legislative request for the Maritime Administration and was added to the bill by Senator Hutchison's amendment.

Section 6. Conveyance of NDRF vessel ex-USS Lorain County

Section 6 would authorize the Secretary of Transportation to convey the National Defense Reserve Fleet vessel ex-USS LORAIN COUNTY (LST-1177) to the Ohio War Memorial, Inc., located in Sandusky, Ohio for use as a memorial to Ohio veterans. This provision also specifies the same terms of conveyance and required con-

ditions typically required by the Committee for Government vessel war memorial conveyance authorizations. This provision was added to the bill by the Committee.

S. 2124, as introduced, included a provision that would have amended sections 508 and 510(i) of the Merchant Marine Act, 1936, and section 801 of the Act of June 2, 1951 (65 Stat. 59; 46 U.S.C. App. 1241a), to require that the proceeds of Maritime Administration vessel sales be credited to the Vessel Operations Revolving Fund and authorize costs incident to the sale of such vessels and not covered under the gross proceeds of the sale to be paid from balances in the Vessel Operating Revolving Fund derived from the sale of obsolete vessels. This provision was intended to assist the Maritime Administration in addressing the increased costs of scrapping obsolete Government vessels due to increased environmental requirements. The Committee struck the provision from the bill in the view that the issue of addressing the increasing restrictions on and costs of the Maritime Administration's vessel scrapping program require a more comprehensive review. This includes consideration of requiring agencies that transfer obsolete vessels to the Maritime Administration for disposal to fund the full costs of such disposal.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italic, existing law in which no change is proposed is shown in roman):

MERCHANT MARINE ACT, 1936

SEC. 1205. (46 U.S.C. APP. 1285) INSURANCE ON PROPERTY OF GOVERNMENT DEPARTMENTS AND AGENCIES

(a) Any department or agency of the United States may, with the approval of the President, procure from the Secretary any of the insurance as provided for in this title, except as provided in sections 1 and 2 of the Act of July 8, 1937 (50 Stat. 479).

(b) The Secretary is authorized with such approval to provide such insurance at the request of the Secretary of Defense, and such other agencies as the President may prescribe, without premium in consideration of the agreement of the Secretary of Defense or such agency to indemnify the Secretary against all losses covered by such insurance, and the Secretary of Defense and such other agencies are authorized to execute such indemnity agreement with the Secretary. *The signature of the President (or of an official designated by the President) on the agreement shall be treated as an expression of the approval required under section 1202(a) to provide the insurance.*